



Ministry of Foreign Affairs

# Dutch Good Growth Fund

Insuring and financing Dutch export

## **ICSR Policy DGGF Track 3: Insuring and financing Dutch export to emerging markets and developing countries**

# Content

1. Introduction
2. Goal of environmental and social due diligence
  - a. Relevance
  - b. When is the environmental and social due diligence used?
  - c. What products are reviewed?
3. General policy
  - a. International policy framework
  - b. National policy framework
4. Definitions

Version date:  
References

December 2016

- TAD/ECG(2016)3 OESO, 6th of April 2016  
Common Approaches on Officially Supported Export Credits and Environmental and Social Due Diligence ( Common Approaches)
- IFC, 1<sup>st</sup> January 2012, Performance Standards on Environmental and Social Sustainability
- OECD guidelines for multinational enterprises, 2011
- BFB 2004-6087 d.d. 22 september 2004, Publicatie milieu gegevens bij categorie A projecten
- BFB 2008-1170 d.d. 23 juli 2008, Procedure milieu- en sociale beoordeling van A projecten indien een EIA ontbreekt
- BFB 2013-2464 d.d. 25 maart 2013, Invoering herziening milieu- en sociaal beleid voor de Exportkredietverzekering
- BFB/EKI 2013-20928 d.d. 15 november 2013, Aanvulling milieu en sociaal beleid m.b.t. beoordeling zelfstandige werktuigdekking
- BFB 2014-3384 d.d. 2 april 2014, Beslisbrief publicatie milieu- en sociale beoordeling updates categorie-A projecten

# 1. Introduction

This document contains the ICSR policy for DGGF Track 3: Insuring and financing Dutch export to emerging markets and developing countries financed by the Dutch Good Growth Fund (hereafter: DGGF). It starts with a brief description of the purpose and scope of the policy. This is followed by how the different policy frameworks on export credit insurance and ICSR are included in the process.

## 2. Goal of environmental and social due diligence

The goal of the environmental and social due diligence is prevention of insurance of a capital good or service, delivered to a project with unacceptable environmental or social impacts or to a buyer with an unacceptable reputation on environmental and/or social aspects.

### a. Relevance

A diligent due diligence of the environmental and social impacts is an integral part of the acceptance process for the export credit insurance. The way the environmental and social due diligence is performed is prescribed in international and national policies. Dutch government only wishes to accept risks when the insured export or investment is not related to violation of human rights or fundamental labor laws or project with an unacceptable sum of environmental and/or social impacts. The government also refuses to be associated with buyers with an unacceptable reputation on international CSR.

### b. When is the environmental and social due diligence used?

The environmental and social due diligence is part of risk assessment during the acceptance process and is performed before issuing a policy.

### c. What products are reviewed?

Under DGGF all insurance applications undergo an environmental and social due diligence. All applications have at least a reputational ICSR review. When the risks are higher, due to the transaction amount or sensitive aspects, more extensive reviews are being performed.

## 3. General policy

The environmental and social due diligence process is prescribed in different policy frameworks. International, national and specific for DGGF. Below these different policy frameworks are described together with the way it is included in the working process of the environmental and social due diligence at Atradius Dutch State Business.

### a. International policy framework

The way the environmental and social due diligence is performed is prescribed in the Common Approaches. This process contains the screening, project definition, classification, assessment framework, monitoring, transparency and reporting aspects. The Common Approaches are part of the OECD-agreements for export credit insurance.

Screening, project definition & classification: all applications that come in are being screened to decide if an environmental and social due diligence is necessary and we decide on the project definition. The project definition is the basis for classification of the project. When a project falls within the category A (high risk) it gets the most elaborate due diligence, category C projects (low risk) a minimal due diligence. A minimal due diligence only looks into the reputation of relevant parties. The more elaborate due diligences also contains a project review where the project is benchmarked against the IFC performance standards.

Assessment framework: According to the Common Approaches a project is benchmarked against:

- Relevant local legislation;
- IFC Performance Standards.
- IFC Environmental, Health & Safety (EHS) Guidelines

In our environmental and social due diligence we try to exclude as many environmental and social risks as possible. For the content of our due diligence we use the IFC Performance standards. These Standards are produced by the World Bank group for the due diligence of their worldwide projects. There are eight IFC Performance Standards:

- 1: Assessment and management of E&S risks and impacts
- 2: Labor 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

These performance standards include the important issues like human rights as taken into account at performance standard 2, 4, 5 and 7.

All OECD member countries, including the Netherlands, have committed themselves to benchmark the projects to be insured against certain specific industrial guidelines. The general and sector specific IFC Environmental, Health & Safety (EHS) Guidelines used by the World Bank Group are the primary framework for this benchmark. These guidelines contain for example technical guidelines for the health and safety of employees.

The environmental and social due diligence must be completed before issuing a policy. And the weighted end result must be positive.

Monitoring: The Common Approaches prescribe that all project finance projects that are classified as a category A-project are monitored during the time of the insurance.

Transparency: The Common Approaches prescribe that category A-projects must be published ex-ante during a minimum of 30 days before issuing a policy. This publication consists of an announcement of the project (publication date, project description, project location and country) and a contact person where additional information is to be obtained. When a party poses an information request we provide them with the environmental and social impact assessment. When this is not possible we will discuss for category A projects an alternative approach.

The Common Approaches also prescribe the obligation to publish all category A and B projects ex-post (after issuing the policy). In the ex-post publication it is also stated if an environmental and social due diligence is performed and how it was classified.

Reporting: After issuing a policy we report environmental and social information of category A- and B projects to the OECD.

a. National

Screening: Basis for the environmental and social due diligence are the OECD Common Approaches. On some topics the Dutch State has chosen for an own additional approach to this international policy. Next to the international guidelines for DGGF we also perform an environmental and social due diligence for:

- All transactions with a contract amount over 1 million euro.
- All transactions under 1 million euro when the project takes place in a sensitive sector or area.

Certain activities are excluded from insurance under DGGF. These activities are to be found on the FMO exclusion list, which can be found at: <https://www.fmo.nl/exclusion-list>.

Classification: Within the Dutch policy two separate project categories are defined (M and E) for the environmental and social due diligence for transactions outside the Common Approaches.

- A category M review is being performed for:
  - transactions / projects without a specific location, like ships;
  - existing operations without a significant change in output or function;
  - refinance applications.
- A category E review is being performed for:
  - independent tool and equipment coverage;
  - all DGGF applications under 1 mln euro and not in a sensitive area or sector.

Monitoring: Under DGGF category A and B projects will be monitored after issuing the policy. This monitoring we will combine with the monitoring for the developments aspects of the transaction. This means that we will add project specific questions to the questionnaire that will be send out one year after policy issuing. These questions will check if the main issues within the project are managed well and if promises made during the due diligence process are kept. When Technical Assistance (TA) is used we will also check how it contributed to environmental and/or social aspects in the project. The outcomes will be evaluated together with the result of the development aspects.

Transparency: For DGGF applications it has been decided that we publish all transactions ex-ante during at least 30 days before issuing a policy. After a policy is issued we publish the projects also ex-post on the DGGF.nl website.

## b. Definitions

Environmental and social due diligence: reviewing the potential risks for environment and community of the project where a capital good or service is being exported to and/or the assessment of the reputation of the parties involved in the transaction.

Common Approaches: Recommendation of the Council on Common Approaches on Officially Supported Export Credits and Environmental and Social Due Diligence (TAD/ECG(2016)3, 6<sup>th</sup> of April 2016) – Guidelines of the OECD that prescribe how the environmental and social due diligence needs to be performed.

IFC Performance standards and EHS (sector) guidelines: Guidelines of the IFC (part of the World Bank) used to review projects on their environmental and social impacts.

Classification: Classification is done taking into account the size of the potential negative environmental and social impact of the project as described in paragraph IV of the Common Approaches.

ESIA: Environmental and Social Impact Assessment. Environmental and social impact study performed for large projects as meant in articles 17 - 18 of the Common Approaches.

Sensitive sector: A number of sectors, is defined as sensitive sector because of the potential environmental and/or social impacts. Examples of sensitive sectors are:

- oil- and gas industry;
- dredging industry;
- chemical industry;
- paper and pulp production;
- large scale agricultural projects;
- textile industry.

Sensitive area: Examples of projects in or with potential impact on sensitive areas are:

- areas with high nature values (like National parks, wetlands);
- areas with high population pressure (like projects that need land acquisition or involuntary resettlement);
- areas with indigenous people;
- areas of cultural or archeological significance (like UNESCO world heritage).