

KUKE's Environmental procedure applied to insuring export contracts and export credits with a repayment term of two years and more

Procedural Guide

Following the adoption on 6th April 2016 (Published on 7th April 2016 in document no TAD/ECG/20163) by OECD Council of amended Recommendation on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence, hereinafter referred to as the "OECD Recommendation", KUKE applies the environmental and social procedure while granting State Treasury backed cover to export credits with a repayment term of two years and more.

This procedure is implemented in relation to the exports of investment goods or services other than military equipment, financed with a.m. export credits submitted for KUKE's insurance. It is an integral part of the risk management process implemented while assessing risks of such an export contract or financing arrangement and is comprised of three elements: selection, classification and evaluation of the impact of the project on the natural and social environment. On identifying the potential influence of the project on the environment KUKE takes both positive and negative impacts into account.

Step I - Selection

During the selection phase projects are identified that will be subject to further stages of the environmental and social procedure. While pursuing this process the direct impact of the undertaking on the natural environment and/or social environment is considered, as well as the effects resulting from the associated facilities functionally and geographically linked to the project, particularly taking into account the timing and location of their construction. Whether the application for cover is classified and subsequently reviewed depends also on the amount applied for cover and whether the export of goods / services

relates to the new project or existing operations. Accordingly, the following types of projects are identified during selection process:

- projects for which the amount applied for cover is equal to or exceeds 10,000,000 SDR
- projects located in or near sensitive areas irrespective of their share
- projects, irrespective of their share, where the screening has identified that there is a high likelihood of severe project-related human rights impacts occurring

Step II - Classification

Classification is the second stage of the environmental procedure, which aims at categorizing a project as being: Category A, B or C, depending on its potential impact on the environment.

The projects selected in Step I are classified, as long as they relate to:

- 1) any new commercial, industrial or infrastructure undertaking with an identified location;
- 2) existing undertaking with an identified location that is undergoing material change in output or function which may result in changes to the operation's environmental and/or social impacts.

Existing undertaking, with identified locations with a potential impact on the environment relating to projects in which:

- the amount applied for cover is equal to or exceeds 10,000,000 SDR
- irrespective of their share, screening has identified that there is a high likelihood of severe negative project-related human rights impacts occurring,

may also be subject to classification.

The illustrative list of projects classified as Category A i.e. projects having potentially significant adverse environmental or social impacts, in particular projects that will be performed in or near sensitive areas, is set out in Annex I to the OECD Recommendation http://www.kuke.com.pl/download/gfx/kuke/pl/defaultstronaopisowa/118/1/1/lista_przykladowych_projektow_kategorii_a.pdf. Its translation can be downloaded from the www.kuke.com.pl website. http://www.kuke.com.pl/download/gfx/kuke/en/defaultstronaopisowa/45/5/1/illustrative_list_of_category_a_projects.pdf.

Projects having potentially less adverse environmental and social impacts than Category A projects are classified as Category B. These are numerous projects that have a smaller impact on the environment and are mentioned in Appendix No. 2 to the Directive 2011/92/EU, revised by Directive 2014/52/EU of the European Parliament and of the Council of 16 April 2014 on the assessment of the effects of certain public and private projects on the [environment](#). ([Full contents of the directive](#)).

The remaining projects that have minimal or no potentially adverse environmental or social impacts are classified as Category C and the environmental procedure is completed at this stage for such projects.

For projects where a potentially adverse environmental and social impact has been identified the environmental procedure is continued and as a consequence Category A and Category B projects require a detailed evaluation of the environmental impact.

For the purposes of selection and classification, applicants are required to fill in the Questionnaire on environmental and social impacts and attach it to their applications. The questionnaire contains instruction manual that assists in its completing. If the information reported in the Questionnaire on environmental and social impacts shall turn out to be insufficient, KUKE may request the parties involved in the project, i.e. applicants (exporters, institutions financing the export contracts), as well as project sponsors, to submit further information.

Step III – Evaluation of the Environmental Impact

Evaluation of the Environmental Impact concerns projects classified as Category A and B. Evaluation also may concern not classified projects, related to existing undertaking with an identified location for which: (i) the amount applied for cover is equal to or exceeds 10,000,000 SDR or (ii) the screening has identified that there is a high likelihood of severe project-related human rights impacts occurring.

The Environmental and Social Impact Assessment (ESIA) is the basis for this evaluation. Submission of the ESIA report complying with KUKE's requirements as to its scope and consistent with the OECD Recommendation's guidelines is compulsory for all Category A projects. For Category B projects and other evaluated projects, KUKE specifies the documentation and information required for the evaluation of the environmental impact to be completed. These may also include an ESIA Report.

According to the OECD Recommendation, for Category B projects, the information to be supplied should include:

- project description and its geographical, ecological, social and temporal context
- data on project compliance with local legislation, standards and provisions
- results of public consultations

In evaluating the environmental impact of a project, compliance with environmental standards is one of the most significant elements. This not only concerns standards pertaining to the specific installation, such as its emissions parameters, but also environmental standards applicable within the vicinity of the facility. The export project must not only meet the environmental requirements of the host country, but also the respective international standards.

The OECD Recommendation refers to the standards of the World Bank - the World Bank Safeguard Policies ([more info about World Bank Safeguard Policies](#)) and to the standards of the International Finance Corporation, i.e. the IFC Performance Standards ([more info on web page IFC](#)).

International standards also include European Union standards and other specialized guidelines and norms developed for the respective industry (BAT, BREF).

As a general rule, while benchmarking the environmental impact of the project against a.m. relevant standards, the most stringent standards are applied.

Should the evaluation of the environmental impact of the project indicate that the project will have an adverse environmental impact or that this impact does not comply with the limits imposed by recognized standards, KUKE may decline the application for its support on that ground. However KUKE may also require broader scope of the information on the project, or recognize that measures to prevent, minimize, mitigate or remedy the project's adverse impact on the environment are necessary. KUKE may impose additional conditions to be met prior to conclusion of the insurance agreement (e.g. carrying out public consultations or making public information on the environment). In the insurance agreement a monitoring obligation of the project's environmental impact can be established and providing KUKE with periodical reports related to such an impact.

IV. Transparency of Environmental Procedure

For a Category A project, the ESIA Report or a summary thereof should be disclosed publicly, e.g. by the project sponsor or KUKE (e.g. on the www.kuke.com.pl website) at least 30 days before a final commitment to grant cover is taken. This ensures that comments from the stakeholders are collected.

KUKE makes available to the public, at least on an annual basis, data related to the Category A and B projects for which the official support was granted.



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