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# A durable commitment

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2012 report on corporate social responsibility

# Responsible choices

## Foreword from ONDD's CEO

ONDD is convinced that social and entrepreneurial values are inextricably linked. These are shared values. It is a philosophy that is based on the perception that social issues and social harms often entail complications for the business community. Inversely, socially irresponsible behaviour of the business community can have negative consequences for society, such as energy waste, major accidents or a weak education system. Businesses with a long-term perspective therefore need to act against social issues and barriers and invest in the social fabric in which they are active.

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“Our social policy reconciles socially responsible entrepreneurship with profitable entrepreneurship.”

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Our primary purpose remains supporting and promoting international trade and Belgian exports in particular, but our corporate vision goes beyond short-term activities and profit.

Our social policy is based on two pillars that are to reconcile socially responsible entrepreneurship with profitable entrepreneurship. The first pillar is built around durable portfolio management and the risk policy that goes with it. The second pillar is built around creating added value for our clients. To develop this strategy, we are working closely with all our partners: clients (financial institutions and businesses), federal and regional authorities, international organisations and our staff. We have also taken into account the interests of the populations in countries where the projects we cover are implemented.

Prior to writing this report, ONDD held informal talks with other companies, export credit insurance agencies but also its supervisory authorities and NGOs. The debates that took place in the Federal Parliament's Finance commission also provided food for thought during our reflections, making us aware of the expectations and priorities of stakeholders. In addition, ONDD analyzed for itself in what fields and to what degree it can make a difference in the value chain.

This first report on corporate social responsibility was written on the basis of ONDD's conceptions. It reviews the current situation, describes our legal and international commitments yet also ONDD's ambitions for the future with a view to providing our contribution to strengthening the social framework which we are part of.



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**Dirk Terweduwe**  
CEO ONDD

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## What is “shared value”?

The concept of shared value can be defined as policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates. Shared value creation focuses on identifying and expanding the connections between societal and economic progress.

PORTER M.E. and KRAMER M.R., Creating Shared Values,  
Harvard Business Review, January - February 2011

# A durable commitment

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Since 1999, ONDD has been applying the OECD guidelines on corruption, since 2001 those on sustainable lending to developing countries and since 2007 those on the environment.

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In the spring of 2010, ONDD has given new impetus to this policy by anchoring its actions in a wider framework.

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The first step was to look into all possible avenues to make its services more durable. Kauri, a network in which companies share their experiences with regard to adopting a sustainability policy has served as a major source of inspiration.

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ONDD launched an internal consultation process in 2011 with the help of an external consultant. All departments reflected on ways to contribute to a more sustainable way for the company to do business. The proposals that were put forward were compared, reworded and assessed based on their relevance, impact and feasibility.

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This first report on corporate social responsibility is the result of internal and external consultation.

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# A solid partner







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The insurance of Belgian export risks is ONDD's core business. It is a field in which financial solidity is of the highest importance for the insured party and his projects, as he needs to be able to count on this insurer at all times, especially in times of crisis.

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# The belgian credit insurer

ONDD was created in 1921 as the Delcredere Committee. It is the Belgian official credit insurer with a mission to promote international economic relations. ONDD has performed this task since 1939 as an autonomous public institution enjoying the state guarantee.

ONDD promotes Belgian exports and insures companies and banks against political and commercial risks relating to international commercial transactions, mainly regarding capital goods and industrial projects, as well as contracted works and services. For these risks, ONDD can also work alongside banks through risk

sharing schemes. ONDD also insures against political risks relating to foreign direct investments and directly finances commercial transactions of limited proportion. But it doesn't end there. It also covers foreign exchange rate risks for public procurements, insures transit operations, grants financial guarantees, participates in export financing and carries out on behalf of the State any technical or financial mission entrusted to it.

ONDD's activities mainly focus on non-OECD countries. It's their markets that involve the larger part of its clients' risks.



# Guaranteeing the continuity of projects

First and foremost, ONDD wants to be a solid partner for Belgian exporters by being able to guarantee the continuity of their projects. Sound management has allowed ONDD to build solid reserves that allow it to pay indemnities without any problem, including in times of crisis.

Activities and results over the past five years (in millions EUR)	2007	2008	2009	2010	2011
Value of transactions insured during the financial year <sup>(1)</sup>	9,931.1	15,926.6	9,470.9	7,411.0	7,303.0
Premiums issued during the financial year <sup>(1)</sup>	120.9	147.0	221.5	231.8	200.8
Claims paid during the financial year <sup>(1)</sup>	20.0	20.5	227.1	177.4	226.0
Claims recovered during the financial year <sup>(1)</sup>	114.9	88.2	40.6	37.0	34.0
Outstanding loans at the end of the financial year	0.8	0.0	0.0	0.0	0.0
Amounts receivable from claims at the end of the financial year <sup>(1)(2)</sup>	1,073.4	931.7	1,066.3	1,168.4	1,177.4
Commitments from policies at the end of the financial year <sup>(1)</sup>	13,559.6	23,084.9	22,611.0	20,225.0	18,183.8
Provisions at the end of the financial year	836.0	466.7	660.6	679.0	869.4
Result of the financial year	113.8	196.8	-19.2	105.1	-173.1
Equity at the end of the financial year	1,444.5	1,641.3	1,622.2	1,727.0	1,554.2
<b>Ratios (in %)</b>					
Net claims / Premiums	-78.5	-46.1	84.2	60.6	95.6

(1) before cession to reinsurers.

(2) total of gross outstanding indemnities, capitalised and accrued interest.

# Contributing to the development of international guidelines





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On an international level, ONDD  
is active in several credit insurance  
working groups.

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ONDD is part of the Belgian delegations to the Organization for Economic Co-operation and Development (OCDE), the European Union, the Paris Club as well as the Berne Union.

These organisations formulate guidelines and recommendations that relate to the activities of Export Credit Agencies. ONDD contributes to the decision-making process and often goes beyond the legally required minimum when applying its international obligations.

# Measuring the environmental and social impact of insured projects

ONDD mainly covers projects in the industrial sector. These projects can have consequences for man and the environment. To assess and, if necessary, limit the impact, ONDD complies strictly with the OECD's environmental guidelines<sup>(1)</sup> for export credits.

All projects for which ONDD receives an application and for which the contractual amount exceeds 10 million SDR<sup>(2)</sup>, or which are located in an environmentally sensitive area, are classified according to their potential environmental and social impact. If the impact is assessed to be significant, permanent or to have an impact on a surface area that goes beyond the project site, it is classified in category A. If the potential impact is lower yet not minimal, the project is classified as category B, and in category C if the impact is negligible.

ONDD requires an Environmental and Social Impact Assessment (ESIA) to be carried out for all projects classified as category A. For category B projects, ONDD does not advocate an ESIA to be carried out but still encourages exporters to submit one voluntarily. ONDD's

environmental practitioner verifies whether the ESIA is complete and impartial and, if necessary, calls on external environmental experts when assessing the quality of the ESIA.

The ESIA always contains a chapter that describes the main environmental risks and presents any mitigating measures. These measures are meant to reduce or even compensate the potentially adverse impact of a project. They are always discussed as part of an open dialogue between ONDD and the person or entity that submits the insurance application.

The category B projects for which there is no ESIA are compared to general standards of the International Finance Corporation (IFC) and the sectoral IFC health and safety standards. If the project does not fit into the IFC standards, the environmental practitioner will suggest an appropriate guideline, preferably a European directive. Based on the IFC standards or the European directive, mitigating measures will be agreed upon with the exporter.

Even though cash transactions<sup>(3)</sup> (generally dredging and construction works) and investment projects are not within the scope of the OECD's environmental guidelines, ONDD applies an environment procedure. Cash transactions and investment projects are also classified as A, B or C but - and this is the only difference in their follow-up - do not require an ESIA. Just like for B projects, ONDD encourages an ESIA to be submitted on a voluntary basis.

(1) Recommendation on Common Approaches on Environment and Officially Supported Export Credits.

(2) Special drawing rights: the currency basket of the International Monetary Fund (IMF). On 06/11/2012, one SDR = 0.8355 EUR.

(3) Cash transactions are projects that do not involve financing but for which the contractor (insured exporter) receives payment as the works progress.

## Applying the OECD guidelines

The OECD Export Credit Group has promulgated the following guidelines and conventions:

- > Convention on Combating Bribery of Foreign Public Officials in International Business Transactions
- > Principles and Guidelines to Promote Sustainable Lending Practices in the Provision of Official Export Credits to Low Income Countries
- > Recommendation on Common Approaches on the Environment and Officially Supported Export Credits

## **Environment, health, security: measuring performance**

The IFC is an institution of the World Bank that issues general and sectoral guidelines used to assess projects in which one or more members of the World Bank Group are involved. These guidelines are called “Performance standards and guidance notes on environment, health and security”.

The guidance notes on environment, health and security assess the environmental performance of an individual site. They include minimum performance levels and measures to be taken for a project to become acceptable - at a reasonable cost - in terms of social and environmental impact. The Performance standards of the IFC assess the general impact of the project without limiting itself to the site. They cover a wide range of fields: environmental impact (risks related to air and water quality, chemical, biological or radiological hazards), labour and working conditions, resource efficiency and pollution prevention, community health, and safety, land acquisition and involuntary resettlement, biodiversity, rights of indigenous peoples and cultural heritage. The guidelines take close account of site- and country-specific factors.

During the review of the “OECD Common Approaches” in 2007, all export credit agencies decided to apply the IFC Performance standards in a coherent manner to projects for which they provide cover or financing.

The IFC laid down the first guidelines in 1998 and has reviewed them at regular intervals. ONDD always applies the most recent version of these directives.

The IFC website contains an overview and an introduction to the guidelines: <http://www1.ifc.org>



## ONDD's environmental procedure

Projects >10 million SDR or projects in sensitive areas (including cash transactions). Sensitive areas also refer to national parks and other areas protected by national or international legislation or territories, and even territories of international, national or regional importance such as wetlands, aquatic areas, forests with a strong biodiversity, archaeological sites or sites of great cultural value, territories which are important to indigenous populations or other fragile groups.



Assessment and classification as A, B or C

- > methodology: OECD Common Approaches
- > A projects have a potentially adverse impact in several respects and are irreversible
- > B projects have a limited potential impact that is local and reversible
- > C projects have minimal or no adverse impacts
- > this classification also applies to cash transactions



Environmental assessment

- > is carried out by ONDD's environmental practitioner
- > methodology: IFC standards or European directives
- > for A projects, on the basis of the ESIA, except for cash transactions and investments, in which cases the ESIA is provided on a voluntary basis
- > for B projects, based on information in the case file or a voluntary ESIA
- > no assessment for C projects

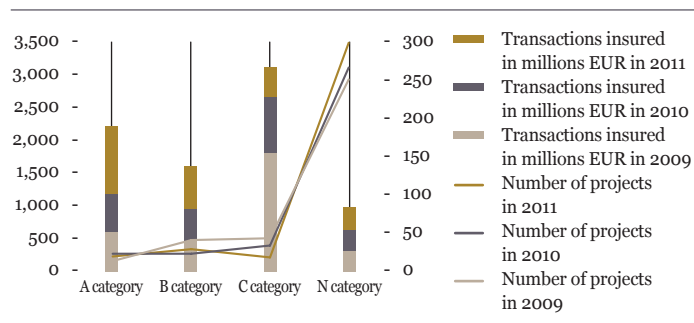
All A and B projects and their ESIA's are published on the ONDD website ([www.ondd.be](http://www.ondd.be) > *Who are we?* > *Ethics*), including a history since 2007.

The break-down of A, B and C projects for ONDD's portfolio in 2011 can be found on the bottom of the page.

A and B category projects sometimes have a potentially adverse social and environmental impact on a specific level, yet these projects may eventually be socially and environmentally beneficial when considered as a whole. A hydro-power plant, for example, may have a potentially adverse impact on biodiversity in the water it

utilises for producing energy while the production is done without generating any CO<sub>2</sub>. Another example is a windmill park that may harm the near environment while having largely positive effects in terms of sustainable development.

It is the ONDD environmental practitioner who, together with the exporter, will look into the possibilities to reduce the potentially adverse impact. It is therefore possible to implement - under ideal conditions - an A category project which has an obvious positive influence on man and the environment in the region concerned. ONDD's decision to cover a project will take into account all these elements and, in the end, will not be taken unless the project is to be considered economically, socially and environmentally positive in general.



	Number of projects			Transactions insured (in millions EUR)		
	2009	2010	2011	2009	2010	2011
A category	11	19	16	598	584	1,036
B category	34	19	24	467	488	644
C category	36	28	15	1,816	855	455
N category <sup>(1)</sup>	210	223	250	307	334	346
<b>Total</b>	<b>291</b>	<b>289</b>	<b>305</b>	<b>3,188</b>	<b>2,261</b>	<b>2,481</b>

(1) Projects for which the amount is lower than 10 million SDR, or which are not located in an environmentally sensitive area.

# A positive impact for man and the environment

## **A water purification station in Fez, Morocco**

In 2011, ONDD insured the construction of a water purification station in Fez.

As all water purification projects it was branded a category A project, which requires an ESIA. ONDD has posed numerous additional questions to the clients. After a thorough assessment, it became apparent that the ESIA had not only been approved by the authorities, but that the water purification plant met higher standards than those that apply in Morocco.

The project went on to include more than a mere water purification plant as the wastes the plant produced were used to produce energy based on biogas. In addition, the businesses which make use of the water purification plant will either pre-treat or treat entirely the waste water they will be discharging.

The project therefore has a major positive impact on the environment as it will put an end to untreated waste water being discharged. It will then be possible to use the water to irrigate land and watering livestock.





### **A windmill park in Nicaragua**

This project that was insured by ONDD concerned the extension of an existing windmill park. The current capacity of 39 megawatts (MW) will be increased to 62MW. The additional windmill turbines will prevent 60,000 tonnes of CO<sub>2</sub> emissions per year.

The windmills are on agriculture land and the owners can continue to make use of their land. They receive part of the profit produced by the windmills as well as a lump sum for the use of their land.

No bird or bat kill was reported with relation to this project. The rotor blades are equipped with an alarm system to scare off any birds coming to close. The potential impact on the indigenous population and cultural heritage was also studied. No problems were found whatsoever.

The ESIA was approved by the Nicaraguan authorities. An environmental and social action plan allowing for a complaint procedure was also put in place.

# Supporting microfinance

ONDD covers the political risks of capital participations and non-subordinated loans granted to microfinance institutions. These manage micro-credit lines, consisting of loans that are granted to entrepreneurs who are starting up small businesses in development countries. These credit lines are vital for the local economies, as micro-finance institutions help entrepreneurs who are unable to obtain financing from the regular banking sector to realize their projects. ONDD is therefore proud that - through its portfolio management - it is able to reach out to all Belgian fund managers who invest in such projects in developing countries.

More specifically, ONDD covers both the political risks as the risk of expropriation, arbitrary government action, war and political violence as well as the non-transfer risk. The insured parties can also be banks, NGOs and fund managers.

ONDD wishes to step up its efforts to support the sector by working together with the Luxembourg Export Credit Agency (ODL). It does so by sharing with its Luxembourg counterpart its know-how and experience in this very specific sector and by covering, for example, a part of the Luxembourg market of fund managers.

## Insuring fairtrade

ONDD insures 85 of Alterfin's total portfolio, covering projects in 18 countries in Central and Latin America and Africa. A major part of the portfolio relates to fairtrade (agricultural sector) and marketing as defined by Fairtrade Labelling Organizations International.

For a larger part, the portfolios of the microfinance institutions that are covered by ONDD are made up of loans with a maximum duration of three and a half years. Loans in the fairtrade sector have a duration of four to twelve months, which corresponds to the duration of a production cycle for grain, coffee, etc. These funds serve as prefinancing for maintenance of the plantations and support to the farm families. They are granted to co-operative companies.

# Encouraging countries to make long-term savings

The country policy is central to ONDD's risk management: it is the starting point from which to limit credit losses, and in extreme cases, to protect Belgian exporters from unreasonable adventures. ONDD has developed the Country Risk Assessment Model (CRAM), which it now manages. All OECD member states use it as a basis for assessing countries' financial and economic risks.

The assessment of the financial and economic situation of a country is, of course, the cornerstone of the country policy, but the variables that are taken into account also reflect the facets of the social context and the environmental situation of the countries in question.

## **Risk assessment criteria**

- > Measuring the level of prosperity
- > Measuring the results for the country through inflation, public accounts and the current account
- > Dependence of the country on donors
- > Growth potential, taking into account the demographics and social peace (or unrest)
- > Dependence on certain commodities such as oil and, as a corollary, the diversity of the economic growth drivers
- > The dependence on energy import
- > The dependence on a given export product, specifically commodities, when it generates a too large proportion of foreign exchange
- > The public debt ratio, both with relation to the GDP as total exports



ONDD generally gives a better classification to countries that have a diversified and sustainable economy. The assessment of risks related to the political situation takes into account, apart from actual internal conflicts, the potential of conflict that can be attributed to social tensions and the extent in which these are channelled in a democratic manner. Moreover, the acceptance policy reflects the Belgian and international conventions related to any embargoes and sanctions that have been put in place against a country. If the United Nations or the European Union impose a ban on export credit insurance for a certain country (due to, for example, child labour, forced labour, dictatorship, ...), ONDD applies the ban to the letter.

For countries in economic and financial doldrums and which are therefore in one of the highest risk categories, ONDD verifies whether the project submitted for cover is economically viable enough and is a priority for the development of the beneficiary country. ONDD wishes to avoid so-called white elephants that could increase the country risk.

For the countries from category 4 to 6, ONDD seeks the advice of the World Bank for projects with the debtor country's public sector to avoid a degradation of the risk in a context of economic and

financial problems or non-productive expenses. ONDD also respects all concessionality and sustainable lending requirements of the IMF and the World Bank.

Currently, the CRAM already contains many elements that favour sustainable and diversified policy. In a continuous effort to further refine its risk assessments and to adapt them to new structural challenges, ONDD will examine in the following years whether it would be useful to develop an instrument that would include the consequences of climate change (drought, floods, etc.) in the assessment of risks related to a project.

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# Fighting bribery and corruption

ONDD follows a policy against bribery and corruption that is in line with the OECD recommendations on bribery of foreign public officials<sup>(1)</sup>. In addition, a well-established internal procedure is in place.

The exporter and the bank concerned must therefore sign an anti-corruption declaration for each application of cover. One of the things they declare is that they themselves or any person acting on their behalf (such as agents) comply and will continue to comply with international conventions and the relevant national legislation during the full term of the contract's execution. They must also inform ONDD in case they themselves or any person acting on their behalf are being or have been prosecuted before a national tribunal or administrative court for bribery of foreign public officials in whichever country. The exporters then declare that they do not appear on the exclusion lists of the following international institutions: the World Bank, the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development and the Inter-American Development Bank.

ONDD applies this general principle, on the basis of which the underwriter examines the case file, irrespective of the person or entity submitting the application. ONDD's underwriters make a complementary assessment for applications from exporters who have been excluded by financial institutions for acts of corruption, who are being prosecuted or have already been convicted for corruption in the past five years. In this case, the underwriter will first verify whether the company involved has taken corrective measures and has put in place internal prevention mechanisms before any new cover can be granted. The underwriters will then pose additional questions in case dubious elements are discovered in the application file.

If an underwriter finds plausible indications of corruption, he will report these to his hierarchy and ONDD's Compliance officer, who will decide what measures need to be taken, if necessary, in consultation with ONDD's Executive Committee and Board of Directors.

(1) OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

# Cancelling debt for developing countries

ONDD is part of the Belgian delegation at the Paris Club that comprises nineteen countries and representatives such as the World Bank and the IMF. The Paris Club negotiates on debt conventions with countries having a considerable level of public debt and which are seeking a multilateral solution. Another solution can involve restructuring the debt that was incurred with public debtors or even cancelling the debt.

The negotiations in the Paris Club take place according to a number of broad lines. For instance, there should not only be a consensus between the creditors that are involved in the debt treatment, but the solidarity and equal treatment of creditors must also be respected. The debt treatment that is granted must always be preceded by a program that the IMF imposes on the debtor country.

The initiative that was taken in 1996 within the Paris Club for the Highly Indebted Poor Countries (HIPC) has the objective to reduce the debt under 250% of annual public revenue and under 150% of the country's annual exports. Mid-2012, 32 countries had already achieved the completion point and several other countries are in the

interim period or are eligible to start the program. In 2011, the Paris Club concluded under the HIPC initiative two conventions for a total amount of 2 billion USD: 653 million USD for debt cancellation and nearly 1.4 billion USD for rescheduling.

ONDD and the Belgian State always follow the same tack when it comes to debt treatment. Any debt restructuring and cancellation is therefore done 'pari passu'.

# A durable partnership





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ONDD's clients, the businesses and  
banks are at the heart of a socially  
responsible corporate policy.

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# Sharing values

ONDD visits its clients on a regular basis. This informal contact is very useful for discussing the collaboration with the business community and, more generally, the international market. Since 2012, ONDD has also been discussing its sustainability values and its OECD obligations during these talks. Clients have the opportunity to express themselves on their corporate social responsibility policy. The goal is to exchange views and to make clients aware of ONDD's policy.

ONDD is continually in touch with the banks with which it participates in export financing. Just as it has been doing with the business community, ONDD intends to establish a dialogue with the financial institutions with which it frequently cooperates. The goal is to exchange information on their corporate social responsibility policy.

In this way, ONDD wishes to highlight that it attaches as much value to the economic context in which the company operates as to the environmental and social aspects of its activities.





# Mobilising networks



ONDD is a member of Kauri, a network of businesses, NGOs and public institutions that wish to do business in a sustainable way. In 2010, for example, ONDD hosted a seminar on Human rights and trade.

By participating in Agoria's Renewable Energy Club, ONDD wishes to promote the development and export of renewable energy.

Within the OECD, ONDD advocates the ratification of a sector Understanding on Climate change allowing low-carbon technologies to benefit from longer repayment terms and from the maximum amount of official support for local costs.

In 2012, ONDD will fully commit itself to Adaptation to Climate Change, under which projects to combat the impacts of climate change (such as 'river training' or raising the level of dykes and reinforcing breakwaters) will be able to obtain longer repayment terms and more flexible repayment schemes.

# Acting on a daily basis





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Even though ONDD is a service provider and not an industrial producer, it keeps a very critical eye on its own proceedings, which has also helped to determine possibilities to contribute directly to a better working environment.

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# Reducing the carbon footprint

ONDD had its carbon footprint analysed by an external consultancy agency along the lines of the carbon footprint assessment that is based on the ISO 14064 standard and that was developed by the French Environment and Energy Management Agency ADEME. This method not only covers the greenhouse effect under the Kyoto protocol but also the effects of gases and vapours which are outside the scope of the Kyoto protocol and result from air traffic.

ONDD has broadened the scope of the assessment to include energy, cooling liquids, business travel, commuting between home and office and to materials. Assessing the carbon footprint requires more than a simple energy audit.

The first conclusions of the report show that ONDD has emitted the equivalent of 1,036 tons of CO<sub>2</sub> (tCO<sub>2</sub>e) in 2010, which represents a total of 3.9 tons of CO<sub>2</sub> per person. The general footprint is therefore almost two times as low as the sector average, which amounts to 7 tons of CO<sub>2</sub>e per fulltime equivalent.

Based on the results of the carbon footprint assessment, ONDD will put in place an action plan as well as measures to reduce its CO<sub>2</sub> emissions in the years to come.

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“ONDD will take measures  
to reduce its CO<sub>2</sub> emissions  
in the years to come.”

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# Training and mobilizing staff

Two training courses on sustainable development were held in 2010 and 2011. The first course was part of the federal scheme for biodiversity integration. ONDD asked the biodiversity cell of the Museum of Natural Sciences to organize sessions on the topic. A wide range of aspects was covered, going from the relevance and functioning of ecosystems, localizing the planet's sensitive areas or screening and assessing the potential impacts of projects.

A second training course took place in-house. It highlighted the relevance of the OECD Arrangement as well as the Common Approaches. A multitude of aspects that were also reviewed in this report were treated, such as sustainable lending and environmental regulations.



## Responsible editor

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Government body under state guarantee

Ce document est également disponible en français.

Dit document is ook beschikbaar in het Nederlands.

2012

