



Environmental and Social Policy Document

Export Credit Insurance

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PART 1

ECI CSR Policy Framework

1. Introduction

The export credit insurance (ECI) serves to insure the payment risks associated with export transactions and the political risks associated with foreign investment by Dutch companies and their financiers. Insuring these risks renders the export transactions of Dutch companies possible and, thus, results in the creation of jobs. In this respect, account must be taken of the fact that the export credit insurance is a product on a highly competitive global market and therefore it is of importance to encourage a level playing field on the basis of international policy frameworks.

The Netherlands is a proponent of and advocate for corporate social responsibility and pursues a progressive CSR policy, also in the connection with the provision of the ECI. Wherever possible, ways of having the ECI contribute positively to CSR are promoted. At a minimum, transactions that may have unacceptable negative environmental and social impacts will not be insured. This document replaces the “Environment and Social Review” (2012) policy document¹. The 2012 policy document was in need of an update, because various changes had been implemented in both international and national environmental and social policy applicable to the export credit insurance these past five years. For example, the agreements made on the OECD level, the so-called *Common Approaches*², have been revised in 2016. This inter alia resulted in the addition of a new screening criterion prescribing that, when there is a high likelihood of human rights violations occurring, the regular environmental and social due diligence is expanded with additional attention being paid to human rights. To be able to provide such attention, we obtained external advice on how to embed the *United Nations Guiding Principles on Business and Human Rights* (UNGPs) in the environmental and social policy for the ECI³ and held a consultation on the policy.

The environmental and social policy framework for the ECI is detailed in the following paragraphs, which will address

the responsibility and division of duties, the international and national policy frameworks, the scope of the policy, transparency and the related policy documents. Part 2 of this document contains the “Export Credit Insurance Environmental and Social Review Procedure”, which represents the procedure followed by Atradius Dutch State Business (Atradius DSB) when exercising environmental and social due diligence.

2. ECI responsibility and division of duties

The ECI is the responsibility of the Minister of Finance, in consultation with the Minister of Foreign Trade and Development Cooperation (FTDC), hereinafter: the “State”. They establish the policy frameworks within which Atradius DSB carries out the ECI, including the environmental and social due diligence associated with it. Atradius DSB has established a CSR desk staffed by environmental and social experts to perform these tasks. The CSR desk is part of the Atradius DSB Acceptance Team (Underwriting).

Each application for an insurance from Atradius DSB receives an initial screening to determine whether a review on environmental and social aspects is required on the basis of set criteria. The due diligence process is comprised of various components and is a continuous process of identifying, assessing, addressing and tracking environmental and social impacts, and of cooperating and communicating with the involved stakeholders and other interested parties. This process is further detailed in Part 2.

The *Common Approaches* concretely specify how to exercise the environmental and social due diligence, what standards to apply in this connection and what relevant environmental and social information needs to be obtained to assess a project. The exporter or, as the case may be, the buyer will be requested to provide such information. In many cases, this is a joint effort which, upon consideration, may also involve the buyer and other parties and in the course of which publicly available information will be referenced. Such cooperation between the various parties is of prime importance for properly

1 Parliamentary Documents II, 2012-2013, 26485, no. 146 (in Dutch only).

2 Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence.

3 Integrating Human Rights Due Diligence: A Review of Atradius DSB’s Environmental and Social Policy and Procedure, Shift, November 2017.

exercising environmental and social due diligence. If the exporter has its own due diligence process well in place, the associated burden will be limited.

The due diligence process will be addressed in Part 2.

As part of the acceptance process, Atradius DSB will submit its findings on high and medium risk projects (so-called category A and B projects, respectively) to the State by way of a recommendation. The State is informed of non-project-related transactions (such as the delivery of ships) that feature a high environmental and social risk, as well. The State in such cases decides whether a transaction is eligible for the issuance of an export credit insurance. If the environmental and social consequences are deemed to be acceptable, the transaction will be insured. Atradius DSB is authorised to independently come to a decision for all other transactions. The Ministry of Finance annually performs an ex post spot check of the applications disposed of by Atradius DSB under this authorisation by way of inspection.

The Ministry of Finance, in consultation with the Ministry of Foreign Affairs, represents the Netherlands in various international formal and informal decision-making, advisory and consultation bodies relevant to the ECI. The Ministry's delegation is complemented by one from Atradius DSB. They jointly follow the relevant international and national developments in the field of CSR and advocate higher international standards. Wherever necessary, changes in the international playing field are embedded in the environmental and social policy framework for the ECI and in Atradius DSB's procedures. This environmental and social document is not, therefore, a static document.

3. International policy framework

a. Common Approaches

The environmental and social due diligence process

accords to the *Common Approaches*, which provide a clear and concrete assessment framework tailored to the ECI. All export credit agencies of the OECD member states have internationally committed to applying them to the environmental and social due diligence for export credit insurances and investment guarantees. The *Common Approaches* provide a base level of harmonisation for the environmental and social due diligence, thereby contributing to effecting a level playing field.

The *Common Approaches* have been most recently revised in 2016⁴. One important change has already been referred to in the above: the addition of "high likelihood of human rights violations occurring" as a new review criterion. In addition, definitions have been adjusted, the list of non-binding international reference documents (such as the Guidance Notes) has been expanded and the list with projects that need to be classified as falling in category A has been adjusted, among other changes.

The *Common Approaches* apply to all officially supported export credits with a repayment term two years or more. All transactions falling within these limits are screened. Following screening and classification, the substantive due diligence is exercised. The Common Approaches refer to a substantive reference framework in this connection.

b. IFC Performance Standards

The *IFC Performance Standards*⁵ and the *World Bank Group Environmental, Health and Safety Guidelines*⁶ (EHS Guidelines) provide the concrete assessment framework for this due diligence. The IFC is a part of the World Bank Group providing financing in order to promote the private sector in developing countries. The *IFC Performance Standards* are the standards used by the IFC to assess the projects the IFC considers providing loans to. These standards are also embraced by the international financial sector through implementation in individual environmental and social review policies.

4 The current version was adopted by the OECD Ministerial Council on 6 April 2016 and can be retrieved via the following link: <http://www.oecd.org/official-documents/publicdisplaydocumentpdf/?cote=TAD/ECC%282016%293&doclanguage=en>

5 The current IFC Performance Standards have not been revised since 2012 and can be retrieved via the following link: http://www.ifc.org/wps/wcm/connect/115482804a0255db96fbffd1a5d13d27/PS_English_2012_Full-Documents.pdf?MOD=AJPERES. The associated Guidance Notes are available via: http://www.ifc.org/wps/wcm/connect/e280ef804a0256609709ffd1a5d13d27/GN_English_2012_Full-Documents.pdf?MOD=AJPERES.

6 The various EHS Guidelines are available via: http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/ehs-guidelines.

The eight IFC standards inter alia relate to labour standards, land acquisition and involuntary resettlement, biodiversity conservation and natural resources, and protection of indigenous peoples. For more information on the contents of these standards, refer to Part 2 of this document. The *EHS Guidelines* provide a so-called technical reference framework allowing for the further substantiation of the *IFC Performance Standards*. In addition to a general *EHS Guideline*, which provides standards on, inter alia, emissions, waste management, and occupational and community health and safety, specific industry sector guidelines for, inter alia, the agribusiness, chemicals, infrastructure, and oil and gas industries exist.

c. Additional reference framework

In addition to the *IFC Performance Standards* and the *EHS Guidelines*, various non-binding international reference documents exist that, where relevant, can be consulted during the environmental and social due diligence process.

It may occur that an environmental or social aspect relevant to a project cannot be properly assessed on the basis of the IFC PS. Animal welfare constitutes one example hereof. Even though the *Common Approaches* refer to the standards of the World Organisation for Animal Health (OIE) and the IFC Good Practice Notes, it may occur that a specific necessary standard is lacking or incomplete. In such a case, it is investigated which other internationally recognised standards can serve as a reference framework for the substantive environmental and social due diligence. Relevant EU Directives constitute an example thereof. The *Common Approaches* allow for this approach with other topics as well. With this approach, an as careful as possible a risk assessment is ensured, without jeopardising the level playing field, whereby the potential impacts are listed and, where necessary, mitigation or compensation for these impacts is planned for.

For instance, specific *IFC Good Practice Notes* providing for the further substantiation of the standards have been drawn up. *The Voluntary Guidelines on the Responsible*

Governance of Tenure of Land, Fisheries and Forests (VGGT), too, are consulted whenever such is called for. The VGGT is a set of voluntary standards promoting the sustainable use of land by vulnerable groups in society whose survival depends on the traditional rights of use of land, forests and water. Rights to land are already addressed by the *IFC Performance Standards*, but specifically in the context of the access to natural resources by vulnerable groups, the VGGT can be consulted so as to ask targeted questions in the context of the environmental and social due diligence.

Whenever an application is subjected to environmental and social due diligence, the possible project-related environmental and social impacts of the projects are assessed. In such a case, the aforementioned standards and

guidelines will be applied to perform the substantive assessment of whether the project meets these standards. As will be further detailed in Part 2, during the assessment, consideration will not be given to the transaction only, but to the entire project. The supply chain, too, will be considered as part of the due diligence process.

d. United Nations Guiding Principles on Business and Human Rights

Since 2016, human rights figure more prominently in the *Common Approaches*. The substantive reference framework for environmental and social due diligence is also based on the *United Nations Guiding Principles on Business and Human Rights*⁷, which are embedded in international standards increasingly often since they were adopted in 2011. These Guiding Principles are founded on:

- a) the recognition of the existing duty by States to respect, protect and fulfil human rights and fundamental freedoms (the “*duty to protect*”);
- b) the role of business enterprises required to comply with all applicable laws and to respect human rights (the “*responsibility to respect*”; and
- c) the need to provide appropriate and effective remedies in case of violations of any rights or non-observance of any obligations (the “*access to remedy*”).

⁷ http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

As referred to in Guiding Principle-4, States should take additional steps to protect against human rights abuses by business enterprises that are owned or controlled by the State, or that receive substantial support and services from State agencies such as export credit agencies and official investment insurance or guarantee agencies, including, where appropriate, by requiring human rights due diligence.

The Dutch State endorses the UNGPs and the importance of promoting and protecting human rights as referred to under the “*duty to protect*”. As such, it has to a large extent used the responsibilities of Guiding Principle-4, in pursuing the international and national environmental and social policy for export credit insurances detailed herein.

Guiding Principle-13b and 17 entail the following. If any environmental and social impacts occur as a result of the actions, the project or the services of the Dutch companies or of their business relationships in the value chain, these companies, as well as ASDB, must identify these impacts under their “*responsibility to respect*” (due diligence) and take suitable steps to prevent and reduce all risks to the extent possible, and must be able to render account of how they deal with those risks.

During the exercise of environmental and social due diligence, priorities are set on the basis of the expected severity of the impacts on the human rights situation. For instance, the risk of severe projectrelated human rights violations, such as child or forced labour, is specifically assessed. Such prioritisation does not, however, mean that any less severe violations are acceptable. Both the State, by way of Atradius DSB, and the insured parties must exert their influence to limit the possibility of human rights violations to the extent possible.

Atradius DSB will, for each application, assess whether a risk of any human rights violations exists, what these risks are, and what countermeasures can and must be taken if the application is to be eligible for an export credit

insurance. In some cases, the violation may be so severe for the transaction to not be acceptable, meaning that no insurance policy will be issued. This includes cases involving child or forced labour or human trafficking.

The way Atradius DSB executes this human rights due diligence is explained in further detail in Part 2.

e. OECD Guidelines for Multinational Enterprises

In addition to the aforementioned international ECI framework, the State attaches great importance to compliance with the *OECD Guidelines for Multinational Enterprises*⁸. These Guidelines detail what is expected of companies with respect to corporate social responsibility. The Guidelines inter alia address employment and labour relations, science and technology, the environment, the disclosure of data, competition, financing and taxes. Every applicant for export credit insurance must sign a best efforts statement with respect to observing the OECD Guidelines. This means that the applicant commits to applying these Guidelines for Multinational Enterprises to the company’s activities to the best of its ability. In addition, Atradius DSB actively consults with the insured parties to discuss what observance of the OECD Guidelines means in practice. Should a party have any questions about the application or interpretation of the OECD Guidelines or have complaints about the exporting businesses’ observance thereof, it can contact the National Contact Point (NCP) for the OECD Guidelines⁹.

4. National policy context

Various policy frameworks at the national level, too, are relevant to corporate social responsibility. These frameworks provide the context within which to act, but do not themselves form an ECI assessment framework. One example is the corporate governance code for listed companies, which was adopted in its revised version in 2016 and enshrined in law in 2017. Pursuant to this code, all listed companies must apply sound corporate governance and report to the Monitoring Committee in this connection¹⁰.

⁸ <https://www.oecdguidelines.nl/oecd-guidelines/a/all-about-the-oecd-general-information/documents/leaflet/2015/1/6/oecd-guidelines-formnes-official-publication>

⁹ For more information, refer to: <http://www.oecdguidelines.nl>

¹⁰ For more information, refer to: <http://www.ctmsolution.nl>

The National Action Plan on Business and Human Rights details how the government wishes to substantiate the “*duty to protect*” and the “*responsibility to respect*” arising from the UNGPs. The adjustment of the environmental and social policy and the further incorporation of the UNGPs serve to implement the National Action Plan with respect to the ECI.

The central employers’ and employees’ organisations represented in the Dutch Social and Economic Council cooperate on promoting international corporate social responsibility. The Social and Economic Council has embraced the OECD Guidelines for Multinational Enterprises and the UNGPs as a normative framework. In addition, the Social and Economic Council helps facilitate the conclusion of sector-specific international CSR agreements. The government has committed itself to the banking sector agreement, concluded in 2016. This agreement contains a paragraph on the provision of the export credit insurance resulting in an endorsement and continuation of the environmental and social policy course already pursued. Pursuant to his agreement, human rights due diligence explicitly forms part of the environmental and social review in case of a high likelihood of project-related human rights violations occurring, and Atradius DSB cooperates with banks in the due diligence process wherever possible. In addition, the State and Atradius DSB actively participate in the further implementation of the agreement.

International Corporate Social Responsibility (ICSR) provides the business sector with opportunities to distinguish itself in the international arena through innovation and the associated quality improvement. In so doing, the Dutch business sector contributes to greater sustainability and inclusion in a drive to meet the Sustainable Development Goals (SDGs) and in certain fields also contributes to meeting the set climate objectives. The export credit insurance allows the Dutch business sector to actually export such Dutch solutions and, thereby, to contribute to the SDGs.

5. Scope of the environmental and social policy within the ECI

As was explained in the section “International policy framework”, above, the *Common Approaches* constitute the starting point for the environmental and social due diligence as exercised by Atradius DSB. All transactions that fall under the scope of the *Common Approaches* are subjected to environmental and social due diligence. However, it is possible that there are transactions that fall outside the scope of the *Common Approaches* and are thus not assessed, while they can have significant negative consequences for people and the environment. For this reason, a more wide-ranging national policy was opted for, pursuant to which transactions the *Common Approaches* do not apply to are as yet subjected to environmental and social due diligence. This concerns transactions with a duration of less than two years, transactions paid in cash (i.e., without financing being provided), and transactions without a clearly defined location (such as vessels). The Netherlands pursues a so-called “*sensitive sectors policy*” with respect to such transactions. Under this policy, transactions involving delivery or supply to a sensitive sector, such as the dredging industry or mining, are always subjected to environmental and social due diligence. More information on sensitive sectors is provided in Part 2.

As a consequence, the national policy is broader than the policy agreed upon at the OECD level. As the environmental and social due diligence is exercised from a risk perspective, the national policy more closely connects to the aforementioned “*duty to protect*” and “*responsibility to respect*” as provided by the UNGPs. This broader scope could result in the competitive position of Dutch exporters being significantly worse compared to exporters from other countries, who only need to observe policies that do not go beyond the restrictions of the *Common Approaches*. Where appropriate, a consideration of the competitive disadvantages may play a part in the decisionmaking process. However, this may not result in a transaction with unacceptable environmental and social consequences being insured by way of the ECI: for this would detract from the high environmental and social standards the State and Atradius DSB subscribe to. So as to further promote these

standards and the level playing field, the Netherlands actively works within the OECD to extend the the scope of the *Common Approaches*.

The level of influence that can be exerted is of importance to the implementation and pursuit of the environmental and social policy and the promotion of the international environmental and social standards. The more direct the relation is to the project to which the delivery is made to, and to the possible consequences of that project, the greater the level of responsibility borne by the party concerned. International CSR terminology differentiates between causing, contributing to and being directly linked to negative impacts. Whenever a party causes or contributes to a negative impact, it must stop doing so, implement mitigating measures and, wherever possible, contribute to a solution. Whenever a party is directly linked to a negative consequence, it is usually unable to halt the negative impact or improve the situation itself. However, it should in such a case exert influence on the parties that have caused or contributed to the negative impact. Depending on the business relationships between the exporter, the subcontractors, the buyer and the project owner, and other parties in the value chain, a party's influence may be minor or major.

In the context of the ECI, the State and Atradius DSB will mainly be linked to the parties that actually cause or contribute to impacts via the insured exporters. For Atradius DSB and the State do not conduct any activities abroad as part of the export transaction. Nor is there any legal relationship with the buyer. Moreover, in its role as insurer, it is mainly able to exert influence only prior to issuing the insurance policy. The insured exporters themselves, too, may sometimes "only" be linked to an effect and, depending on the size of their contribution to a project, be able to exert a limited amount of influence only. The level of proximity differs per transaction. As the distance between Atradius DSB on the one hand and the buyer and project owner on the other is usually a significant one and it can, given its role as an insurer, provide steering only to a limited degree once an insurance policy is issued, the focus of its environmental

and social due diligence process will be on the stage prior to issuing the insurance policy. In providing the ECI, Atradius DSB strives to maximise the amount of influence it can exert and also demands that the insured parties take their responsibility. An exporter could, for instance, discuss necessary working conditions improvements with a project owner. There are various ways for Atradius DSB to exert influence in the context of the due diligence process even after the insurance policy is issued. When a financing party requests an ECI, the inclusion of environmental and social due diligence conditions in the financing documents may constitute one way of exerting influence to improve environmental and social aspects. In addition, projects are monitored for recurring buyers wherever such is possible and useful. For more information on this aspect, refer to Part 2, Environmental and Social Due Diligence Procedure for the ECI.

6. Transparency

The State and Atradius DSB attach great importance to working transparently. For this reason, in conjunction with updating the environmental and social policy document, an explicit information disclosure policy was drafted. This document explains which information on the execution of the export credit insurance may be shared, how this information is provided, and where it can be retrieved. The information disclosure policy is available on the Atradius DSB website.

There are two advantages to sharing information. First, it produces more clarity and transparency with respect to the ECI, and second, it results in information from interested parties that may be of value to the environmental and social due diligence procedures implemented in the framework of the ECI. Atradius DSB in this connection publishes all high-risk projects on its website during the environmental and social due diligence procedure so as to allow all interested parties to submit information or express concerns with respect to a project, for instance. Once the insurance policy is issued, it provides information on its deliberations and publishes an overview of all insurance policies issued, such in conformity with the Vos motion¹¹.

11 Parliamentary Papers II, 2015-2016, 34300 XVII, no. 66.

The Ministries of Finance and Foreign Affairs annually organise a stakeholder meeting for the purpose of effecting transparency. A wide range of parties is invited to this meeting to discuss relevant policy developments. In addition, both the State and Atradius DSB are always available for questions and a constructive dialogue.

More information on transparency specifically in the context of the environmental and social due diligence procedure is presented in Part 2.

7 Related policy

The present environmental and social policy document must be read in conjunction with other ECI policies. The OECD, for instance, has also issued anti-bribery, tax evasion and anti-corruption policies for export credit insurers. However, these topics were not included in the procedure detailed in Part 2 because they fall within the scope of the financial due diligence.

PART 2

Environmental and Social Due Diligence Procedure Export Credit Insurance

1. Introduction

a. Role and function of this document

By providing the export credit insurance facility, the Dutch government promotes Dutch export.

As insuring transactions that may result in serious negative environmental and social impacts is not desirable, it was decided in 2001 that all relevant insurance applications were to be subjected to environmental and social due diligence. The purpose of this assessment is to exclude export transactions to projects or parties with unacceptable environmental and social (including human rights-related) impacts from insurance. The sound assessment of the consequences of a transactions to people and the environment is an integral component of the export credit insurance acceptance process and is conducted by Atradius DSB in its capacity as agent of the Dutch government. The direct responsibility for managing people and the environment, within operational management and in concrete projects, lies with the companies that carry out the specific works or deliver the goods. Atradius DSB, too, bears its own responsibility with respect to these

projects. Even though Atradius DSB, as a general rule, is at a greater distance from the project itself, it does assess the possible impacts of the implementation and informs the parties involved of the significant project-related impacts with the intention to have these parties take measures at project level in order to prevent or mitigate these impacts as much as possible. It also identifies the impacts that may possibly occur in the chain of business relations and exerts its influence to call the exporter and its relations in the value chain into account for their responsibility to endeavour to address these impacts to the best of their abilities. However, the implementation of this will at all times take into account the position of the Dutch companies in relation to their foreign competitors, the so-called level playing field.

This procedure aims to serve as a useful guideline for policy makers, government agents, exporters and their buyers, banks and social organisations in the framework of the environmental and social due diligence for the export credit insurance and the investment insurance. The objective of this document is to:

- lay down all agreements on the environmental and social due diligence procedure in a clear manner; and
- increase the transparency of the environmental and social due diligence procedure.

b. Policy embedding

The guidelines for the environmental and social due diligence procedure are based on the *Common Approaches adopted* by the OECD. In addition, they serve to render the UN Guiding Principles on Business and Human Rights operational.

c. Organisations involved

The State is responsible for drawing up policy with respect to the environmental and social due diligence procedure for the export credit insurance. Atradius DSB, being an agent of the State, is responsible for the proper and sound pursuit of this policy (also refer to Atradius DSB: Corporate Social Responsibility Policy Statement and Atradius DSB: Human Rights Statement).



Figure 1: Ingredients of the environmental and social due diligence process

d. Reader's guide

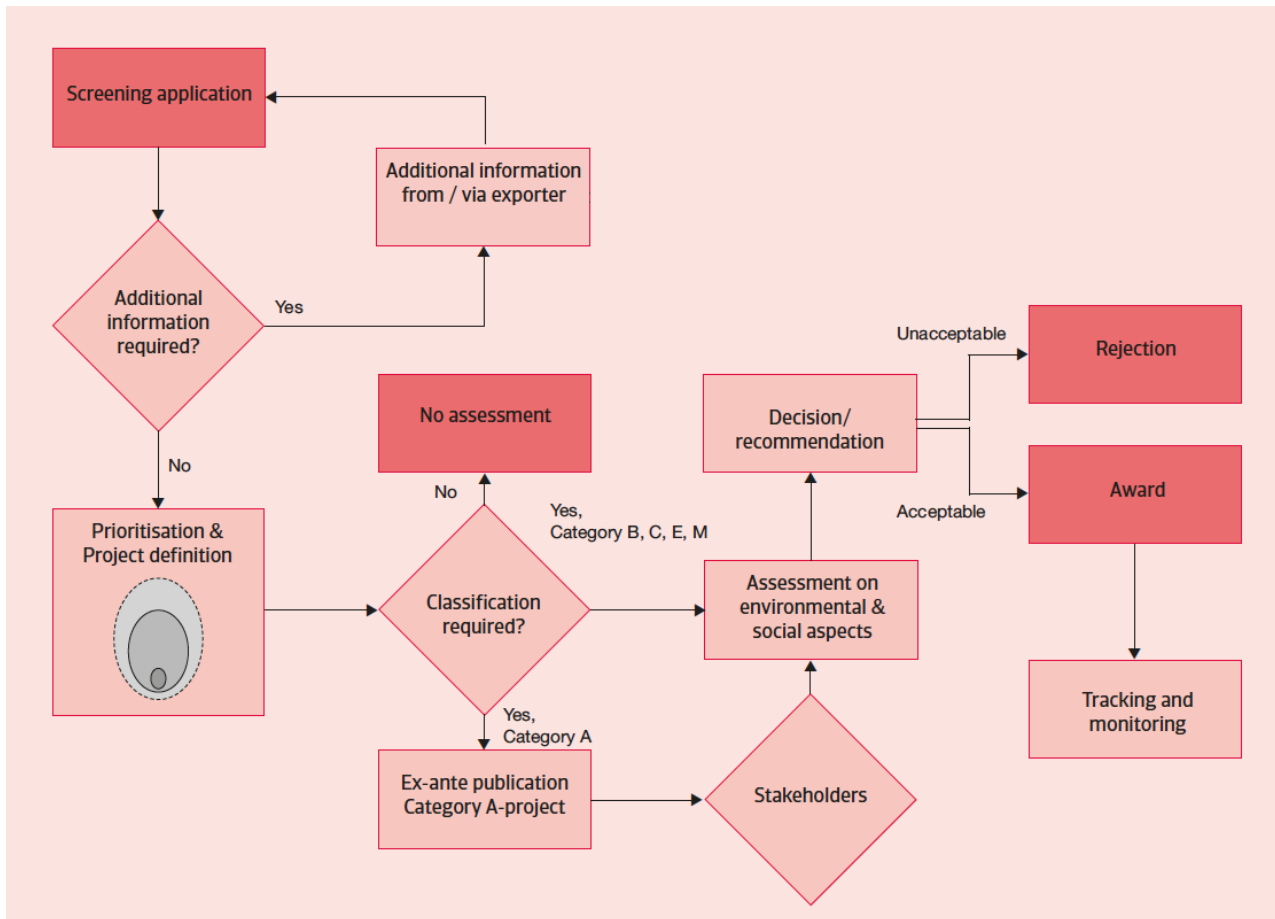
Chapter 2 addresses the environmental and social due diligence procedure followed when an insurance policy application is received. Next, the various components of the “due diligence” concept will be discussed: a continuous process of identifying, assessing, mitigating and tracking environmental and social risks and impacts, as well as communicating about these risks and impacts. These components do not necessarily occur one after the other and may also occur simultaneously. These steps are discussed in Chapters 3, 4, 5 and 6. Finally, Chapter 7 provides more information on the cooperation and communication with the involved parties and stakeholders.

In the context of the ECI, Atradius DSB, in its role as insurer, is mainly able to exert influence prior to issuing the insurance policy. For this reason, the focus of its environmental and social due diligence process will be on the stage prior to issuing the insurance policy.

2. Procedure: from application to insurance policy

This Chapter provides a brief overview of the process followed by Atradius DSB from the moment an insurance application is received. This process is discussed briefly in the below and represented diagrammatically in Figure 2.

Figure 2: Diagrammatic representation of the process from application to insurance policy



The procedure is composed of the following steps:

- **Application form:** The acceptance process starts the moment the application form is received by Atradius DSB. First, an assessment is made of whether the insurance application can be processed. Once this process has been completed, the application is sent to the Atradius DSB CSR desk.
- **Screening:** The CSR desk determines whether an environmental and social due diligence is required, based on established criteria and a prioritisation of environmental and social impacts.
- **Project definition and classification:** The determination of the components the project is comprised of (transaction, project, project environment). In addition, the business relationships relevant to this transaction are mapped. The project is assigned to a category (A, B, C, M, E) on the basis of the potential impacts.
- **Acceptance procedure and recommendation to the State:** Determination of the environmental and social impacts and the measures mitigating those effects. Projects with potentially major adverse impacts (category A) are subjected to ex ante publication on the Atradius DSB website. The final conclusion of the advice is presented to the State as a recommendation, which then decides whether or not to insure the transaction.
- **Decision on the basis of the recommendation:** In case a positive decision is made, the insurance policy is issued.
- **Tracking/monitoring:** Some of the projects and/or parties involved are monitored or tracked following issue of the insurance policy.

We strive to complete our assessment within 6 to 8 weeks; a term comparable to that applied in the financial due diligence procedure. However, completion within this term is dependent to a significant extent on the availability of the required information.

3. Identification of impacts

a. Screening

The purpose of the screening is to determine whether a transaction to be insured, the project delivery is made to, and the exporter, buyer and/or user of the goods or services give cause to expect any potential environmental and/or social impacts, including a high likelihood of severe project-related human rights violations occurring¹². If any potential negative environmental or social impacts are expected, Atradius DSB will exercise environmental and social due diligence.

The environmental and social due diligence process starts with submitting an application. It is the responsibility of the exporter or its financier to correctly complete and sign the application form, including the CSR section. All applications received by Atradius DSB are screened to determine whether environmental and social due diligence is required. Due diligence may be required under the *Common Approaches* or under supplementary Dutch policy (refer to paragraph b. in the Scope section).

The screening takes place on the basis of the information contained in the application form. It may be necessary to request additional information from the exporter to be able to properly perform the screening. Information from publicly available sources is also often consulted during the screening. In the context of the screening, an assessment is made of whether any sensitive issues exist with respect to the exporter, the buyer and/or the project delivery is made to. For instance, the reputation of the parties involved is checked on the Internet.

The prioritisation of impacts, but also the risks inherent to specific countries, sectors or areas where the project is performed, may give cause to exercise due diligence, even if the application would not require such pursuant to the *Common Approaches* (refer to paragraph d. in the Risk prioritisation section).

¹² Wherever this document refers to social impacts or risks, it also refers to project-related human rights impacts and risks.

b. Scope

Scope of international policy

The procedure provided by the *Common Approaches* applies to all officially supported export credits of capital goods and/or services with a payment term of two years or more (medium to long payment term). Transactions related to defence (equipment) and agricultural commodities are exempt from application of the *Common Approaches*^{13, 14}.

Scope of Dutch policy

In 2003, the Dutch government expressly elected to subject more transactions to environmental and social due diligence than was required under the *Common Approaches*, which entered into force at that time. As a consequence, export credit and investment applications for short-term transactions (less than two years), for cash transactions (i.e., transactions with no funding being provided) and for vessels also come under the scope of the Dutch policy. This procedure arises from the choice to be aware of the actual environmental and social impacts of all projects Atradius DSB bears responsibility for. Incidentally, this risk-based due diligence is also referred to as such in the UNGPs. Atradius DSB maps out the impacts of the projects, but also those caused within the associated value chains and informs its direct business relations (i.e., the exporters and banks involved) thereof. These parties contribute to the project, allowing them to exert their influence to mitigate the environmental and social impacts, both within the project (directly) and within the value chain (indirectly).

Appendix 1 provides an overview of the various insurance products, including an explanation of why these products are or are not subjected to environmental and social due diligence.

The first group of products listed therein are the ECI basis products. This concerns insurance applications directly relating to the use of capital goods and services or the

performance of works in projects abroad. These products are always screened on the basis of set criteria. This includes a.o. applications for insurance of capital goods, constructional works and investments by Dutch exporters, as well as applications submitted by banks for insuring the financing of projects delivery is made to.

In addition, there are insurance products where Atradius DSB is further removed from the actual transaction or physical project: these are the liquidity products and insurance products relating to the tender phase.

The intention of the so-called liquidity products is to enable the exporter to produce goods or services by decreasing the financing risks. We do not, by way of these products, cover the fabrication or credit risk associated with the foreign buyer, but do allow for an export transaction to be facilitated. This product group falls outside of the regular environmental and social assessment framework due to the distance from the project to which delivery is made.

The final group of insurance products aims to decrease the financial risks existing during the bidding stage of calls for tenders, including the exchange risk present in the tender process for a project that is to be performed in the more distant future. When the Dutch exporter is not yet sure it will be awarded the contract, it can exert only little influence on its buyer or on the project, because it does not have a lasting relationship with the potential client. This product group is not subjected to the environmental and social assessment. It may occur that, if the contract is won, a regular application, which will be subjected to the regular environmental and social due diligence procedure, is submitted as yet.

c. Criteria

In conformity with the *Common Approaches*, the following screening criteria are applied, and the following applications being assessed on environmental and social aspects:

¹³ Defence transactions are assessed by the Central Import and Export Service in the context of the export permit procedure.

¹⁴ This relates to agricultural or livestock breeding proceeds.

- All export credit and investment applications for a transaction amount of EUR 10 million or over;
- All export credit and investment applications involving delivery to projects in or near to sensitive areas¹⁵, irrespective of the transaction amount;
- All export credit and investment applications involving delivery to projects or operations where screening has identified that there is a high likelihood of severe project-related human rights impacts occurring, irrespective of the transaction amount.

On the basis of supplementary national policy, the following applications are also assessed on environmental and social aspects:

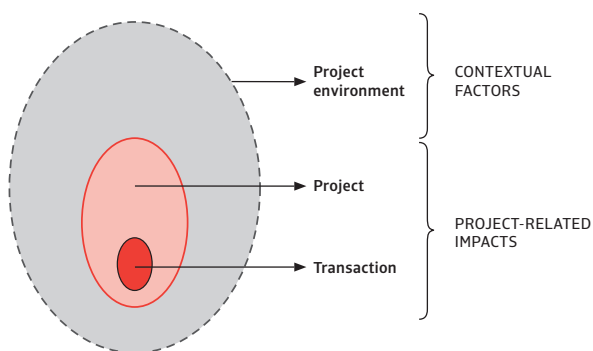
- All export credit and investment applications involving delivery to a sensitive sector, irrespective of the transaction amount.

It follows from the above criteria that transactions of a value less than EUR 10 million are subjected to environmental and social due diligence if they relate to:

- Sensitive areas;
- Sensitive sectors;
- A high likelihood of project related human rights violations occurring.

These aspects are further detailed in the below.

Figure 3: Diagrammatic representation of the project definition



Sensitive areas

The project location may provide a reason for exercising environmental and social due diligence if significant adverse impacts might occur there. This inter alia relates to projects in or possibly impacting:

- Areas of great ecological value (e.g., national parks, rain forests, coral reefs or wetlands);
- Areas featuring high population pressure (e.g., projects that are likely to result in land expropriation and resettlement);
- Areas of importance to indigenous peoples or other vulnerable groups;
- Border areas, conflict areas, post-conflict areas;
- Areas of historical or archaeological value (present on Unesco's World Heritage List).

Sensitive sectors

In addition, delivery to a specific sector may provide cause to identify the risks of a project or a transaction. A number of sectors are deemed, under Dutch policy, to be environmentally and socially sensitive, therefore giving cause to exercise environmental and social due diligence. This at any rate but not exclusively relates to deliveries to or work performed in:

- The oil and gas industry;
- The dredging industry;
- Major construction projects;
- The chemical industry;
- The paper and pulp industry;
- Large-scale agriculture and horticulture;
- Large-scale intensive livestock farming;
- The textile industry;
- The mining industry;
- Nuclear projects.

A high likelihood of project related human rights violations occurring

Applications received are assessed as to whether a high likelihood of project-related human rights violations occurring. This might be the case if, for instance, people

15 The definition of "sensitive areas" is based on Article 1 of the Common Approaches; also refer to section d.

are forced to move house in connection with the performance of a project, if indigenous peoples are disadvantaged or if there is a risk that the project will involve child or forced labour. If Atradius DSB during the screening finds that a project has a high likelihood of human rights violations occurring, this provides cause to exercise environmental and social due diligence.

Examples of project related human rights which might be violated in this connection include the following:

- The right to an adequate standard of living, for instance in the case of involuntary resettlement in connection with a project;
- The right to a safe and healthy working environment, for instance when serious doubts exist as to whether a company takes care of its employees;
- The right to water, for instance when the access to clean drinking water is compromised in connection with a project;
- The right to privacy, for instance if products could have the adverse consequence of sensitive private information being distributed;
- The rights of indigenous peoples, for instance if there is cause to suspect that no free, prior and informed consent (FPIC) was reached
- The rights of the child, for instance if children are put to work in the context of a project.

4. Assessment of environmental and social impacts

a. Project definition

Should the conclusions of a screening be that environmental and social due diligence must be exercised, the following step is that of project definition. By clearly describing and delineating the project, it becomes possible to classify the project as belonging to a certain risk category. This in turn allows for an assessment of the associated impacts.

Transactions are often performed as part of a greater project. Environmental and social due diligence concerns an assessment of the entire project. The *Common Approaches* use the following definition of the term “project”:

Exports of capital goods and/or services to an identified location of any new commercial, industrial or infrastructure undertaking, or any existing undertaking that is undergoing material change in output or function, which may result in changes to the operation’s environmental and/or social impacts.

Activities directly related to the project (such as an access road or the energy supply, etc.) are also subjected to assessment. These activities can be related directly to the project due to their timing, the location or their function with respect to the project. Atradius DSB in this connection adheres to the definition of “associated facilities” as provided in the Common Approaches. Three levels are distinguished, as shown in figure 3:

- **The transaction** is the actual delivery of goods or services or the investment the application relates to. The transaction is assessed on its environmental and social aspects as a matter of course.
- **The project** is the initiative the transaction forms a part of; the scope of the project must be defined for each application. The assessment of the environmental and social aspects takes place of the project as described in the project definition, not just of the transaction.
- **Project environment / contextual factors**; all relevant aspects that are tangentially related to the project but are not subjected to a substantive assessment on the basis of international standards make up the project environment. The amount of control and/or influence the exporter and/or buyer has on the project environment depends on the business relations it has in this context. For this reason, the business relations are mapped out (refer to the below). Atradius DSB assesses the broad outlines of the project environment and address the core risk factors of this context.

Prioritisation

The prioritisation of the possible impacts is based on a solid understanding of the scope, the nature and the context of the activities and on the severity of the possible impacts on, for instance, local stakeholders, the social and physical environment, biodiversity and animal welfare.

The most important impacts are the possible impacts directly caused by the transaction and/or the project, and these are the main focus of our attention. In addition, it is possible for risks associated with the project environment to impact the success of the project. The influence that may be exerted thereon is determined by the nature of the business relations of the exporter. For this reason, these business relations are mapped within the framework of the environmental and social due diligence process. Refer to Chapter 4.

The general rule is that the severity of the impact combined with the probability of its occurrence determines the risk level. This section further details the project-related impacts. The subsequent section addresses the contextual factors.

Mapping the business relations

During the assessment, the involved parties are identified, with our attention being focused on the nature and quality of their business relations. In so doing, we obtain an overview of the degree to which any influence can be exerted on tackling the identified impacts by way of the exporter, the bank providing the financing, the buyer and its contractors and subcontractors, etc. We also take account of the time aspect and the roles and responsibilities of the parties involved. Subsequently, this overview of business relations provides insight into the degree to which any impacts can be mitigated and to what extent tracking such impacts is required and fruitful.

To provide an example, a transaction can consist of dredging works as part of the development of a new seaport. The port to be constructed is the project where the transaction is delivered to. This port and the dredging activities comprise the subject of the environmental and social due diligence to be exercised. The infrastructure in the vicinity of the new port, such as the roads, a power plant and the related power lines, make up the project environment. The main features of the project environment are considered in general terms to exclude them giving rise to the occurrence of major, and thus unacceptably adverse, consequences.

However, if the dredging company has a business relationship with the owner of the power plant, it is his role to exert its influence to the best of its efforts to limit any possible consequences this power plant may have for people and the environment. If he does not have a business relationship with that party, he cannot be held responsible for the impacts of the power plant.

Contextual factors

The delivery of Dutch goods or the performance of works abroad creates a context different from the Dutch one. The local social, political and economic reality of a certain country or region may result in risks for the involved parties or the project. The effects such context may have on the project include unrest, controversies or performance delays, for instance because the project is being performed in a (post) conflict zone.

These make up the so-called contextual factors. The exporter nor the buyer has any influence on or control over them. Because such factors may be of import to the transaction or the project, they are mapped as part of the environmental and social due diligence process, but they are not included in the substantive assessment on the basis of the international standards. Risks with respect to matters like corruption or tax evasion may also be identified in this manner. Whenever such is the case, we will provide the underwriter with the relevant information, allowing him to include this information in the financial analysis. The exporter will not be held responsible for contextual factors it cannot influence. However, it will be examined to what extent some influence can be exerted, by means of good cooperation with the project owner or with any other parties the exporter demonstrably has functional relations with.

b. Classification of the project to be assessed

The classification determines how extensive an environmental and social due diligence will be. Classification takes place on the basis of the potential adverse environmental and social impacts of the project. The classification also co-determines the information required to assess the application. Atradius DSB employs five categories, three of which, A, B and C, derive from international agreements.

The remaining two categories, M and E, derive from Dutch policy.

A A project is classified in Category A if it has the potential to have significant adverse environmental and/or social impacts, which are diverse, irreversible and/or unprecedented. These impacts may affect an area broader than the sites or facilities subject to physical works. An illustrative list of Category A projects is set out in Annex 1 of the *Common Approaches*.

If a project is classified as being a category A project, the applicant must submit an ESIA (Environmental and Social Impact Assessment) report or similar documentation. Annex II of the *Common Approaches* lists the information the ESIA report must contain.

B A project is classified in Category B if its potential adverse environmental and/or social impacts are substantial, but less severe than for Category A projects. The potential impacts would be limited to the project itself, few of them would be irreversible, and they would be easier to mitigate and/or compensate. In this case, it is preferable for the applicant to submit an ESIA report or documentation with similar contents.

C The project is likely to have minimal or no potential adverse environmental and/or social impacts. For projects in this category, provision of an answer to the questions on the environmental and social aspects in the application form and, if necessary, submission of additional information (for example, an answer to questions for specific sectors, such as horticulture) is sufficient.

M This category derives from Dutch policy and applies to deviating situations which are not subjected to environmental and social due diligence under the *Common Approaches*. This concerns:

- Transactions lacking a clear location (such as vessels);
- Transactions to an existing operation that do not undergo a significant change in output or function;

- Refinancing applications;
- Reinsurance applications.

When assessing a category M application, the initial focus is on the exporter's and buyer's efforts regarding environmental and social matters. Should there be reason to do so, further supplementary information about, for example, other parties involved, the project to which the delivery is made or the value chain, is looked into.

E This assessment category is used for applications for tool and equipment insurance and for minor DGGF applications¹⁶ that are not expected to result in environmental and social impacts. This assessment only entails a check of the reputation of the Dutch exporter regarding environmental and social matters.

c. Substance of the environmental and social due diligence

As applies to the screening, the assessment is based on the severity, nature and scope of the expected impacts on, inter alia, local stakeholders, the social and physical environment, biodiversity and animal welfare. On the basis of prioritisation, the major potential impacts receive the majority of our attention, with less attention being provided to the more limited impacts.

An extensive environmental and social due diligence is composed of three parts, to with:

- The reputation of the Dutch exporter regarding environmental and social issues/matters;
- The reputation of the foreign buyer regarding environmental and social matters;
- The environmental and social impacts of the project to which the delivery is made.

Assessment of the environmental and social reputation of the Dutch exporter

When assessing the reputation of a Dutch exporter, both its standing in the public view and its working methods, in particular in terms of CSR, are looked into. Attention is paid to its policy and management systems with respect

¹⁶ DGGF stands for Dutch Good Growth Fund. The environmental and social policy for this fund is available on www.dggf.nl.

to health, safety and the environment. The assessment of the supply chain forms part of this reputation assessment. The application form starts with questions on the exporter's awareness of the environmental and social policy for the ECI and its implementation of the CSR policy and supply chain responsibility within its own organisation.

Similar to the assessment of the Dutch exporter, when assessing the foreign buyer we look into how the company implements its CSR policy and how its management systems are set up to prevent or mitigate adverse impacts as much as possible. Wherever relevant, we also consider the supply chain.

Assessment of the environmental and social impacts of the project

A project is tested, first, against the applicable legislation of the country in which the project is being performed. The project will, at a minimum, have to be in accordance with such legislation. In addition, the project is assessed on the basis of international standards.

Atradius DSB uses the *IFC Performance Standards* as a guideline for its assessment of the potential environmental and social impacts of a project. This covers the following aspects:

1. Assessment and management of environmental and social risks and impacts;
2. Labour and working conditions;
3. Resource efficiency and pollution prevention;
4. Community health, safety and security;
5. Land acquisition and involuntary resettlement;
6. Biodiversity conservation and sustainable management of living natural resources;
7. Indigenous peoples;
8. Cultural heritage.

The *World Bank Group Environmental, Health and Safety* (EHS) (sector) guidelines are consulted as well during the assessment. These general and sector-specific guidelines are composed of technical reference documents containing general and sector-specific performance levels and generally accepted measures the World Bank

currently believes can be obtained or implemented at reasonable cost using current technology. The extent to which the project conforms to these guidelines is investigated as part of the environmental and social due diligence process.

The assessment is based on the following factors:

- **Sector:** assessing the general applicable standards within a certain sector and the extent to which the exporter's/buyer's operational management conforms to them. Atradius DSB applies the IFC EHS sector guidelines to perform this assessment;
- **Location:** assessing whether the project is performed in a sensitive environment and, if so, how it impacts this environment. Clear guidelines on degradation of sensitive natural areas and how to tackle this are in place, for instance. In addition, guidelines detailing how to perform a project if indigenous peoples are involved exist.
- **Applied technology:** Assessing whether the technology used meets the applicable industry standards.

The severity of the potential impacts can be understood by obtaining insight into the scope, the scale and the extent to which negative impacts can be mitigated when exercising the due diligence.

Assessment of the value chain

Various issues may arise during the assessment. Examples include the sector, the large-scale use of sensitive natural resources (e.g. wood, stone, iron ore or coal) and/or wages being relatively low in local terms, thus forming a determining factor in the competitive position of the good to be delivered. In the event that the assessment identifies any problems in project's the supply chain, a follow-up investigation will be conducted as part of the due diligence.

5. Addressing impacts

Those impacts of the project identified as causing significant harm to people, animals and the environment must be prevented or reduced as much as possible. In addition to implementing mitigating and compensating measures in a project, proper communication must be in place with

all stakeholders, as this allows for becoming aware of impacts in a timely manner, understanding any criticisms of projects and effectively using such criticism to improve projects.

a. Mitigating and compensating measures

Companies - both exporters and buyers - are expected, under local and international standards, to make an inventory of the risks inherent to their operations and to determine the possible impacts of their actions. Such inventory can be initiated with regard to the company's management system but it can also be specifically required for the project, such as by way of an environmental and social impact assessment (ESIA). The standard order of remedies to be taken is the following:

- Preventing adverse impacts (e.g. by changing the routing of an access road to spare a settlement or a nature reserve);
- Mitigating adverse impacts (e.g. by way of a prudent plan to guarantee a healthy working environment for employees or by installing filters to limit air pollution);
- Pre-emptively compensating for anticipated adverse impacts (e.g. offering fair compensation for the loss of property, user-rights or income by a vulnerable group, or planting a new forest if an existing forest has to give way to a project);
- In case unforeseen adverse impacts occur, measures to effect recovery and/or to provide compensation or remedy might need to be implemented (e.g. compensation for damages when sailing through fishing nets during the performance of a work).

Checking such mitigating and compensatory measures forms part of exercising the environmental and social due diligence. If any specific potential impacts are identified for a project, Atradius DSB will exert its influence to have the exporter, bank and/or buyer provide remedies according to this above mentioned order of remedies. Wherever necessary, Atradius DSB will apply its cooperation with the parties involved to

increase its influence. The steering (section 6b) and communication (Chapter 7) sections will address these modes of cooperation in greater detail.

One example of such cooperation is a financed transaction. This involves a bank issuing a loan to a project, allowing for capital goods to be purchased from a Dutch company. The bank next applies for an insurance from Atradius DSB to cover the risk that the loan will not be repaid. If the bank must perform an assessment of the project in the context of the granting of the loan, Atradius DSB will cooperate with the bank, jointly submitting questions to the project owner or, in some cases, jointly engaging a consultant. However, Atradius DSB will perform its own assessment. Should the assessment result in the identification of any loose ends, because the project has yet to be implemented, we will request the bank to include the outstanding issues in the loan documentation and to follow up on them over the life of the insurance policy.

b. Involving stakeholders

As part of the environmental and social due diligence, we determine whether the project owner involves stakeholders in a meaningful way. This is often part of the process of preparing an environmental and social impact assessment. Involving stakeholders can be done by way of issuing publications, organising information evenings, etc. Whatever method is opted for, the most important aspect is that true participation by the local communities is embedded in the project development process. Some countries have not included this aspect in their legislation, in which case we investigate how the project owner has arranged for such involvement. It may be necessary to obtain on-site knowledge of this aspect of the project. This may also be arranged by contacting local interested parties, such as NGOs.

As part of the environmental and social due diligence process, Atradius DSB establishes whether the project owner has put in place a proper complaints mechanism allowing local parties to make their grievances known. For a functional complaints mechanism limits the risks associated with a project. In addition, Atradius DSB

assesses whether the project implementing agent has its own functional, local complaints mechanism that is linked to the overall project complaints mechanism. In principle, local complaints should be properly handled on this specific level. If necessary, ADSB will, as part of the assessment, render advice on how best to design such complaints mechanisms. In certain cases (project financing), this may be included in an agreed-upon action plan containing project improvement points.

c. Recommendation to the State

The environmental and social due diligence results in a recommendation to the State, which decides whether or not to insure the transaction. The recommendation addresses the environmental and social impacts and provides an overview of the stronger and weaker points arising from the reputation and project assessment. The recommendation also contains a final conclusion on whether the issue of an insurance policy is deemed acceptable on the basis of the environmental and social risks and impacts.

For the project will be assessed on the basis of relevant international standards. In addition, the project must comply with national legislation. If the latter is less stringent than is internationally expected, the international standards are leading. If the standard applied to the project is lower than what is internationally acceptable, Atradius DSB will exert its influence to close this gap by demanding that a plan be submitted to mitigate the impacts.

In case it is expected that the project will not meet the international standards and it deviates strongly therefrom, while, for instance, the quality or the reputation of the buyer is low, the identified likelihood of severe impacts occurring is significant and the influence to be exerted is slight, it may be that Atradius DSB will refuse an application on environmental and/or social grounds due to a lack of information or will issue a negative recommendation.

If the financial due diligence has been completed but the environmental and social due diligence is still ongoing, a promise of cover may be issued containing a so-called

“provided” clause stating that the environmental and social due diligence result must be positive.

The State will then decide whether the environmental and social risks and impacts of an application are acceptable. Atradius DSB may itself decide on the acceptability of low-risk applications covered by its authorisation.

6. Tracking environmental and social impacts

During the assessment process, prior to the issue of the insurance policy, Atradius DSB can exert a certain level of influence on a project and on the mitigating measures to be taken, because the applicant actively desires to obtain insurance. Upon issue of an insurance policy, the influence Atradius DSB can exert on a project decreases. The State insures the Dutch exporter and concludes an agreement to this effect. The buyer is at one step's remove, but often is the project owner and, thus, primarily liable for any problems that may occur in the context or as a consequence of the project. The State will not have concluded an agreement with this party, except in the case of project financing, in which case it has significantly more influence over the life of the insurance policy.

While Atradius DSB can exert some influence over the life of the insurance policy for regular transactions, such must be well thought out prior to issue, as its formal influence is limited. An explanation of how we are able to track projects after issuance of the insurance policy and provide steering in case of problems is provided in the below.

a. Tracking and monitoring

Tracking high-risk projects

In some cases, there may be cause to track other projects in some way as well, for instance because a party has performed badly in the past and has only recently been able to provide an improvement plan. It may also occur that a project does not, at the moment the decision is made, meet the expectations under international standards, but it is expected to comply with them in the future. In such a case, the State wishes to make sure that the proposed measures are, in fact, implemented, for instance by having the buyer or the bank involved provide follow-up.

This may, in some situations, include voluntary or mandatory reporting. The cooperation with banks or other financiers is of importance in this connection, because they have greater influence on the project owner. Special situations or changes from the information as submitted during the assessment process prior to the issue of the insurance policy must at all times be reported. This obligation is laid down in the general conditions applicable to the insurance policy. If the general and specific conditions of an insurance policy are met, the tracking will not affect the exporter's or financier's cover under the insurance policy.

Tracking recurrent exporters, buyers and projects

In addition, Atradius DSB often tracks exporters, buyers and projects because subsequent applications are submitted by these parties or with respect to these projects. This allows Atradius DSB to review a party or project after some time has lapsed. Atradius DSB may at such time verify whether the impacts identified at an earlier stage have in fact occurred and whether the associated mitigating measures have in fact been implemented.

In addition, reports by external parties may provide cause to review parties Atradius DSB cooperates with or projects it is or has been involved with. Examples of such reports include media items, NGO accounts, court records, or NCP final statements. In such cases, we will contact the insured party to inquire after the situation and may also review the reputation of the parties involved or the project itself.

Monitoring in case of project finance

In accordance with the *Common Approaches*, Atradius DSB monitors all category A project finance transactions throughout the life of the insurance policy. The exporter/buyer must report on the progress and the environmental and social impacts of the projects on at least an annual basis. Such monitoring may take place in a variety of ways. For instance, a project might submit regular reports, Atradius DSB might visit the project during various stages of its construction and operation, or an independent consultant might be engaged to perform an assessment. Wherever possible, we seek to cooperate with other export credit agencies (ECAs) and financiers involved when monitoring a transaction.

b. Options for steering

Atradius DSB assesses the expected environmental and social consequences prior to issuing the insurance policy. An application is approved only if sufficient certainty is provided that the project does not result in unacceptable environmental and social impacts. This means that all required information must be submitted and all questions must be satisfactorily answered.

Should it turn out that a party has submitted incorrect information during the environmental and social due diligence process, or that the party fails to observe its commitments made within the framework of the assessment, the general condition applies that incorrect or incomplete statement of facts or information results in the lapse of entitlement to indemnity. In addition, a certain exporter or buyer may have their next application for an insurance rejected.

Atradius DSB has more powers to steer matters in case of category A project finance transactions. During the implementation of a project, it may at times be necessary to demand that a project or procedure is adjusted, on pain of refusing to pay a next instalment. In such a case, Atradius DSB's influence is comparable to that of a bank and can be exerted even after the insurance policy has been issued. This is possible because, in the context of project financing, the group of ECAs and banks involved jointly draw up and monitor observance of the financing conditions.

7. Cooperation and communication

a. Informing and cooperating with stakeholders

Atradius DSB will communicate with relevant stakeholders prior to, during and after completion of the assessment of the environmental and social aspects of a project.

The exporter and its buyer

The Dutch exporter is primarily responsible for submitting the information on which the environmental and social due diligence is based. For it is this party that profits from the insurance issued. The information obtained is verified through other channels to the extent possible. In practice,

Atradius DSB consults the following information sources during the various steps of the procedure:

- The application form¹⁷ of the transaction;
- The answers provided by the exporter or the buyer on the standard or specific questionnaires;
- Information available on the exporter and buyer from previously insured transactions (track record);
- Information submitted on the parties involved and/or the project;
- Information provided by banks and/or other export credit agencies and financial institutions involved with the project;
- Public sources, including media articles, the Internet and databases (e.g. Google Earth, Protected Planet, Reefbase)
- Publications by reputable institutions (e.g. Business & Human Rights Resource Centre and Human Rights Watch)
- Country reports (e.g. from the US State Department, on human rights)
- Information provided by embassies;
- Reactions to the ex ante publication in the case of category A projects;
- Where relevant, information gathered during site visits and consulting with stakeholders like NGOs and local interested parties (mainly in the case of category A projects).

In addition, the exporters are interacted with at various times during the process. When submitting a signed insurance application, a Dutch exporter declares to apply a best effort approach to observe the OECD Guidelines for Multinational Enterprises. If necessary, Atradius DSB shall further explain this obligation to the exporters. For SMEs in particular do not always employ environmental and social specialists and they accordingly have limited CSR-related knowledge. Where such is desired, these parties therefore receive additional support from Atradius DSB. In addition, recurring exporters, the so-called accounts, are regularly visited by ADSB to have their procedures and recent improvements on CSR explained.

Banks

Banks are often involved with applications to finance projects. If such is the case, the bank in question is contacted for the purpose of cooperation during the due diligence. A financing bank is expected to exercise its own environmental and social due diligence, to coordinate environmental and social information and share its findings with us. This decreases the administrative burden placed on the parties involved and, at the same time, increases the influence that can be exerted on the project to submit the proper information and, where necessary, to improve certain issues. This is particularly important for projects requiring improvements to be made. This approach increases Atradius DSB's own influence, because a bank generally is able to exert more influence on a project and has often concluded an agreement directly with the buyer. While an insurance policy is issued only once, a loan is often paid back in multiple instalments and it is possible to have the loan agreement contain clauses either forcing repayment at an accelerated rate if the project fails to fulfil its environmental and social obligations or having such constitute an event of default.

In addition, Atradius DSB has regular contact with banks to further detail our procedures and emphasise the importance of our cooperation, while banks participate in meetings organised by Atradius DSB.

ECAs and other financial institutions

If other parties are involved in a project requiring an environmental and social due diligence, we always try to cooperate with them. Such cooperation can be at the national level, with other implementing agencies of the Dutch government, such as the Netherlands Enterprise Agency (RVO) and the Netherlands Development Finance Company (FMO), or other Dutch banks that finance projects. At the international level, we cooperate with other export credit agencies and financial institutions, such as the World Bank and regional development banks. In such cases, Atradius DSB wherever possible tries to exert influence together with such other parties to effect improvement of the issues concerned.

¹⁷ The application form contains a section explicitly devoted to CSR aspects.

Atradius DSB details its procedure to these parties and explains why it applies a scope that extends beyond the requirements under the international guidelines. For instance, we try to create as level a playing field as possible. When other parties adopt Atradius DSB's procedure, more project owners will be forced to improve their performance.

Local interested parties and NGOs By means of publication of its insurance applications under consideration (ex ante), and its issued policies (ex post) for category A projects, Atradius DSB aims to inform stakeholders. While an application is being processed, local parties and NGOs may provide relevant information on the project concerned to ADSB. However, it is also possible to submit relevant information after an insurance policy was issued. Atradius DSB will follow up on such submissions (as was explained in section 6b, Steering). In some cases, Atradius DSB will believe it to be necessary to directly or indirectly contact local stakeholders. This may be necessary to verify information obtained from the project owner or exporter, for instance.

b. Transparency and reporting

Atradius DSB is transparent about the way it assesses applications. However, it also needs to take the commercial interests of the parties involved into account. The Atradius DSB information disclosure policy provides which information may and may not be disclosed. Transparency in connection with environmental and social due diligence is achieved primarily by:

- Ex ante publication of category A projects: publishing category A projects at least 30 days prior to the issue of the insurance policy, allowing for requesting and submitting information;
- Ex post publication of category A and B projects: publishing project-related and assessment information on category A and B projects after issue of the insurance policy;
- List of insurance policies issued: an overview of all insurance policies issued, indicating whether environmental and social due diligence was exercised and what the related classification is;
- Publications and presentations regarding our CSR approach (for instance, the annual sustainability report and the stakeholders meeting);

In addition, Atradius DSB reports to the OECD on all category A and B projects, using a standardised form. The OECD annually publishes an aggregated overview on its website.

Refer to the Atradius DSB information disclosure policy for details on the publication of information.

c. Complaints mechanism

As was described in Chapter 5, Atradius DSB will determine whether a project has a complaints mechanism in place. Should complaints not be addressed locally by the project, Atradius DSB has its own complaints mechanism in place. Complaints can be lodged by persons, groups of persons, companies, communities and other parties that are, have become or might become concerned about the projects supported by Atradius DSB or the activities of Atradius DSB itself.

If a complaint directed at Atradius DSB concerns a project still being subjected to the environmental and social due diligence process, the investigation into the nature and cause of the problems are considered in the assessment to the extent possible and relevant. In some cases, this means that local parties are actively consulted in order to gain a proper understanding of the nature and causes of the problems and to come up with possible solutions.

Should a well-founded complaint be lodged after the insurance policy was issued but during the performance of the exporter's work, the complaint will be assessed in consultation with the exporter and Atradius DSB will, if such is desirable, exert its influence to have the exporter do all within its powers to find a solution for the problem. It may also be possible to have the companies involved consent to mediation by the OECD Guidelines NCP.

For transparency reasons, the Atradius DSB annual overview lists the number of complaints received, as well as any results realised. When handling a complaint, Atradius DSB is obliged to treat all information provided by third parties confidentially. Refer to the Atradius DSB complaints mechanism and information disclosure policy for further information.

Appendix 1: Environmental and social due diligence for the various types of insurance

Product group	Insurance Type	Explanation	Assessment
ECI basis products	Capital goods	Insuring an exporter delivering capital goods or services to a project with potential environmental and social consequences.	Yes
	Constructional works	Insuring an exporter performing works for a project with potential environmental and social consequences.	
	Financing	Insuring the financing of capital goods, services or works to a project with potential environmental and social consequences.	
	Investment	Investing in a project with potential environmental and social consequences.	
	Tools and equipment	Only the exporter will be subjected to an assessment in the case of tools and equipment insurance. For this type of insurance does not relate to a project, as it concerns an insurance against damage or seizure of machines or against machines not arriving in their destination country.	
	Leasing	The use of capital goods in a project or activity with potential environmental and social consequences.	
	Expropriation		
	Inward reinsurance		
Export credit guarantee (ECG)			
Liquidity products	Stand-alone bond	The intention of these liquidity products is to enable the exporter to produce goods or services. We do not, by way of these products, cover the fabrication or credit risk of the foreign party, but we do allow for an export transaction to be facilitated. This product group therefore falls outside of the regular environmental and social assessment framework. due to the distance to the project to which the delivery is made	No
	Fair calling facility		
	Stand-alone counter-guarantee		
	Working capital cover		
Tender products	Exchange risk insurance	The influence on the project is little, as the exporter does not yet have a lasting relationship with the potential client. As a rule, there is little information available, as this concerns	No
	Bid bond cover		

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