

SERV Guidelines for Reviewing Environmental, Social and Human Rights Issues

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Schweizerische Exportrisikoversicherung
Assurance suisse contre les risques à l'exportation
Assicurazione svizzera contro i rischi delle esportazioni
Swiss Export Risk Insurance



Introduction

Decisions on the granting of export credit insurance policies should carefully consider not only underlying economic considerations, but other important aspects as well, including the goal of sustainable global development. SERV ensures that its business practices are compliant with national foreign policy objectives regarding the environment, development, human rights, democracy and the peaceful co-existence of peoples.

To identify sensitive projects, SERV carries out an environmental, social and human rights review of all the transactions it supports. The guidelines for this review are based on Switzerland's foreign policy objectives and the OECD guideline on environmental, social and human rights reviews, the "Recommendation of the Council on OECD Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence" dated 6 April 2016, also referred to as [Common Approaches](#) (document available on the OECD website).

Approach

SERV decides on the review process to be introduced (2) based on a screening (1). If the screening leads to Common Approaches according to the OECD (3), the project is first categorised (4) and the relevant process is subsequently applied (5, 6 or 7). The SERV general review (8) is applied for results that are outside the scope of the OECD Common Approaches. In certain circumstances, projects may also be accompanied by a monitoring process (9). SERV is under obligation to publish certain relevant data (10, 11) for which the exporter's permission is required (12). Furthermore, SERV must report to the OECD and the public on certain projects (13).

(1) Screening

To identify and assess environmentally relevant aspects, including the social and human rights consequences of a project such as involuntary resettlement, SERV subjects all applications to a screening process.

In a first step, submitted application forms are used to identify those projects that contain possible environmental, social and human rights risks.

(2) Review Process

Based on the screening, SERV decides whether

- a review according to the OECD Common Approaches is necessary, or
- the general review is sufficient, or
- a further review can be foregone.

In case expert reports are required as part of a review at great expense and/or cost, SERV will charge a special review premium according to expense. This may not be added to the insurance premium nor be reimbursed.

(3) Environmental, Social and Human Rights Review According to the OECD Common Approaches

The review according to the OECD Common Approaches is generally applied, when

- the credit period is more than two years,
- the application value is at least SDR 10 m (currently CHF 13.5 m), and
- it relates to a new project or significant changes to existing installations.

Also included in the scope of the OECD Common Approaches are deliveries to projects with a credit period of more than two years, but valued at less than SDR 10 m, that are located in or near sensitive locations. As part of the OECD Common Approaches, SERV assigns the projects to categories A, B and C as defined by the OECD (4).

All projects must consider any OECD National Contact Points reports within the scope of the “OECD Guidelines for Multinational Enterprises” when performing a review.

(4) Project categories

A Projects have the potential for significant and diverse, irreversible and/or unprecedented negative environmental, social and human rights impacts. These are varied, irreversible and/or unparalleled. The project-related impacts may extend beyond the project area. Category A generally includes projects in sensitive sectors, along with projects in or near sensitive locations. Projects in this category require an Environmental and Social Impact Assessment (ESIA).

B Projects exhibit potential impacts that are less significant than with Category A. Typically, these impacts are lower in number and are limited to the location of the plant facilities. They are mostly reversible, and it is easier to take steps to mitigate them. As a rule, projects in this category require additional information on environmental aspects. An ESIA may be needed under certain circumstances.

C Projects are likely to have minimal or no adverse impact. These projects require no further review according to the OECD Common Approaches.

(5) Process for category A Projects

A Projects are the most risky projects and are therefore subjected to the most comprehensive reviews. Typical A Projects are, for example, thermal power plants with an electricity output of more than 140 MW and large hydroelectric power plants.

A full ESIA is required for medium- and long-term A Projects. The ESIA report or a summary thereof is made available to the public at least 30 calendar days before the final review and decision on the application for an insurance policy.

The project sponsor is primarily responsible for preparing the ESIA. The applicant should do everything in their power to ensure that SERV receives the information needed for an environmental, social and human rights review at an early stage. If the World Bank or another international financial

institution (IFI) is involved in the project, the EIAR will normally be examined by this institute. If different export credit agencies are involved in a project (multi-sourcing), the ESIA will normally be examined by the lead agency. In all cases, SERV reserves the right to engage consultants for the assessment.

If no IFIs or other export credit agencies are involved, or if SERV has the lead function, the ESIA may be analysed by a suitable, independent consultant on SERV's behalf. The examination of the ESIA is performed using the benchmarking principle. Criteria are measured on the basis of local and international standards, such as those of the International Finance Corporation (IFC). If local and international standards are compared, the more rigorous rules will apply. Divergences from these rules must be disclosed and justified. Before SERV can review an application for an A Project, the following should be available:

- ESIA / Environmental and Social Impact Assessment Report (ESIAR) in English, German, French or Spanish
- In the event of resettlement: A Resettlement Action Plan, RAP
- In the case of controversial projects, comments from the interested stakeholders
- Where significant conflicts exist between the view taken by the ESIA and that of the stakeholders, a further evaluation that takes these differences into account must be carried out by an independent consultant
- In the case of hydroelectric power plants, the extent to which the recommendations of the World Commission on Dams are fulfilled should also be shown. This can either be done by an independent panel of experts or be part of the evaluation of the ESIA by an independent consultant
- An application may be provisionally approved as before

(6) Process for Category B Projects

Additional data is gathered depending on the project and industry, e.g. the relevant threshold values for wastewater, exhaust air and noise pollution. Values are measured on the basis of local and international standards such as those of the IFC. If local and international standards are compared, the more rigorous rules will apply. Reasons must be given for divergences from these rules. Typical B Projects are, for example, larger continuous casting plants (metalworking), polymerisation plants or switchgear.

(7) Process for Category C Projects

These projects require no further review according to the OECD Common Approaches. Typical C Projects include, for example, the supply of rolling stock or food processing machinery.

(8) SERV's General Environmental, Social and Human Rights Review

If a project does not fall within the scope of the OECD Common Approaches, SERV decides whether environmental, social and human rights risks are present, in particular, whether the project is in a sensitive sector, in or near a sensitive location, and whether there is any indication of human rights abuses or non-compliance with labour standards by the project. In this case, a review is performed.

As in most cases – contrary to transactions that fall within the scope of the OECD Common Approaches – it cannot be assumed that comprehensive information is already available, additional information must first be obtained. The level of detail of the necessary information and the review depends on the extent of the identified risks and therefore on the expert assessment.

Upon request, the exporter should provide the following information on a case-by-case basis in order to permit a general environmental, social and human rights review:

- Properties of the export goods
- Properties of the overall project
- Standards and guidelines on the environment and social issues (e.g. certified environmental management system, environmental policy, application of international standards, human rights policy, etc.)
- Precise project location to which the delivery is being made.

Besides the review of the information provided by the exporter, the SERV sustainability expert also has recourse to publicly available sources in order to identify possible risks:

- Research on the exporter's "track record" (e.g. successful involvement in World Bank, International Finance Corporation (IFC) and other development bank projects)
- Research on criticism of the export goods and the overall project by the media, non-governmental organisations or other sources
- Research on the project location (e.g. IUCN databases, Google Earth).

Based on this information, the SERV sustainability expert assesses the environmental, social and human rights risks, how these risks are dealt with by the exporter and the overall project. In doing so, SERV reviews the extent to which international standards (e.g. the IFC Performance Standards) are complied with.

(9) Monitoring

SERV will, if necessary, use a monitoring mechanism to ensure that all potential requirements are implemented. The implementation of the environmental, social and human rights requirements with clear responsibilities is defined in the Environmental and Social Impact Assessment Report, the Environmental and Social Action Plan (ESAP), and/or the Resettlement Action Plan. For project financing of category A Projects, ex post reports or other relevant information is requested in order to ensure that all environmental, social and human right impacts are addressed in accordance with the requirements during the involvement in the project. This type of control is generally carried out by Independent Environmental and Social Experts (IESC), whose reports, in turn, are made available to the financial institutions and insurance bodies concerned. Provisos concerning the obligation

to provide regular information may be included in the insurance policy. Furthermore, clauses may be added to the financing contract in cooperation with the bank, declaring serious infringements of social and environmental obligations to be an event of default.

In the event of infringements, SERV will in most cases demand that the fault be remedied. SERV may, in addition, initiate political intervention through its committees or SECO. It also has the option of taking any previous infringements of requirements into account in future transactions.

(10) Ex Ante Publication of Data

For category A Projects, SERV must provide the information on the project (in particular, the project name, location, project description and reference to additional information) 30 days prior to the final decision on the insurance policy. The ESIA report must also be made available to the interested public at least 30 days prior to the final decision.

(11) Ex Post Publication

After an insurance policy is granted, SERV is expected to publish information on at least the environmental, social and human rights aspects of A and B Projects (type of information reviewed, applied international standards, SERV contact for additional information). SERV publishes the key project data (country, exporter, designation of the exported goods/project name, contract value for Switzerland by category, duration, environmental category, reference to additional information) after an insurance policy for a sum of over 10 m is granted.

(12) Exporter's Consent

To protect the legitimate interests of the exporter, their publication consent is obtained on the application form.

(13) Reporting by SERV

The current OECD Common Approaches specify that SERV must report to the OECD on category A and B Projects. Furthermore, SERV must notify the OECD of the CO₂ emissions (or equivalent) or the relevant carbon intensity (e.g. in g CO₂/kWh) of projects, if the g CO₂ emission (or equivalent) is more than 25 000 tonnes annually (applies for deliveries to new projects and significant changes and if the necessary information is available, e.g. in an ESIA report). The exporters must provide this data to SERV.

Externally, SERV is expected to report on measures to reduce the emissions of new power plants with an emission intensity of over 700g CO₂/kWh.