

Export credit insurance on behalf of the Dutch Government



Credit insurance for capital goods exports and construction projects abroad

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Introduction

Offering credit is the rule rather than the exception for capital goods exports and construction projects abroad. The availability of attractive financing for your customers will sometimes actually be a key factor in winning you the order. Of course, it is important for you to limit the risk.

Atradius can assist you with its wide range of products and services designed to cover these risks and increase your financing capacity. Atradius can also offer you additional assurance at the negotiation stage by issuing a promise of cover.

This brochure provides detailed information on the various forms of export credit insurance for capital goods transactions and construction projects. If you would like to know more about these types of insurance, please contact us. Our contact details may be found on the back of this brochure.

This brochure gives a general description of the products which Atradius Dutch State Business can offer on behalf of and for the account of the State. Of course, this brochure cannot give an exhaustive description of the products, nor can any rights be derived from it.



1. Export credit insurance facility: cooperation between Atradius and the Dutch State

Since 1932, Atradius has been operating the Export Credit Insurance facility for the Dutch State. Initially, Atradius was the insurer and the State provided reinsurance. From 2010, the State itself will be the insurer and Atradius will operate the facility. The administration of Export Credit Insurance is entrusted to Atradius Dutch State Business NV, a wholly owned subsidiary of the Atradius Group.

Our mission:

We promote Dutch exports and foreign investment by providing credit and investment insurance to complement market facilities.

Export Credit Insurance is intended for transactions which exporters or banks are unable to cover on the private credit insurance market. This applies in particular to transactions with long completion periods or long periods of credit,

large transactions and some deals with riskier countries. The State has laid down rules on the type of transactions eligible for Export Credit Insurance. Those rules are revised annually in accordance with the capacity of the private insurance market. In general, it is transactions involving medium-term credit (over more than one year) that may qualify for Export Credit Insurance cover.

Conditions

One of the conditions which the government imposes for insuring medium-term transactions is that the transactions must be of sufficient interest to the Netherlands. In practice, this means that there is a maximum limit on the proportion of goods and/or services supplied by other countries. We can generally accept transactions in which the foreign component represents up to 50%. A higher foreign content is

permitted in some cases if considerations relating to the national interest are sufficiently weighty.

Authorisations

The risks to be accepted under Export Credit Insurance may vary in scale from a few hundred thousand to many hundreds of millions of euros. Atradius has authority to cover these risks up to a certain amount without the prior approval of the State. If a transaction exceeds that authority, then we submit a proposal to the State. The Minister of Finance takes the ultimate decision.

Products

This brochure sets out the products supporting Dutch exports and foreign investments.

2. Insurance for medium-term transactions

Offering credit is the rule rather than the exception for capital goods exports and construction projects abroad. In the case of products and services supplied to lower income countries, the availability of attractive financing for customers will often actually be a key factor in securing the deal. Naturally it is vital to limit the risk.

In the case of credit insurance we make a distinction between short-term and medium-term transactions. Atradius Dutch State Business offers insurance on behalf of and for the account and risk of the Dutch State, primarily but not exclusively for medium-term transactions. These involve credit periods in excess of twelve months, and concern the supply of capital goods such as machinery, ships or glasshouses. The completion time may also exceed twelve months, e.g. in the case of major construction projects.

Atradius can assist you with its wide range of products and services designed to cover these risks and increase your financing capacity. The Export Credit Facility is by far the biggest of these, and involves cooperation with the Dutch State dating back to 1932. Over the years, that cooperation has developed and expanded. The underlying principle is that the State only supplements the market. To that end, the State has laid down rules on the risks to be borne by the State (via Atradius Dutch State Business) and those to be borne by the private insurance market. Those rules are revised periodically in accordance with the capacity of the private insurance market.

Manufacturing risk and credit risk

Medium-term transactions entail both manufacturing risk and credit risk. Manufacturing risk is the risk that you may be unable to deliver the goods ordered and made, and that you may also fail to receive any reimbursement of the costs incurred. Credit risk is the risk that you may incur a loss if you do not receive the agreed price for the delivery in full, or if you are only paid after a long delay. The Atradius policies covering medium-term transactions enable you to insure both the manufacturing risk and the credit risk simultaneously. Manufacturing risk can only

be covered in conjunction with credit risk, but you can also insure the credit risk on its own.

The delivery time is an important moment under a credit insurance policy, which distinguishes between loss prior to and post delivery. Loss prior to delivery (manufacturing loss) is reimbursed on the basis of costs incurred, which means that the calculated profit is not insured. Loss post delivery (credit loss) is reimbursed on the basis of outstanding debts, and in this case the calculated profit is therefore insured.

Manufacturing risk

Manufacturing risk arises prior to delivery if, for example, your customer experiences financial difficulties. This may be purely a commercial problem, but there could also be political or financial/economic problems in your customer's country. This may make it impossible to complete the delivery and you will run the risk that manufacturing costs which you have already incurred will not be reimbursed, while you will still have to meet your obligations to your suppliers. In addition, the sale of the completed goods to third parties will probably generate less than the costs you have incurred. This certainly applies in the case of less marketable goods. In these cases, the insurance covers the costs incurred and excludes the estimated profit.

Credit risk

Credit risk arises following delivery of the goods or services if you do not receive the agreed price and any interest payable. Cover for this risk is then based upon the outstanding amount due from your customer. In this case, therefore, the estimated profit in your contract price is insured, but subject to the maximum covered percentage.

Buyer and country risks

Atradius's insurance policies for medium-term transactions can cover both buyer risk and country risk. Buyer risk is the risk of your customer failing to comply with his financial obligations, for example, because the customer is insolvent on account of a suspension of payments, bankruptcy, private or judicial composition, or an execution that fails to generate sufficient proceeds. Your

customer may also fail to pay even if he is not insolvent or even if there is no dispute about the goods delivered or the performance of the contract. This so-called protracted default arises if your customer has not complied with his payment obligations after the expiry of the waiting period.

Country risk includes political and catastrophe risks. Political risks include war, hostilities, civil war, revolution, rebellion and internal civil disturbances. Political risks may also arise as a result of government measures, such as a general moratorium, foreign exchange restrictions or the freezing of funds. Transfer restrictions and shortages of foreign currency are also regarded as political risk. Catastrophe risks are, for example, epidemics, nuclear disasters and natural disasters, such as storms, earthquakes, and floods.

3. Promise of cover and advice of cover

The capital goods and/or services policy is the most common form of insurance for medium-term transactions. This policy covers the non-payment risks of one particular transaction that is explicitly stated in the policy. However, you will often need to know at an earlier stage – namely during the negotiations with your customer – that you will be able to minimise your risks.

When you are in negotiations regarding the delivery of capital goods or the execution of construction projects you often need to know at an early stage whether, and on what terms, Atradius will cover the non-payment risks in respect of the transaction. This security may also be useful in your negotiations with banks. Atradius will issue what is referred to as a promise of cover, whereby Atradius undertakes to issue cover on the agreed terms if the export contract comes into effect within the pre-agreed period. This period is a maximum of six months. If the agreed period is exceeded then Atradius may, on request, extend the period under certain conditions.

Atradius's and your obligations

If the terms of the contract deteriorate during the negotiations, then you should contact Atradius so that the promise of cover can be reviewed. Atradius may decline to extend the

promise of cover or even withdraw it if there has been a very significant deterioration in the risk. This will only happen if the export contract or any loan agreement have not yet come into effect. Atradius will issue a policy as soon as the contract has come into effect. Conversely, at that time you are under an obligation to accept the insurance, even if the terms of the contract are then more favourable than referred to in the promise of cover.

Apply for cover at an early stage

Atradius is very reluctant to underwrite risks if a contract has already come into effect. It is therefore recommended that you submit your application for insurance well before the contract is concluded. Atradius charges a fee for a promise of cover.

Advice of cover

We set a limit for all countries on which we accept risks. That limit indicates the maximum risk that Atradius Dutch State Business is willing to accept in respect of each country. In cases in which there is no or insufficient capacity within the credit ceiling of the country concerned, we may issue advices of cover. An advice of cover differs from a promise of cover in that it is subject to the condition that cover can only be provided if there is sufficient capacity within the country ceiling. However, the

application will have been assessed in respect of all other aspects of the credit insurance. An advice of cover will not be binding on Atradius Dutch State Business and will not therefore be included when calculating the capacity available within a country ceiling.

If, for a certain country the system of issuing advices of cover is introduced, existing promises of cover may be renewed, but no more than twice. After that, if further renewal is required, the promise of cover concerned will be converted into an advice of cover.

An advice of cover that has been issued to you can be converted into a policy at your request if there is sufficient capacity within the country ceiling. If the capacity available within the country ceiling subsequently grows and exceeds the total risk represented by advices of cover, then all these advices of cover may be converted into promises of cover once they have been reassessed. We shall then have given a commitment, because promises of cover are binding.

4. Non-Payment Risk Policy

A non-payment risk policy generally covers manufacturing and credit risks. The policy also states the cases of loss for which Atradius will not be liable, such as losses resulting from your negligence. The same applies with regard to transportation or war risk, against which other insurers provide cover. You will also forfeit your right to cover if the loss is attributable to, for example, errors or omissions in the contract, or to causes relating to agents, with the exception of your bank.

Own retention

Atradius's policies are based upon the principle that you will always retain a percentage of the risk yourself. In

general, this will be between 2 and 10%. Atradius therefore covers a maximum of 90% to 98% of any loss. Higher percentages for the uninsured portion are possible, but unusual.

The maximum cover for political risks is 98%. For commercial risks (e.g. insolvency in the case of a private company) it is 95%. We do not object to the parties involved (such as suppliers or the bank providing the finance) bearing part of the uninsured portion, but we do wish to be consulted. You must obtain prior written approval of the transfer of the uninsured portion, e.g. when the promise of cover or policy is issued.

Waiting period

In practice, amounts payable are seldom paid exactly on the due date and there will generally be some delay. For this reason, you will only be able to make a claim after the waiting period has expired. This waiting period enables Atradius to avoid having to deal with claims which will be cancelled within a short time on account of subsequent payment.

The waiting period is generally three months. In some cases, the waiting period is extended to six or twelve months, for example, if a particular country has a fairly constant level of payment arrears. In the case of manu-



facturing loss, the waiting period commences when the performance of the contract ceases. In the case of credit loss, the waiting period commences on the due date of the debt.

Cover for protracted default

In some cases, it takes some time before a loss is finally determined. For this reason, your policy covers the risk of protracted default; in other words, you are entitled to reimbursement of the loss when the insured debt has not been paid following the waiting period.

Disputes with customers

Our credit insurance business is based upon the principle that losses must not be attributable to you, and there must be no doubt about this. In the event of a dispute between you and your customer, Atradius will therefore postpone payment of the claim until the dispute has been settled and a court or arbitrator rules in your favour. For this reason, it is important that the contract between you and your customer includes satisfactory provisions

regarding the settlement of disputes. In certain cases, we may make an advance payment of compensation in anticipation of a final ruling by a court or arbitrator.

Calculation of the amount of the claim

In the case of pre-delivery loss (manufacturing risk), we will base the amount of the claim on the costs incurred. In the case of post-delivery loss (credit risk), we will base the claim on the unpaid part of the agreed price.

Atradius will pay the covered percentage of the loss within fourteen days of you agreeing to the claim statement in writing. When the compensation is paid, we will take over all the rights and security relating to the transaction. You will continue to have an interest in the transaction being settled as favourably as possible, because if we subsequently receive payments in respect of the transaction (proceeds) you will receive a sum proportionate to your uninsured portion.

Your obligations in relation to losses

It is your obligation to do everything possible to prevent losses. If there are irregularities with regard to a transaction, or there is the threat of a loss, then in consultation with Atradius Dutch State Business you should take all measures to reduce the risks and minimise the losses, acting on any instructions given to you by Atradius Dutch State Business. Even after you receive payment of the claim, it is essential that you cooperate fully with regard to settlement of the transaction. If necessary, you should take measures in your own name on the instructions of Atradius Dutch State Business.

Currency

We generally pay claims in euros. Any conversion of foreign currency amounts into euros will always take place at the exchange rate applicable on the due date of the amount payable, though the rate can never exceed the rate which applied on the date on which the export contract came into effect.



It is also possible for the financing to take place through a buyer credit provided by a bank. In this case, we will reimburse the financing bank in respect of the loss in the currency of the loan, provided that it is a currency acceptable to Atradius. The resulting reverse exchange rate risk is subject to a maximum limit.

In the case of a supplier credit, a bank may be prepared to discount without-recourse bills of exchange or promissory notes (through a lump-sum payment). In this case, any claim will be paid in the same currency as the bills of exchange or promissory notes. Again, this will be subject to a maximum, and the currency must be one that is acceptable to Atradius.

Rescheduling agreements

Sometimes the reason for your failure to receive a payment lies not so much with your debtor but with the debtor's country, e.g. if a country has insufficient foreign exchange. In that case, the country's debt may be rescheduled.

Rescheduling refers to both the determination of new due dates for a payment and the remission of debts, in whole or in part. Rescheduling agreements are concluded by creditor countries with debtor countries within the framework of the Paris Club. The agreements relate solely to insured losses borne by the Dutch government. The rescheduling clause of your policy contains more information on this. The rescheduling clause means that, with regard to your uninsured portion, you accept the consequences of any rescheduling agreement that applies to an insured transaction.

The claims covered by a rescheduling agreement are covered by the policy in the normal way. After the expiry of the waiting period, you will therefore receive payment of the covered percentage of the insured sums.

If the debt is not remitted, but payment is deferred and we receive payments on the newly agreed due dates, then you will receive a percentage equal to your uninsured portion.

Force majeure

You could also suffer a loss if, owing to force majeure, you are not able to deliver, or are unable to do so on time, or you are not paid. We only insure such losses if the force majeure occurs outside the Netherlands and it is not attributable to you or your suppliers.

Force majeure within the Netherlands is not covered, except if this is the result of measures that the Netherlands is required to take as a result of resolutions by international organisations, such as embargoes. Given that these situations can cause large losses, it is very important to us that the relevant clause of the export contract is well drafted. For instance, the customer must not be able to determine the existence of force majeure unilaterally, the export contract may not be dissolved if the force majeure continues for only a short period (= generally less than 6 months), and the definition of force majeure must be sufficiently wide. In some cases we may agree to a shorter period.

Premiums

Each transaction is different, so that the risk differs from case to case. Various factors will affect the premium, such as the agreed price, the payment terms, and the existence and nature of payment guarantees. We also consider the country and status of the customer or the guarantor (private enterprises or banks at various levels, local authority, central government or monetary authority), the delivery period and the covered percentage. Premium quotations without commitment (in Dutch only) can be obtained through our website www.atradius.nl/dutchstatebusiness

5. Credit insurance as a financing instrument

Under certain circumstances, the credit insurance taken out by you can also be used as a financing instrument.

Different criteria will apply depending upon whether the transaction is based upon supplier credit or buyer credit.

Supplier Credit and Direct Guarantee
A supplier credit whereby your bank discounts the bills of exchange will limit your scope for obtaining credit from the bank. To avoid that, on the basis of your policy we can issue a Direct Guarantee to your bank. Issue of a Direct Guarantee relieves you of the burden of financing the transaction, apart from the uninsured portion. A Direct Guarantee is an irrevocable, unconditional obligation by Atradius towards the discounting bank. We issue the guarantee on delivery. If a bill of exchange or promissory note covered by the Direct Guarantee is not paid in the Netherlands after expiry of the waiting period, then so long as the Direct Guarantee conditions are fulfilled we will pay the covered percentage of the amount to your bank. We will also pay out even if there is no right to compensation under the policy terms. In that case, or if you have not complied with all the obligations under the export contract, and therefore a loss has been incurred that has been paid out under the Direct Guarantee, you will have to refund to Atradius the compensation paid to your bank. This is the right of recourse (see section 13).

The following terms must be met before a Direct Guarantee will be issued:

- delivery must have been made in full, or the agreed service must have been provided in full
- you must have declared that your customer has given a written declaration that he has taken delivery of the goods in accordance with the export contract
- bills of exchange or promissory notes must be payable in the Netherlands, duly accepted by your customer and approved by Atradius
- your bank must be prepared to discount without-recourse promissory notes or bills of exchange through a lump-sum payment based upon the covered percentage.
- the credit period must be longer than twelve months

- Atradius will need to agree to the risk of recourse resulting from the issue of Direct Guarantees.

We do not charge any additional fees or premium for the issue of a Direct Guarantee.

Letters of Credit and Direct Guarantee
A bank in your customer's country may sometimes open an irrevocable letter of credit with postponed payment, and a Dutch bank may negotiate this letter of credit. If the negotiating bank grants you an advance under the letter of credit, we can issue a Direct Guarantee to the negotiating bank in respect of that on the basis of your policy. As in the case of a Direct Guarantee covering supplier credit, a Direct Guarantee covering an irrevocable letter of credit with postponed payment can reduce your debt to the bank. We do not charge any additional fees or premium for this. You simply retain the uninsured portion.

The issue of the Direct Guarantee for letters of credit is subject to a number of specific conditions:

- the documents must have been recognised by the bank opening the letter of credit
- the letter of credit must be governed by the UCP 600 or any later versions of these rules
- the negotiating bank must be prepared to grant you an advance
- the credit period must be longer than 12 months
- Atradius must consent to the right of recourse arising from the issue of the Direct Guarantee.

Buyer Credit Insurance

In the case of a supplier credit, you finance the transaction, whereas in the case of a buyer credit, a bank provides a loan direct to your customer or his bank. The provisions of the loan are that the bank may make payments direct to you. This is beneficial to you, because you receive a cash payment. Following delivery of the goods, the only remaining indebtedness is between your customer (or his bank) and the lending bank.

Atradius may also insure such a loan. Atradius will then issue a Buyer Credit policy to the lending bank. In most cases, Atradius also issues you with a policy that covers your manufacturing risk

Progress payments

A Buyer Credit Insurance policy often stipulates that disbursements under a loan agreement will only be made after you have complied with your contractual delivery obligation. It is also possible, however, that you will receive disbursements under the loan agreement while you are still in the course of fulfilling this obligation. As a result, you will receive funds prior to delivery, which are referred to as progress payments. Atradius can also provide insurance cover for these progress payments.

Progress payments will not be linked to delivery, but to certain agreed times, such as the arrival of raw materials in the exporter's factory, or the placing of orders with suppliers. These times must be laid down in both the export contract and the loan agreement.

In the case of progress payments, Atradius is exposed to a manufacturing risk and a credit risk at the same time. For this reason, cover for the financing involving progress payments is subject to the condition that the manufacturing risk is also insured.

Overfinancing

The borrower (your customer or his bank) is of course obliged to repay unconditionally any part of the loan paid out under the policy. It is not intended that under this system you will receive payments in excess of the costs that you have incurred up to that time (known as "overfinancing"). For that reason, amounts paid out under the loan are generally paid into an account which you have pledged to the lending bank. The bank can then only make available to you the sums on that pledged account on presentation of a statement by an external auditor. That statement must confirm that the total of the amount received under the loan or otherwise does not exceed the total costs which you incurred in executing the contract.

Foreign banks

Atradius is prepared to issue a Direct Guarantee or Buyer Credit policy to banks established abroad, provided that the bank concerned is supervised effectively by a competent authority in the country of establishment or in its home country. The underlying exports must of course have a predominantly Dutch content.

6. Bond Insurance

If your customer pays part of the purchase price in advance, he will require you to give security for this, often in the form of a bank guarantee. Your customers may also require you to give them guarantees in other cases in order to be certain that you will fulfil your contractual obligations. The common forms of guarantee are advance payment bonds, performance bonds, maintenance bonds, and (at the bidding stage) bid bonds.

All these guarantees can be insured, because guarantees have disadvantages for you, such as the risk of the guarantee being called unfairly, and the use of part of the borrowing capacity available with your bank.

Atradius offers various ways of covering both the risk of a guarantee being called and the use of your borrowing capacity. These are Bond Insurance (stand-alone and supplementary), Bid Bond Insurance and the Counter Guarantee.

Bond Insurance

Bond Insurance protects you from the risk of your customer or his bank making unfair calls on a bank guarantee. Atradius offers Bond Insurance in combination with normal manufacturing and credit risk cover. You can also just take out insurance for bond risk by means of stand-alone Bond Insurance.

The claim will be paid after a court or arbitrator has passed a decision establishing that the guarantee has been called unfairly by the beneficiary. In certain cases, Atradius may make an advance payment in anticipation of such a decision. If you have taken out Supplementary Bond Insurance, then if you have manufacturing risk cover the risk of a fair call on the guarantee is also covered if the guarantee is called as a result of our instructing you to halt delivery.

Bid Bond Insurance

In the case of international invitations to tender, you will often be asked to add a bid bond to your tender. This will give the client the security of knowing that you will fulfil your bid. However, the provision of such a bond also involves the risk of the bond being called unfairly. Atradius can insure against that risk. When it has been established that the tender bond has not been called in accordance with the purpose for which it was given, you will be entitled to compensation.

A client may also call on your bid bond fairly, for example if you are in default because Atradius has withdrawn its promise of cover. Insurance is also available against the risk of a bond being called fairly, though in that case you must have a promise of cover for non-payment risk. That does not apply if cover is only taken out against the risk of a bond being called unfairly.

Counter Guarantee

Through a Counter Guarantee, Atradius undertakes to reimburse the bond or guarantee-issuing bank amounts paid out to your customer under a guarantee within the covered percentage.

This reduces the utilisation of your borrowing capacity. Atradius will pay the bank, irrespective of the reason for the calling of the bond or guarantee.

A Counter Guarantee can only be given in combination with supplementary Bond Insurance. In the case of a Counter Guarantee relating to a bid bond, Atradius must also have issued a promise of cover for the transaction in question.

Prior to agreeing to insure a transaction, Atradius generally does not check the documentation relating to the transaction. This does not apply to the wording of bonds or guarantees, however. Prior to issuing bond insurance, Atradius will check the content and the wording of the bonds or guarantees. For example, Atradius will check the documents to ensure that the commencement and expiry dates and the description of the transaction in respect of which non-payment risk is to be covered are unambiguous.

The Counter Guarantee offers the additional benefit that it will lead to a lower guarantee fee being charged by the bond- or guarantee-issuing bank.

7. Leasing Insurance

The leasing of capital goods is a popular alternative to selling, particularly in the case of transport equipment.

Atradius therefore offers a Leasing Policy incorporating various forms of cover: Comprehensive Cover, Restricted Cover and Expropriation Risk Cover. We can also insure leasing transaction financiers.

Comprehensive Cover

The Comprehensive Cover Leasing Policy is very similar to the policy covering the credit risks of medium-term transactions. In other words, it

covers all lease payments. This cover is only available for finance leases.

Restricted Cover

In the case of a Restricted Cover Leasing Policy, the insurance primarily covers amounts that you are scheduled to receive during the first nine (or sometimes the first twelve) months. As the lessor, you must ensure that you can recover the leased asset if the lessee does not make payment. Whenever the lessee pays an instalment on time, then the cover moves to the following payment, i.e. it is revolving in

nature. This cover is really intended for operational leases, but it can also be used for financial leases, for example, if Atradius is not able to provide cover for the whole term because of its country policy.

Expropriation Risk Cover

The Leasing Policy with Expropriation Risk Cover insures more than just the risk of non-payment: under a leasing agreement, you also run the risk that you will not be able to recover a leased asset that legally belongs to you, because of expropriation during the

lease term or because of an export ban at the end of the lease term. Under a Restricted Cover Leasing Policy, this expropriation risk can be insured both separately and in combination with non-payment risk cover.

Under a Comprehensive Cover Leasing Policy, separate expropriation risk cover is not necessary because our cover under this policy already includes all your lease payments.

Direct Guarantee

We can issue a Direct Guarantee in the case of leasing transactions. Since a lease does not involve a transfer of ownership, and there is therefore no purchase certificate by the debtor, the risk of recourse for Atradius is higher than in the case of a sale contract (see section 11). For this reason, the issue of such guarantees is subject to additional conditions. For example, as a lessor, you must have complied with all your obligations by making the leased asset available. The leasing agreement must also provide that the lessee is responsible for maintenance and for any necessary repairs to the leased asset. Some leasing agreements include the right to terminate the lease early. A Direct Guarantee can only be issued, however, for bills of exchange that relate to the 'fixed' lease term and to Comprehensive Cover Leasing Policies.

Finance Insurance for leases

In the case of a financial lease it is also possible that a bank may finance the transaction with a loan. When you make the leased asset available, you as the lessor receive payment of all instalments from the bank (subject to a certain discount), while the lessee then pays the instalments to the bank.

In this case, we can offer the bank a Finance Insurance Policy. This policy operates in the same way as the Buyer Credit Insurance Policy.

Leasing and country policy

In our country policy, we occasionally distinguish between transactions with a credit period of up to twelve months and those with a credit period of more than twelve months. This means that Comprehensive Cover and Restrictive Cover Leasing Policies are normally available for countries for which medium-term cover is not a problem. For countries where we can only insure

credit for up to twelve months, we can only provide Restricted Cover Leasing Policies. We consider expropriation risk separately. One of our principal conditions for providing such cover is the existence of a reliable legal system.

Foreign lessors

We can also provide insurance for leasing companies which are not themselves manufacturers, and for foreign lessors, provided that the goods in question have been manufactured in the Netherlands.



8. Construction Projects Insurance

Construction projects differ from capital goods transactions in a number of ways. For example, construction projects are generally agreed on the basis of a budgeted contract sum. As the contractor, during the execution of the project you will produce a regular progress report, usually monthly, of the works carried out during the relevant period. On the basis of the progress report, the client will issue a certificate stating the proportion of the contract sum that relates to the work that has been completed. As soon as you receive this

certificate, the certified amount of the contract sum will be due to you from the client. All the certificates together will represent the final contract sum. A further feature of construction projects is the deduction of advance payments. If these have been agreed, they will be deducted on a percentage (pro rata) basis from the certificates issued periodically during the progress of the works.

Construction Projects Insurance Policy

Owing to the specialist nature of construction projects, we offer a separate policy for insuring such contracts. Firstly, this Construction Projects Insurance policy covers the risk of you not being reimbursed for the costs you have incurred, because not all the certificates have been issued. It could happen that you are unable to complete the works for reasons beyond your control or when acting on our instructions. Secondly, it covers the risk of you not receiving the amounts due, in spite of the fact that the relevant certificates have been issued.

A further risk is that plant and equipment needed to carry out the works may be lost for political reasons, or cannot be exported from the country in question. This plant and equipment risk can be insured as part of the Construction Projects Insurance or separately (see section 9).

Guarantees and financing

If you or a bank have to provide a medium-term credit, we can also offer you a Direct Guarantee or Buyer Credit Insurance (see section 5).



9. Plant and Equipment Insurance

Those who carry out works abroad will often transport and use very expensive plant and equipment, such as dredgers, excavators, cranes, accommodation for personnel, but also expensive smaller items, such as welding and measuring equipment. You can insure against the risks of material loss to this plant and equipment with private insurers. The same applies in the case of loss caused by transportation or war risk. Such losses are not covered by Construction Projects Insurance. However, it is not always possible to cover these risks with private insurers, or only at very high premiums. In such cases, we can help you by arranging a separate Plant and Equipment Insurance policy or an endorsement to the Construction Projects policy.

Risks insured

The Plant and Equipment Insurance policy insures you against a number of risks in the country in which the works are carried out. These are, on the one hand, the risks of damage or confiscation of the plant and equipment resulting from political causes (such as war, hostilities or civil disturbances) and, on the other hand, the risk of not being able to transport the plant and equipment for similar reasons or because of a government prohibition.

Atradius's risk will commence as soon as the plant and equipment arrives in the country in which the works are to be carried out, and will terminate as soon as the plant and equipment arrives in the next country of destination following completion of the works. Atradius can issue a promise of cover for the risks referred to above prior to the conclusion of a contract.

Calculation of the amount of the claim

A schedule of plant and equipment, showing the book value and depreciation rate relating to each asset as stated by you, will be appended to the Plant and Equipment Insurance policy. Atradius will reimburse the loss calculated on the basis of the book value less depreciation since the commencement of the policy and subject to the agreed percentage of cover.

In the case of damage, the loss will be deemed to be repair costs (subject to a maximum of book value less depreciation) or the book value (less depreciation at the time the assets were confiscated or could not be transported).

10. Project Finance Insurance

Project financing relates to large infrastructure projects or industrial projects, such as the construction and operation of electricity generating stations, petrochemical installations, toll roads, telecommunications and oil and gas projects. A project company, known as a Special Purpose Company (SPC), is set up for the purpose of developing and operating the project. Repayment of loans for such projects depends on the expected revenue and cash flow generated by the project. In the event of non-payment by the debtor (the project company/SPC), there is limited recourse to the sponsors (the SPC shareholders). We therefore offer you the possibility of insuring against the manufacturing and credit risk of such projects.

Atradius has wide experience in the field of project finance, and has insured a range of projects in a variety of sectors – oil and gas, infrastructure, shipbuilding and energy – in various parts of the world. For many years now, Atradius has had a specialist project finance team.

Project Assessment

Project financing is usually subject to our country policy in the same way as export credit insurance. This means that a cover policy and exposure limit (credit ceiling) are set for each country. In some cases, projects can also be insured in countries where our policy does not permit us to offer cover, for example, if this does not involve transfer risks and the credit risk has therefore been largely transferred to another country.

Applications

In the case of project financing, it is recommended that you involve Atradius at the earliest possible stage. On the basis of provisional information, a without-commitment letter of interest can be issued to you or the financing bank. This will be a statement that Atradius is willing to consider the application in principle.

Terms

In view of the basic costs of setting up project financing insurance, this is not an attractive option for smaller investments. The availability of project

financing insurance will be conditional on, for example, a due diligence investigation, which is an investigation by external advisors into the accuracy and completeness of the information provided. They will assess reports by banks and sponsors and will investigate your technical competence and solvency. If Atradius accepts the project financing risk, it will state on what terms insurance cover is available. As in the case of export credit insurance, a promise of cover is valid for six months. If the risk remains acceptable, that term can be extended by six months on a continuous basis.

11. Asset Based Finance

Under the normal export credit insurance facility for exports of movable assets, the creditworthiness of the buyer is the principal criterion determining whether the risk is accepted. We can be more flexible in the assessment of this buyer risk and the country risk if and to the extent that the availability of the asset itself offers scope for mitigation of any loss. This creates particular additional opportunities for export credit insurance in the shipbuilding industry.

Atradius offers exporters of movable capital goods the option of having the resale value of the underlying capital goods taken into account when the risk is assessed and accepted. In this case we therefore assess not only the extent to which the capital goods can be resold, but also the cash flow which the asset is expected to generate.

Risks covered

In the case of asset-based finance transactions, in addition to the normal buyer and country risk there are a number of specific risks, such as repatriation risk, market value risk and resale risk.

Repatriation risk

This is the risk of it not being possible to repossess the capital goods and/or repatriate them to the Netherlands, or to another acceptable country, in the event of non-payment.

Market value risk

This is the risk of the proceeds of resale of the capital goods being less than forecast at the time of acceptance of the risk.

Resale risk

This is the risk of financial losses due to the fact that resale of the capital goods takes longer than forecast. This includes the costs of seizure, repatriation, resale, storage, interest, etc.

Type of goods

We are willing to consider applications in respect of asset-based finance transactions in the case of movable capital goods that can be repatriated. The capital goods must have sufficient value, because the costs of repatriation will have to be offset against their value.

Security and ownership

The security that enables the capital goods to be repossessed in the event of non-payment will be in the form of legal ownership, a mortgage right or other right permitting repossession. Asset-based finance transactions will therefore always need to be structured on the basis of a finance lease or mortgage right. In some legal systems it is also possible, for example, to have a right of retention without having legal ownership of the asset concerned.

Future market value

Prior to accepting the risk, Atradius will want to assess the future market value. We will generally base our assessment on an objective future valuation carried out by independent experts and provided by the exporter. It is of course also possible for the exporter to give Atradius a guarantee of future market value, in which case the analysis referred to above will not be necessary. An important condition for acceptance of the risk is that during the whole credit repayment period, the capital good has a future market value that is at least sufficient to service the remaining debt.

Repatriation and resale

Atradius will need to obtain a legal opinion establishing that it is legally possible to repatriate the capital goods, and that this is feasible within a reasonable time period. The legal opinion is prepared by an expert on the legal system of the country of the buyer. Legal repatriation must be possible in the following cases:

- Non-payment by the buyer/debtor
- Non-payment by the country of the buyer/debtor
- Failure by the buyer/debtor to comply with maintenance obligations
- Failure to comply with obligations under asset insurance or liability insurance.

Prior to accepting the risk, Atradius will wish to establish that, once the capital good has been repossessed, it will be possible to sell it within a reasonable period.

Risk sharing

We believe that it is important for the exporter and the lender of asset-based finance transactions to have a sufficient

stake in the transaction. In general Atradius therefore requires that 30% of the risk is borne by the exporter and/or the bank concerned.



12. Import Insurance

Following the Second World War, there were few goods and services that could be exported from the Netherlands, and most transactions related to imports. Until 1951, Atradius actually insured more import transactions than export transactions. But even nowadays, Dutch industry is still interested in covering import risks. We can cater for that both in Atradius's short-term business, one of the main products of which is the advance payment policy for raw material imports, and in the Atradius Dutch State business, which insures the local production process, such as the building of ship hulls. The Atradius Dutch State Business import insurance is divided into two types: Advance Payment Insurance and Processing Insurance.

Advance Payment

Advance payment risk cover involves insurance for payments made to a supplier by an importer (the insured party) prior to receipt of the goods. The risk that the importer runs is that if

the goods purchased are not delivered, commercial and/or political reasons may prevent recovery of the advance payments made. Advance Payment Insurance is more widely used than Processing Insurance, particularly for imports of ships, but also for imports of silicon for the production of solar panels.

Advance Payment Insurance can be supplemented by Expropriation Insurance, which covers the risk that, although the goods have already been delivered to the importer in the supplier's country, the importer is unable to send them to the Netherlands (or another country of destination) on account of expropriation or an export ban.

Processing

Cover for processing risk involves insurance of the value of the raw materials supplied by the importer (the insured party) to the supplier for the purpose of

processing. This also covers any advance payment to the supplier in respect of the processing (the 'processing fee'). The risks that the importer runs are that the raw materials supplied by him do not reach the supplier for political reasons, that the processed goods do not reach the importer for political reasons, or that the processing firm cannot comply with his contractual obligations for commercial and/or political reasons. Processing insurance is used mainly for transactions for which processing is also part of the production process, for example, in the case of the building of the hull of a ship that is then finished in the Netherlands.

13. Right of Recourse

In the case of various forms of insurance, we may make unjustified compensation payments. Under certain circumstances, we have the right to reclaim these payments from you: that is referred to as a right of recourse. There are two situations where the right of recourse may arise: one is non-payment, and the other is the calling of bank guarantees or bonds.

In the case of financed transactions, we may exercise the right of recourse in the event of non-performance by you, if you have not complied with your contractual obligations by the due date, or have not done so fully, or in the event of concealment or bribery, or if there is a dispute between you and your customer. Atradius may only exercise a right of recourse if it has been established that the non-payment

is attributable to you, or if we would not have accepted the risk on the basis of the correct information. The burden of proof in this respect will lie with Atradius.

In the case of a Direct Guarantee, Buyer Credit Insurance and Financier Leasing Insurance, the State undertakes to pay compensation to the bank via Atradius - provided the conditions are fulfilled, of course - even in the case of non-performance by you, or if there is a dispute between you and your customer and you are not entitled to compensation. In these cases, you will have to reimburse us for the amount which we have paid to the discounting bank.

In the case of a Counter Guarantee, the State unconditionally undertakes to pay out, via Atradius, the covered

percentage of the amount of the guarantee or bond to the bond- or guarantee-issuing bank if the guarantee or bond is called for whatever reason. If the calling of the guarantee or bond is attributable to you, however, and you have no right to compensation under Supplementary Cover, Atradius will require that you reimburse us for the compensation that has been paid to the bond- or guarantee-issuing bank.

The risks of recourse described above are considerable and for this reason we will need to have sufficient confidence in your technical expertise, experience and financial reliability. If your organisation is part of a group of companies, Atradius will also require a guarantee from the holding or parent company in respect of compliance with your recourse obligations.

14. Corporate Social Responsibility (CSR)

Atradius is aware of its social responsibility as a business and as the administrator of Dutch State facilities. Concern for man and the environment is not exclusively reserved for individuals or governments, but is a matter for every organisation active in society, including businesses.

We have therefore taken measures to define our responsibility. Those measures are concentrated in the following areas: avoiding unacceptable environmental damage, avoiding unacceptable adverse social impact, combating bribery, and preventing developing countries from being burdened with excessive debt.

Environmental and social impact

We assess all applications for credit insurance and capital investment insurance for potentially harmful environmental and social effects. All applications over € 10 million or in sensitive sectors or areas are also subjected to an in-depth environmental assessment. Our assessment covers such issues as pollutant emissions, energy consumption, waste flows, use of scarce resources, impact on flora or fauna, involuntary resettlement, damage to cultural heritage, and labour standards. We consider not only the transaction

itself, but also the project of which it forms part, and the chain of supply. We classify all the projects which we examine according to their potential impact on man and the environment. This classification was agreed by the OECD. When applying for transactions or projects with major potential environmental or social consequences, you have to send us a public environmental impact report, called an Environmental (and Social) Impact Analysis.

Combating bribery

The Netherlands is committed to international rules prohibiting the acquisition of orders via the direct or indirect bribery of officials or persons in authority. That prohibition is included in the Criminal Code. Contracts acquired by bribery will not be eligible for insurance. If it only becomes apparent after the policy has been issued that you are guilty of bribery, then you forfeit your right to compensation and will have to repay to us any compensation already paid out.

Sustainable lending

The OECD, the IMF and the World Bank have jointly concluded agreements aimed at keeping developing country debt within acceptable proportions.

This means that unlimited lending is not permitted, particularly to governments of low-income countries. In some of these countries, export credit can be granted only if the loan is accompanied by a grant, e.g. an ORIO grant. See our country policy on this.

Our separate brochure on Corporate Social Responsibility, which is also available on our website, contains more information on our approach to CSR.

15. International consultation

Owing to their size and term, and, in particular, the lack of risk spread, it is often difficult to insure against medium-term risks in the private insurance market. In almost all the industrialised countries and in growing numbers of emerging markets, these risks are therefore insured by governments in order to support national exports. These governments all have their own policies, and that affects the competitive position of each country's industry. There are agreements which aim, for example, to minimise the distortions of competition resulting from government support. This is a central issue in the consultation between governments within the OECD, the European Union and the World Trade Organisation (WTO). Atradius acts as an adviser to the Dutch government on this. There is also regular consultation between export credit insurers within the Berne Union. Atradius is a member of this international organisation.

WTO

The general principle accepted by the countries belonging to the World Trade Organisation (WTO) is that government-supported credit insurance systems must be self-financing in the medium term, in order to avoid a subsidy free-for-all between member countries.

OECD

The main agreements relating to the Organisation for Economic Cooperation and Development (OECD) are laid down

in the Arrangement, also called the Consensus. This applies in principle to all government-supported transactions that involve loans or credit insurance with a term of two years or more, with the exception of those relating to military equipment and agricultural products: these are not covered by the Arrangement.

An important rule of the Arrangement stipulates a minimum down payment of 15% of the export contract. This down payment must be made on or before the date of delivery. In the Netherlands, there is in some cases the additional requirement that your customer must make a down payment of at least 5% of the export contract when the contract comes into effect. This means that a maximum of 85% of an export contract may be financed. In addition, maximum credit periods apply, and there are agreements relating to repayment periods and due dates.

The OECD has also concluded agreements on minimum interest rates, minimum premiums, the possible use of development aid in export transactions, measures to combat bribery, and the assessment of the environmental and social impact of export transactions.

European Union

A coordination group in the European Union is active in the field of export financing and export credit insurance, and the prevention of competitive distortions. This group is involved in preparations for OECD negotiations,

and holds consultations on the harmonisation of the European credit insurance system and the credit insurance policies of member states.

Berne Union

The International Union of Credit and Investment Insurers, known as the Berne Union, is an association of credit insurance institutions that provide insurance against the bad debt and country risks associated with international goods and services transactions. These credit insurers are therefore able to provide insurance against both commercial and political risks. Most members of the Berne Union cover both short-term and medium-term transactions.

Membership of the Berne Union consists of both private and public insurers.

The Berne Union issues guidelines on maximum credit periods and corporate social responsibility. These form part of the underwriting policy operated by Atradius on behalf of the State.

16. Development Aid

Various initiatives and bodies have been established in the Netherlands to promote development-related exports to the developing countries.

An example of this is the ORIO Programme (Ontwikkelingsrelevante Infrastructuurontwikkeling/ Development-Related Infrastructure Development), a subsidy programme that is financed via the development cooperation budget of the Ministry of Foreign Affairs.

The Dutch government is seeking to promote development and employment in the developing countries through the ORIO Programme. The programme provides grants to governments in the developing countries in relation to Dutch export transactions. ORIO grants help these countries to finance imports of necessary capital goods, services or construction projects, or combinations thereof.

Under the ORIO Programme, part of the transaction is financed by a grant and part by a commercial loan. The EVD

[Dutch Agency for International Business and Cooperation] administers the grant elements. Atradius can insure the commercial loan. In some cases we can also provide insurance if our standard policy does not permit cover. Consult our website, under country policy.

Apart from the ORIO Programme, the EVD also operates a special grant programme for exports to India and China. Once again, we can insure the commercially financed part of the transaction.

17. Capital Investment Insurance

On behalf of the State, Atradius offers Dutch investors capital investment insurance covering the political risks on their foreign investments.

Aim of the capital investment insurance facility

The Dutch government set up the facility in order to promote Dutch investments in other countries. The aim is long-term expansion and strengthening of economic relations between the Netherlands and recipient countries.

Which investments or loans are eligible?

The facility applies to new capital investments or investment loans up to a maximum of 100 million euros for investments in assets, and 75 million euros for loans. Eligibility for capital investment insurance is conditional upon a clear Dutch involvement in the investment, and a long-term interest in a foreign enterprise. In particular, there has to be involvement in the business risks, corporate policy and production capacity. Under certain conditions the facility is also available for long-term loans granted by third parties or guaranteed by the investor. For the purposes of the facility, a long-term interest means investing for at least three years (or granting loans for at least four years).

Definition of capital investment

We are able to insure as a capital investment any contribution of cash, goods, rights or services by way of a long-term investment of capital in the production capacity of an enterprise established abroad with the aim of obtaining revenues from its operation.

Which investors?

The facility is open to all businesses with operations in the Netherlands.

Which countries are eligible?

Almost all emerging markets are eligible for the facility. Applications undergo a case-by-case risk assessment. The acceptance process is easier where there is an investment protection agreement between the Netherlands and the host country, setting out the mutual obligations on the treatment of investments in one another's territory.

Cover and term

The insurance covers losses arising from expropriation, war (including other political violence) and transfer restrictions. The insurance can be extended to cover breach of contract by governments.

The maximum term of the policy is twenty years, but not more than fifteen years from the date of completion of the investment.

Application procedure

You have to apply for cover before the investment starts. If we accept an application for insurance, we will issue a promise of cover to the investor. A policy will be issued once the investment concerned is a fact.

It is also possible to notify us of a proposed investment at an early stage, without actually applying for cover.

On receipt of your notification, we will assess whether an application for insurance can be processed under the facility. If that is possible, we will confirm that to you and register the investment. That confirmation is free of charge and does not imply any promise of cover or acceptance of the risk.

Nor are you under any obligation to apply for insurance. If you proceed with the investment within twelve months of the notification, we shall nevertheless process any application for insurance on the basis of your notification. However, an investment will only be eligible for cover if we receive the application within three months of the start of the investment.

Fees and premium

The processing fee for an investment application is 0.1% of the maximum sum insured, subject to a minimum of EUR 450 and a maximum of EUR 4,500. Half of the processing fee will be refunded if an application is rejected. The premium depends on the country invested in and the amount of cover, and ranges between 0.65% and 1.1% per year. The premium is charged annually on the value of the investment.

18. Definitions

Supplementary cover

Insurance supplementing manufacturing and credit risk insurance against the risk that the customer or his bank may make an unfair call on a bank guarantee or bond.

Construction Projects Insurance

Insurance for construction projects against the risk of costs incurred not being reimbursed because not all the certificates have been issued, and against the risk that, in spite of certificates being issued, the relevant parts of the contract sum are not paid.

Settlement exchange rate

The exchange rate stated by the European Central Bank that applies on the date of receipt of the foreign currency amount or the rate on the date that the amount is paid into a foreign currency account in the Netherlands or elsewhere.

Arrangement (Consensus)

International agreements concluded by OECD countries, aimed at limiting the competition-distorting effects of government support, subsidies and financing.

Berne Union

The Berne Union is an association of credit insurance and investment insurance institutions that offer insurance against both the bad debt risk and the country risk associated with international goods and services transactions.

Rescheduling

A payment arrangement with a debtor country which may comprise both the setting of new due dates for a payment and the remission of debts or parts thereof.

Counter guarantee

Guarantee that is supplementary to Supplementary Cover or Stand-Alone Bond Insurance, whereby Atradius undertakes on behalf of the State to reimburse the bond or guarantee-issuing bank in respect of amounts paid to the customer, thereby increasing your borrowing capacity.

Buyer

This is the risk of a customer not complying with his financial obligations.

Promise of cover

An undertaking given by Atradius on behalf of the State, promising to issue a policy. When negotiating the terms with your bank or customer, you can therefore already be sure about which non-payment risks will be covered if the contract comes into force within the agreed time period.

Direct Guarantee

An irrevocable obligation assumed by Atradius on behalf of the State to a discounting bank, whereby bills of exchange or promissory notes that have not been paid in the Netherlands after the expiry of the waiting period are discounted.

Manufacturing risk

The risk that you, as an exporter, may not receive any payment from or on behalf of your customer in respect of the costs incurred in the conclusion and execution of an export contract, in so far as you do not make delivery to the customer.

Buyer credit policy

Insurance against the risk that a bank financing an export transaction does not receive any payment from the borrower.

Bond Insurance

Insurance against the risk of the customer or his bank making an unfair call on a bank guarantee or bond.

Force majeure

A situation in which an exporter is not able to deliver, or is unable to do so by the due date, owing to circumstances outside his control.

Capital Investment Insurance

This insurance covers losses on capital investments in foreign businesses resulting from expropriation, war, transfer restrictions and breach of contract.

Credit risk

The risk of an exporter not receiving the agreed purchase price for the delivery, not receiving the full amount, or only doing so with considerable delay.

Country risk

Country risk depends upon the country of destination and includes both political risks (for example, transfer restrictions, civil disturbances or war) and catastrophe risks (for example, natural disasters, such as storms, earthquakes and epidemics).

Leasing Insurance - Comprehensive Cover

Insurance against non-payment risk for leased capital goods (finance leases), covering all lease payments.

Leasing Insurance - Restricted Cover

Insurance against non-payment risk for leased capital goods, usually covering only the first nine months of lease payments.

Leasing Insurance - Expropriation Risk

Cover Insurance against expropriation risk for leased capital goods.

Medium-term transactions

Transactions having credit periods of more than twelve months (delivery of capital goods) or completion periods of more than twelve months (construction projects).

ORIO

Development-Related Infrastructure Development [Ontwikkelings-Relevante Infrastructuur-Ontwikkeling] is a programme of grants for the governments of developing countries in respect of Dutch export transactions.

Progress payments

Payments that you as an exporter receive while a contract is being carried out from a loan for which Atradius, acting on behalf of the State, has issued a Buyer Credit Insurance policy to the financing bank.

Proceeds

Payments for debts for which an insured party has already received compensation.

Protacted default

Continued non-payment or protracted default occurs if the customer has not yet complied with his payment obligations after the expiry of the waiting period and there is no dispute between the exporter and the customer, nor any demonstrable political or commercial cause of loss.

Waiting period

The period between the due date of the debt and the time when an insured party can make a claim.

Stand-alone Bond Insurance

Insurance covering an exporter against the risk of the customer or his bank making an unfair call on a bank guarantee or bond, and the bond-issuing bank having recourse to the exporter.



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