



2010 Sustainability report

Atradius Dutch State Business

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Foreword

This is Atradius Dutch State Business' third annual sustainability report. Last year we saw sustainable development and corporate social responsibility in relationship to credit insurance receive even more public attention. This is one of the reasons why we consider it important to inform all stakeholders about our contribution to sustainable development. We are not alone: our principal the Dutch State, the Atradius Group we are part of and many of our clients have developed sustainability policies. We therefore work closely with them in developing our sustainability policy. In the coming years we will continue informing you of developments in sustainability.

2010 marked the consolidation of the revision of the environmental and social policy we implemented in 2009. We gained experience in evaluating the supply chain related to the export transactions we insured on behalf of the Dutch State. We had started these evaluations in 2009. It proved reasonably easy for both Atradius and our clients to integrate this additional requirement into the application procedure. Furthermore, in 2010 we held initial discussions with shipbuilders and the Dutch State on the social and environmental impact assessment of transactions involving moveable assets such as ships. In 2011 this led to the modification of these assessments, which now take into account that the nature of these transactions is that it is often unknown where such assets will be employed in the short and long term.

We fully realise that ideas about sustainability evolve continuously. We also noticed this in the OECD consultations on sustainability in which we participated in 2010. In 2011, Atradius and the Dutch State will therefore review at national and international level, whether we need to modify our policy or its implementation. We will of course consult with all parties concerned. We attach great importance to transparency in these matters.

Johan Schrijver
Managing Director Atradius Dutch State Business NV
May 2011

Sustainability policy

Atradius Dutch State Business and the Atradius Group

Atradius Dutch State Business is part of the Atradius Group. The Atradius Group sustainability policy in all its facets also applies to Atradius Dutch State Business. In 2008 the Group endorsed the ten principles of the *United Nations Global Compact* initiative (www.unglobalcompact.org). As a signatory, Atradius recognises that human rights, working conditions, environment and combating corruption are part of the strategy, culture and day-to-day management of the company and that it will act accordingly. In 2009 the Group decided, for the time being, to focus on the principles concerning the environment. In 2010, the company formed a working group at group level for this purpose, in which Atradius Dutch State Business participates. As the manager of Dutch state facilities, Atradius Dutch State Business also has its own responsibilities regarding sustainability.

Atradius Dutch State Business and the Dutch State

Atradius Dutch State Business manages the Dutch State's export credit insurance programme and foreign investment scheme. In accordance with the *Common Approaches on the environment and officially supported export credits* (known as the *Common Approaches*) drawn up in the OECD, the Dutch State, in cooperation with Atradius Dutch State Business, devised an explicit policy on human rights, working conditions and combating corruption.

Atradius Dutch State Business' sustainability policy focuses mainly on the assessment of the environmental and social impact of export transactions and foreign investments. We have also devised policies on transparency, sustainable lending and combatting bribery. Furthermore, we expect applicants to be familiar with the OECD guidelines for multi-national enterprises and to use their best efforts to follow them. For more information on how Atradius applies the principles of corporate social responsibility in its day-to-day business, please refer to our website and our brochure on corporate social responsibility.

Atradius Dutch State Business's development of explicit policy for corporate social responsibility (CSR)

In 2009, the Atradius Dutch State Business management team held first-stage discussions on the role of CSR in the management of its business, whereby we availed ourselves of the services of an inspired and experienced independent expert from the banking sector. These discussions were continued in 2010. This has resulted in, inter alia, our

following the Atradius Group's sustainability policy as concerns our own activities. As to the conditions we set for our clients, we follow the policy devised by the Ministry of Finance in cooperation with the Ministry of Economic Affairs, Agriculture and Innovation. Moreover, in 2011 we intend to involve our employees more in generating ideas regarding sustainability. Finally, in 2011 we wish to better coordinate our environmental and social impact assessment with our credit risk analysis for each transaction. In future, both will therefore be carried out in the same department in our organisation.

Transparency

In accordance with the ex-ante publication system of the *Common Approaches*, we publish all category A projects on the internet for thirty days before we issue a policy. Category A projects are those with major potential adverse environmental or social impacts. The publication system enables third parties to request information about the project or to provide us with information which could be relevant for underwriting purposes.

On our website we also publish the core data on all transactions we have insured, after we have issued an insurance policy. The lists of policies issued in 2010 (in Dutch only) are available at: <http://www.atradius-dutchstatebusiness.nl/publicaties/afgegevenpolissen/index.html>.

The three appendices to this annual report contain tables showing the core data on all transactions the CSR desk assessed in 2010.

Anti-bribery and corruption procedures

The Dutch State and Atradius Dutch State Business wish to prevent export orders being secured through bribery. Apart from its criminal aspects, bribery also causes damage to a country's economic development because, when bribery is involved, there is a high risk that the exporter making the best offer or offering the best value for money will not win the contract. The *OECD Recommendation on Bribery and Officially supported Export Credits*, agreed in 2006, accords priority to combating bribery in export transactions supported by official export credits. OECD member countries have agreed to take appropriate measures against bribery. The *Recommendation* describes what these measures entail. Atradius does not want to be associated in any way with transactions involving bribery. If there is any indication of

bribery in the broadest sense of the word, Atradius Dutch State Business is obliged to investigate. We will decline transactions if there are grounds for suspecting that the applicant is or will be guilty of bribery under the Criminal Code or has been an accessory to bribery in securing the contract.

It is not only the exporter, but also his agent who may commit bribery. Atradius Dutch State Business therefore asks for information about agents' commissions on its application forms. Moreover, in our insurance policies we refer to the penalties for bribery, being the loss of the right to indemnification and possibly, criminal prosecution. In 2010 there were no applications for transactions where there were any well-founded suspicions of bribery.

Sustainable lending policy

In 2008 the OECD concluded agreements on sustainable lending to low-income countries. The purpose of those agreements is to ensure that government support for export credits i) is used for transactions which benefit a country's development, and ii) complies with the sustainable lending policy of the IMF and the World Bank. In practice, this means that transactions with public debtors in low-income countries must include aid and that these countries must respect any limits agreed with the IMF and the World Bank on commercial (non-aid) borrowing. Aid may take the form of a loan on favourable terms or a grant for part of the contract sum. At the end of 2009, the IMF and the World Bank made some refinements to this system of obligatory aid: where possible, some countries have been given greater individual responsibility in determining the amount they may borrow on commercial terms or in setting the percentage of aid required per transaction. For countries where aid is required, the applicable percentage is included in the country information available on our website. In 2010, we insured, for account of the Dutch State, several transactions which were partly financed with development aid.

Stakeholder engagement

In 2010 we met twice with CSR staff of OECD member countries' export credit insurance agencies. The autumn meeting, which is traditionally organised by one of the agencies, was organised by Atradius Dutch State Business in Amsterdam on 4-5 October. The outcome of this meeting has been presented in the OECD consultations on up-dating and further clarifying the *Common Approaches*.



Environmental and social assessment of insurance applications

The evaluation of applications for export credit insurance and foreign investment insurance to be issued on behalf of and for account of the Dutch State will in many cases include an environmental and social impact assessment in addition to a financial analysis. The Atradius Dutch State Business CSR desk conducts these assessments. All applications are screened in order to determine whether an environmental and social impact assessment is necessary.

This assessment is based on the agreements made in the OECD, known as the “Common Approaches”, which have been set out and developed further in the Dutch State policy document “Environmental and Social Impact Assessment” (“Milieu en Sociale Beoordeling”). In 2009, the Ministry of Finance, the Ministry of Economic Affairs and Atradius revised this policy document. The revised process description was prepared in consultation with NGOs and exporters represented in the national committee for export, import and investment guarantees, the “Rijkscommissie voor export-, import- en investerings-garanties”. This policy document (in Dutch only) is available at: http://www.atradiusdutchstatebusiness.nl/Images/beleidsdocument_tcm1008-133093.pdf

Modifications to the revised environmental and social impact assessment procedure for applications

In 2010 we gained experience with the new questions in the application forms pertaining to the exporter’s supply chain. These were included in the application form following the revision of the CSR assessment framework in 2009. The questions relate to the exporter’s knowledge of the Dutch State’s CSR policy on supply chain responsibility and how the exporter deals with this responsibility. The exporter is also asked to name his five most important suppliers, excluding intermediaries. Dutch exporters generally know their most important suppliers well and they are able to answer the questions on the application form. The additional questions about the chain of responsibility did not lead to extra research or re-assessments in 2010.

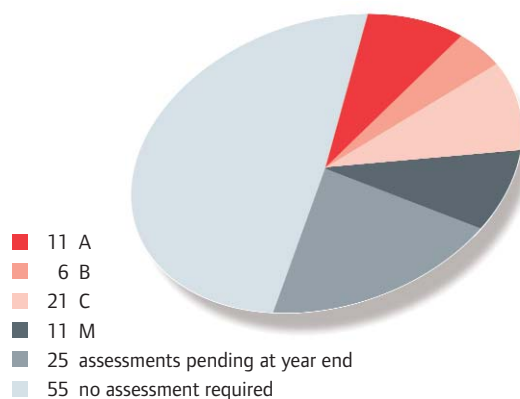
Atradius assesses Dutch exporters’ goods and/or services transactions in the broader context of the project they are part of. This is in accordance with the *Common Approaches*. The procedure for defining a project was clarified in the revised evaluation framework. In accordance with this procedure, for each application, the CSR desk will define the project and determine to which extent the project’s supply chain will be included in the assessment. It has

been our experience in the past year that many exporters understand the definition of the project which their transaction is part of. In a few cases our clearly defining a project led to discussions about the extent of an exporter’s responsibility for aspects of the project beyond the scope of his contract.

In 2010 we started to assign M ratings in addition to A, B, and C ratings. The M rating, introduced in the Dutch State’s 2009 policy document, stands for marginal assessment. This is conducted for transactions consisting of deliveries to existing projects, which do not change significantly as a result of the deliveries. This is in line with the *Common Approaches*. A marginal assessment is also conducted on projects for which we receive credit insurance applications for refinancing or letter of credit confirmation. The marginal assessment focusses on the project developers’ activities with regard to environmental and social policies, on compliance with local laws and regulations and on whether the recipient country endorses relevant international guidelines (e. g. those of the ILO, the International Labour Organisation).

Report on applications screened and assessed in 2010

In 2010 we screened 129 applications on their environmental and social impact. This decline, from 183 screenings in 2009, is in line with the decrease in applications in 2010. The pie chart below shows the results of the environmental and social assessments.



Of the 129 applications screened, 49 were classified and assessed in accordance with the OECD agreements. Of these 49 applications, 11 were classified as category A projects (major potential adverse environmental and social impact), 6 as category B projects (substantial potential adverse environmental and social impact) and 21 as category C projects (little or no impact). M, or marginal assessments, focussing on the reputation of the buyer and of the related project, were conducted on 11 applications. 25 assessments were pending at the end of 2010. 55 applications did not require further assessment after initial screening, due to their small size or their minor environmental and social impact.

The main sectors assessed were shipbuilding (fourteen applications assessed) and the dredging sector (ten applications assessed). Seven applications were assessed in the oil and gas sector (including petrochemicals) and seven in the agricultural sector (including greenhouse construction). The histogram below shows the projects assessed by the CSR desk according to sectors and ratings.

In 2010, two applications were rejected on environmental and social grounds. Since the implementation of the *Common Approaches* in 2001, five applications have been rejected on environmental or social grounds.

Environmental and social impact assessment processing times

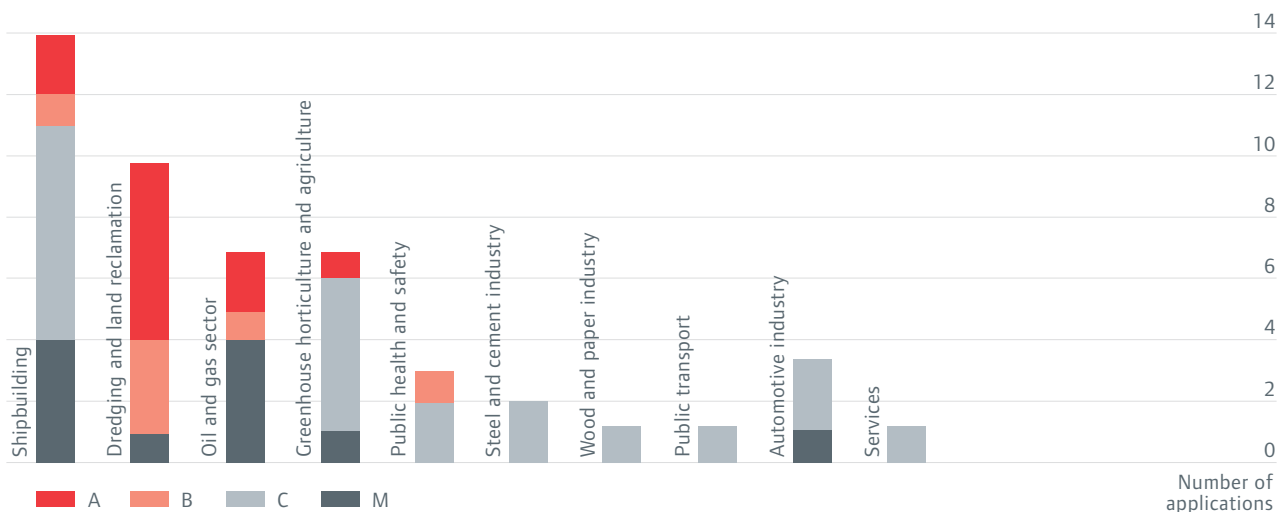
We more than achieved our targets for the environmental and social impact assessment processing times. All screenings were completed within two working days. In 2010, 41 of the 49 (84%) assessments which followed screening were completed within 30 working days of receipt of the information required. This is slightly lower than in 2009 (93%), but better than in 2008 (77%). Just as in prior years, all assessments were completed within 60 working days of receipt of the information required.

The average environmental and social impact assessment processing time was 23 working days for category A projects, 18 working days for category B projects and 6 working days for category C projects; assessments for category M projects also took an average of 6 working days.

Publication of information for category A projects

We published the eleven category A projects assessed in 2010 on the internet before issuing an insurance policy. In all cases, third parties requested environmental and social impact information and in each case we were able to make the relevant information available to them. For one project, our publication led to third parties making additional information available to us.

Sectors and ratings for projects assessed in 2010 as to their environmental and social impact





G-force is a services company in the marine industry and the oil and gas sector as well as a manufacturer of special systems for treating oily waste and slop oil. In 2010 G-force submitted an application for credit risk insurance for the installation and operation of a plant for separating oil, water and soil in the former Buzovna oil fields in Azerbaijan. Oil had been drilled, produced and refined on the peninsula for many years. As a result, 20,000 hectares of land were contaminated with various waste products, including crude oil. 7,500 hectares of this area are to be decontaminated using a G-force custom-built treatment system.

In accordance with the *Common Approaches*, we assessed the transaction and the project it is part of. Based on this “project definition”, Atradius Dutch State Business assessed the social and environmental risks of the project as a whole, in accordance with the IFC Performance Standards.

The contamination has a significant impact on the environment and on public health, but these are limited to the contaminated area and can be mitigated by the proposed decontamination. On these grounds the project was classified as a B project.

G-force will install and operate a plant which the Azerbaijani oil company will use to clean up oil pollution in Buzovna in lakes, known as oil lakes, and in the areas around former oil storage facilities. After the oil is pumped from the lakes and

treated by the plant it can be sold at market prices. The lake beds will then be excavated, in some places to a depth of 3-4 meters, and the oil-contaminated soil treated in the G-force plant. The oil which will thus be extracted from the soil is also marketable. A waste product of this treatment is contaminated soil containing a low level of oil. This soil can be decontaminated through bioremediation, a method which makes use of microorganisms’ natural capacity for, under certain circumstances, breaking down oil pollution. Separation and decontamination is expected to take four years and will be partially funded by the proceeds of the sale of the recovered oil.

The project will also have an adverse impact on the population. Most of the people living there do so illegally and are aware that they are living on contaminated ground. They have been asked to leave and have been offered some compensation. No arrangements have been made for those who will not be leaving. Their presence will however be taken into account while the project is being carried out. Decontamination of the area will obviously benefit the environment and habitat, as the soil will no longer constitute a health risk. The decontaminated area can be used for other purposes, including agriculture. Moreover, infrastructure in the region will improve as a result of the project. After carefully weighing the expected adverse and favourable impacts on the population and the environment, we assessed this project as acceptable.

Appendix

Overview of applications assessed by CSR desk in 2010

Table 1 Category A projects assessed by CSR desk in 2010

| Project Description | Transaction Sector | Project Sector | Country (and recipient country, if different) | Classification |
|---|--|---|---|----------------|
| Land reclamation: enlargement of four islands to ensure safety in anticipation of expected gradual rise of sea level | Construction and civil engineering; water management | Dredging and land reclamation | Maldives | A |
| Expansion and improvement of Pointe Noire harbour facilities | Construction and civil engineering | Dredging and land reclamation | Republic of the Congo | A |
| Land reclamation: enlargement of four islands to ensure safety in anticipation of expected gradual rise of sea level | Construction and civil engineering; water management | Dredging and land reclamation | Maldives | A |
| Coastal protection near Cotonou, where, as a result of coastal erosion and the rising sea level, residential areas are under threat | Construction and civil engineering; water management | Dredging and land reclamation | Benin | A |
| Design and Construction of polypropylene factory for existing refinery | Other industries | Oil and gas sector | Russia | A |
| Development of 15 hectare wharf at designated industrial area near Porto Amboim | Construction, other | Oil and gas sector | Angola | A |
| Construction and delivery of dredging vessel for expansion of the Panama canal | Shipbuilding and repair | Shipbuilding | Panama | A |
| Development of 15 hectare wharf at designated industrial area near Porto Amboim | Industrial machinery manufacturing | Shipbuilding | Angola | A |
| Dredging work for land reclamation on the north coast of Bahrein | Construction and civil engineering | Dredging and land reclamation | Bahrein | A |
| Dredging work for development of Azerbaijan's new international harbour near Alat | Construction and civil engineering | Dredging and land reclamation | Azerbaijan | A |
| Establishment and equipping of poultry farm for meat production, including feed production and waste disposal | Agricultural machinery | Greenhouse horticulture and agriculture | Ukraine | A |

Table 2 Category B projects assessed by CSR desk in 2010

| Project Description | Transaction Sector | Project Sector | Country (and recipient country, if different) | Classification |
|--|--|-------------------------------|--|-----------------------|
| Overhaul of water treatment plant and laying of pipelines to Kumasi neighbourhoods which have no running water | Construction and civil engineering: water treatment | Dredging and land reclamation | Ghana | B |
| Delivery of installation for removing oil from oil-contaminated soil in former Buzovna oilfields, Azerbaijan | Specialised industrial machinery and equipment manufacturing | Public health and safety | Azerbaijan | B |
| Delivery of trailing suction hopper dredger | Shipbuilding and repair | Shipbuilding | Russia | B |
| Construction and engineering for stabilisation of four oil pipelines | Construction and civil engineering | Oil and gas sector | Brazil | B |
| Construction and engineering for two gas pipelines | Construction and civil engineering | Dredging and land reclamation | Brazil | B |
| Maintenance dredging in and around the port of Freetown | Construction and civil engineering | Dredging and land reclamation | Sierra Leone | B |

Table 3 Category C and M projects assessed by CSR desk in 2010

| Transaction Sector | Project Sector | Country (and recipient country, if different) | Classification |
|--|---|--|-----------------------|
| Other special civil engineering | Greenhouse horticulture and agriculture | Russia | C |
| Vehicle body manufacturing | Automotive Industry | Italy | C |
| Agricultural machinery manufacturing | Greenhouse horticulture and agriculture | Belarus | C |
| Shipbuilding and repair | Shipbuilding | Ukraine | C |
| Shipbuilding and repair | Shipbuilding | South Africa | C |
| Shipbuilding and repair | Shipbuilding | Djibouti | C |
| Shipbuilding and repair | Shipbuilding | Djibouti | C |
| Shipbuilding and repair | Shipbuilding | Ukraine | C |
| Machinery manufacturing: other | Wood and paper industry | China | C |
| Medical equipment | Public health and safety | Sri Lanka | C |
| Shipbuilding and repair | Shipbuilding | Ireland | C |
| Other services | Services | Sri Lanka | C |
| Shipbuilding and repair | Shipbuilding | Cayman Islands | C |
| Manufacturing of steel or cement products | Steel and cement industry | Russia | C |
| Manufacturing of steel or cement products | Steel and cement industry | Russia | C |
| Manufacturing of food processing machinery | Greenhouse horticulture and agriculture | Spain | C |
| Agricultural machinery wholesale business | Greenhouse horticulture and agriculture | Russia | C |
| Agricultural machinery wholesale business | Greenhouse horticulture and agriculture | Mexico | C |
| Medical equipment | Public health and safety | Macedonia | C |
| Motor vehicles | Public transport | Abu Dhabi | C |
| Manufacturing of special machinery | Automotive industry | Indonesia | C |
| Construction and civil engineering: water management | Dredging and land reclamation | Abu Dhabi | M |
| Machinery manufacturing | Greenhouse horticulture and agriculture | Russia | M |
| Non-agricultural machinery wholesale business | Oil and gas sector | Russia | M |
| Plant and equipment construction: other | Oil and gas sector | Mexico | M |
| Shipbuilding and repair | Shipbuilding | Belgium | M |
| Shipbuilding and repair | Shipbuilding | Bangladesh | M |
| Manufacturing of pumps | Oil and gas sector | Russia | M |
| Manufacturing of valves | Oil and gas sector | Russia | M |
| Agriculture | Greenhouse horticulture and agriculture | Vietnam | M |
| Machinery manufacturing | Shipbuilding | Cayman Islands | M |

