

Credendo – Export Credit Agency’s Environmental and Social Policy

Apart from striving after economic and social gains (prosperity), also considers the effects business are having on the environment (planet) and urges companies to have consideration for any local populations (people).

That is why Credendo assesses the environmental and social impacts of all transactions for which applications of cover are received. It also verifies whether no human rights violations are implied. Credendo takes into account the interests of both the civil society and the export community, with commercial confidentiality, quick decisions and a level playing field for competitors being prime concerns.

The basis of the impact analysis is inspired by the OECD “Recommendation on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence”. Government Export Credit Agencies (ECAs) are required to review projects for their potential environmental impacts and to benchmark them against international standards, such as those of the World Bank Group.

According to the OECD Common Approaches, only projects, goods and services that are directly linked to export projects of which the credit period is 2 years or more are governed by these environmental rules. Credendo has decided to extend the area of application for these rules and applies them, be it slightly modified, to special cash transactions and investments as well.

Credendo’s impact analysis is a multi-step process:

1. Screening of applications

The preceding screening procedure is based on the answers the exporter has given to the questions in the insurance application form and the documents which have been submitted by the insured. The screening pertains to the transaction amount, whether or not the project is taking place in an environmentally sensitive area and compliance with the definition of what constitutes a project. If there is no need to classify a transaction, it will be given the code N (No classification).

2. Project Classification

All applications submitted to Credendo are classified:

- > Category A: a project is classified as category A if it has the potential to have significant adverse environmental impacts. Category A, in principle, includes projects in sensitive sectors or located in or near sensitive areas.
- > Category B: a project is classified as category B if its potential environmental impacts are less adverse than those of category A projects. Typically, these impacts are site-specific, few if any of them are irreversible.
- > Category C: a project is classified as category C if it is likely to have minimal or no adverse environmental impacts.

> Category E: a transaction is classified as category E if it relates to existing installations that are undergoing no material changes in output or function. (An existing installation that is undergoing material changes is classified as A, B or C, depending on the environmental impact).

3. Project Review

In general, it is recommended to have as much project information and documentation as possible, preferably an Environmental Impact Assessment (EIA). This is always mandatory in case of a Category A project which falls under the scope of the OECD Recommendations.

The person in charge of environmental and social issues within Credendo, possibly with the help of consultants, has to assess the quality of the EIA on the basis of the criteria set out in the OECD Common Approaches. The EIA should include the following main points:

- > Executive summary: concisely discusses significant findings and recommended actions;
- > Policy, legal and administrative framework: discusses the policy, legal, and administrative framework within which the EIA is carried out;
- > Project description;
- > Baseline data: assesses the dimensions of the study area and describes relevant physical, biological, and socio-economic conditions, including any changes anticipated before the project commences;
- > Environmental Impacts: predicts and assesses the project's likely positive and negative impacts, in quantitative terms to the extent possible. Identifies mitigation measures and any residual negative impacts that cannot be mitigated. Explores opportunities for environmental enhancement;
- > Analysis of alternatives: systematically compares feasible alternatives to the proposed project site, technology, design and operation - including the "without project" situation - in terms of their potential environmental impacts;
- > Environmental Management Plan: describes mitigation, monitoring and institutional measures to be taken during construction and operation to eliminate adverse impacts, offset them, or reduce them to acceptable levels;
- > Consultation: Record of consultation meetings, including consultations for obtaining the informed views of the affected people, local non-governmental organisations and regulatory agencies

If a transaction is placed under category A, the Environmental Impact Assessment (EIA) and project details will be made available to the general public at least 30 days prior to the day the offer of cover or the insurance policy is issued. Credendo requires the person or entity responsible for the EIA to publish it. As Credendo does not perform these assessments itself, it is unable to provide insight itself.

Exceptions can be made if the EIA contains confidential information.

External reactions to the transactions that are published on the Credendo website are welcomed and taken into account by Credendo in its environmental and social impact assessment of projects. When suggestions are made or questions are asked, Credendo replies to them as quickly as possible, integrates them in its environmental review and communicates them to the exporter.

If the World Bank or another international financing institution (such as the EBRD or the EIB) is involved in the project, the EIA is usually reviewed by this institution. If several export credit agencies cooperate in a project, the EIA is reviewed by the agency which has the leadership of the project.

Credendo can ask an external consultant to help in the review process.

Credendo benchmarks projects against host country standards and either against the relevant aspects of all ten World Bank Safeguard Policies¹ or, where appropriate

- > for private sector limited or non-recourse project finance cases, against the relevant aspects of all eight International Finance Corporation Performance Standards², or
- > where such institutions are supporting the project, against the relevant aspects of the standards of the Regional Development Banks, or
- > against any relevant internationally recognised standards, such as European Community standards, that are more stringent than those standards referenced above.

4. Project monitoring

When the EIA of a project shows that mitigation measures need to be introduced and when Credendo includes conditions in its insurance policy, monitoring of the project is required, at least on an annual basis. By monitoring projects, the actual compliance with obligations and commitments can be checked.

The monitoring task usually falls to the project sponsor or to independent consultants. In cases where project monitoring is required, Credendo asks the exporter to provide monitoring reports as often as possible.

Disclosure of information

- > Transactions under examination or publication ex ante

For category A projects, Credendo requests an environmental impact assessment report and any other relevant environmental information (environmental management plan, resettlement plan for displaced persons, ...).

Credendo makes the project public on its website (www.credendo.com) as early as possible in the review process and at least 30 calendar days before a final commitment to grant official support. In order to avoid jeopardising competitive positions, disclosure is subject to customer consent.

In cases where project or environmental impact information has not, for exceptional reasons, been made public, Credendo shall explain the circumstances and report these to the OECD; The ethics section of the Credendo website lists transactions in category A.

¹ These are the safeguard policies relating to: Environmental Assessment (OP 4.01); Natural Habitats (OP 4.04); Pest Management (OP 4.09); Indigenous Peoples (OP 4.10); Physical Cultural Resources (OP 4.11); Involuntary Resettlement (OP 4.12); Forests (OP 4.36); Safety of Dams (OP 4.37); International Waterways (OP 7.50); and Disputed Areas (OP 7.60.)

² The International Finance Corporation's Performance Standards are: Social and Environmental Assessment and Management System; Labor and Working Conditions; Pollution Prevention and Abatement; Community Health, Safety and Security; Land Acquisition and Involuntary Resettlement, Biodiversity Conservation and Sustainable Natural Resource Management; Indigenous Peoples; and Cultural Heritage.

> Issued policies or publication ex post

The ethics section of the Credendo website lists transactions in category A and B for which a policy has been issued.

In order to avoid jeopardising competitive positions, disclosure is subject to customer consent.

The environmental information is published as soon as possible after the policy is issued.