

EXIM BANCA ROMANEASCA

ENVIRONMENTAL AND SOCIAL IMPACT POLICY FOR OFFICIALLY SUPPORTED EXPORT CREDITS

I. Introduction

In its capacity of the official export credit agency of Romania, in compliance with the provisions of the *OECD Arrangement on Officially Supported Export Credits (Arrangement)* and the *OECD Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence („the Recommendation”)*, Exim Banca Românească adopts a set of measures meant to assess the environmental and social impact of officially supported export credits which have a repayment term of 2 years or more.

The European legal framework (*EU Regulation no.1233/2011 with further amendments*¹) requires Member States to apply the disciplines of the *OECD Arrangement on Officially Supported Export Credits* and the *OECD Common Approaches* for officially supported export credits.

The provisions of the EU Regulations apply to the financial support granted in the name of the state to exports of capital goods/services, except of military equipment and agricultural products, with a payment term longer than 2 years.

Considering the regulations and the Recommendation² of the Council regarding the due diligence of the environment and social impact, the *Environmental and Social Impact Policy for Officially Supported Export Credits (the Policy)* applies to financing, guarantees and insurance applications for export credits on medium and long term (a reimbursement period longer than two years).

According to the Arrangement and the Recommendation the following definitions are in place:

Export credit – the financial facility that allows a foreign buyer to purchase goods/services from a Romanian exporter and to pay for them at a certain term since delivery (credit payment). Export credit comes as supplier credit or buyer credit.

Projects –refer to applications relating to exports of capital goods and/or services to an identified location of:

- any new commercial, industrial or infrastructure undertaking, or
- any existing undertaking that is undergoing material change in output or function, which may result in changes to the operation’s environmental and/or social impacts.

¹ *EU Regulation 155/2016 adopted by European Commission on September 29th 2016.*

² *Recommendation of the OECD Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence adopted on 20 March 2024*

For the purposes of screening, classification and review, a project includes those components that the buyer and/or project sponsor (including contractors) directly owns, operates or manages and that are physically and technically integrated with the undertaking.

The project includes those components that the foreign buyer and / or project sponsor owns, operates or manages and that are physically and technically integrated in the project.

Sensitive areas – include National Parks and other protected areas identified by national or international law, and other sensitive locations of international, national or regional importance, such as wetlands, forests with high biodiversity value, areas of archaeological or cultural significance, and areas of importance for indigenous peoples or other vulnerable groups.

Existing operations - refer to applications relating to exports of capital goods and/or services to an identified location where there is an existing undertaking that is undergoing no material change in output or function.

Associated facilities - are those facilities that are not a component of the project but that would not be constructed or expanded if the project did not exist and on whose existence the viability of the project depends; such facilities may be funded, owned, managed, constructed and operated by the buyer and/or project sponsor or separately from the project.

Environmental impacts – are the impacts on the environment as a result of the activities of an existing operation or of the construction and/or operation of a project.

Environmental risk - is the probability of environmental impacts occurring and the consequence of such an occurrence.

Social impacts – are the impacts on the local communities directly affected by, and on the people involved in, the activities of an existing operation or the construction and/or operation of a project; these social impacts encompass relevant adverse project-related human rights impacts.

Social risk - is the probability of such impacts occurring and the consequence of such an occurrence.

Major Multilateral Financial Institutions - the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank, the Inter-American Development Bank, the International Bank for Reconstruction and Development, the International Finance Corporation, and the Multilateral Investment Guarantee Agency.

II. Specific Actions and Measures

The due diligence on the environment and social impact is part of the underwriting process of an application for financing/guarantees/insurance as a means to assess the overall risk categories that are associated with the respective transactions aiming at sustaining the proposal of approval of the respective instrument of official support for the export transaction.

The parties involved in the project are obliged to provide all necessary information so that Exim Banca Românească is enabled to assess correctly the transaction.

During the assessment process of a project Exim Banca Românească considers the sustainability risks and the sustainability factors as provisioned in the *Exim Banca Românească Sustainability Policy*³.

Exim Banca Românească is contributing to the Romanian engagements for attenuating the climate change and is not granting financing, guarantees or insurance in the name and on the account of the state for the following activities, as presented in Annex 1.4:

- a) the export of new coal-fired electricity generation plants or parts thereof comprising all components, equipment, materials and services (including the training of personnel) directly required for the construction and commissioning of such power stations. The addition of a new coal-fired electricity generation unit to an existing plant is deemed to be a new coal-fired electricity generation plant.
- b) the export supply of equipment to existing coal-fired electricity generation plant, unless all of the following conditions are met:
 - the purpose of the equipment supplied is air pollution abatement, water pollution abatement or CO₂ emissions abatement;
 - the equipment supplied induces neither an extension of the useful lifetime of the plant nor a capacity increase.

The prohibitions set out in paragraphs a) and b) above do not apply to coal-fired electricity generation plants that operate with effective carbon capture utilisation and storage (CCUS) facilities or retrofitting of existing coal-fired electricity generation plants to install CCUS as provided for under Project Class B, Type 1 of Appendix I to Annex I of the *OECD Arrangement on Officially Supported Export Credit* transposed in the European regulations through *EU Regulation no.1233/2011* with further amendments.

During the evaluation of the project in terms of environmental and social impact the following stages are followed:

1. SCREENING

Screening involves collecting information from the parties involved in an application for export credits support, including applicants (exporters and lenders) and project sponsors.

³ The document is available on the website of Exim Banca Romaneasca, www.eximbank.ro

Exim Banca Românească screens all applications requesting official support for exports of capital goods and/or services, except exports of military equipment or agricultural commodities, with a repayment term of two years or more, with the aim of identifying which applications should be classified and, where appropriate, subsequently reviewed.

The screening takes place as early as possible in the risk assessment process.

The screening is meant to identify applications relating to exports of capital goods and/or services according to:

- whether they are related to projects or to existing operations;
- whether or not the exports are destined to identified locations that are in or near sensitive areas;
- whether or not there may be a high likelihood of severe project-related human rights impacts occurring; and
- whether or not the share of Exim Banca Românească is equal to or above SDR 10 million.

Exim Banca Românească will classify applications relating to:

- All projects in or near sensitive areas irrespective of their share.
- All projects for which the share of Exim Banca Românească is equal to or above SDR 10 million.

Exim Banca Românească will assess for potential environmental and/or social risks applications relating to:

- All existing operations for which the share of Exim Banca Românească is equal to or above SDR 10 million.
- All existing operations and projects, irrespective of the share of Exim Banca Românească, where the screening has identified that there is a high likelihood of severe project-related human rights impacts occurring.

Exim Banca Românească will take into account the industry sector, location and other information available relating to potential environmental and/or social impacts, before making any final commitment to provide official support. Alternatively, Exim Banca Românească may classify such applications in accordance with the provisions of this Policy.

Beyond screening, Exim Banca Românească will take no further actions for applications relating either to:

- projects for which the share of Exim Banca Românească is below SDR 10 million and which are not in or near sensitive areas, or
- to existing operations for which the share of Exim Banca Românească is below SDR 10 million, except where the screening has identified that there may be a high likelihood of severe project-related human rights impacts occurring.

2. CLASSIFICATION

Exim Banca Românească classifies projects in three categories:

Category A: a project has the potential to have significant adverse environmental and/or social impacts, which are diverse, irreversible and/or unprecedented. These impacts may affect an area broader than the sites or facilities subject to physical works/export covers. Category A, in principle, includes projects in sensitive sectors or located in or near sensitive areas.

Category B: a project is classified as Category B if its potential environmental and/or social impacts are less adverse than those of Category A projects. Typically, these impacts are few in number, site-specific, few if any are irreversible, and mitigation measures are more readily available.

Category C: a project that has minimal or no potentially adverse environmental and/or social impacts.

An illustrative list of Category A projects is set out in Annex 1.1.

3. ENVIRONMENTAL AND SOCIAL REVIEW

Exim Banca Românească undertakes an environmental and social review of projects, in accordance with the international standards applied to the project, consisting of:

- a) benchmarking of the project's environmental and social performance against the relevant aspects of the international standards applied to the project; and
- b) consideration of measures that can be taken to prevent, minimise, mitigate or remedy adverse impacts and/or to improve environmental and social performance, as appropriate to the size of the relevant parties involved in the project, the context of their operations, the nature and extent of potential adverse impacts, the international standards applied to the project, and the significance of the share of Exim Banca Românească NCS in the overall project.

Where there is a high likelihood of severe project-related human rights impacts occurring, the environmental and social review of a project may be complemented by specific human rights due diligence.

When undertaking a review, Exim Banca Românească will, where appropriate:

- assess the potential environmental and/or social impacts of any associated facilities, taking into account the timing and location of their construction, including making reasonable efforts to benchmark against relevant international standards using the available information; and
- consider any statements or reports made publicly available by the Romanian National Contact Point (NCP) at the conclusion of a specific instance procedure under the OECD Guidelines for Multinational Enterprises.

Beyond screening and classification, Exim Banca Românească takes no further action for a Category C project.

Projects ~~Except for the projects classified as Category C, any project~~ classified as Category A or B will be benchmarked as follows:

- ✓ Taking into consideration the environmental and social standards of the ~~export target~~ host country. Projects should, in all cases, comply with host country standards. Exim Banca Românească will, therefore, seek assurance that the project complies with local legislation and other relevant host country ~~based on the respective local~~ regulations. Also, Exim Banca Românească will seek information whether the host country has ratified relevant human rights Conventions.
- ✓ ~~International standards applicable:~~ Against the relevant aspects of all eight IFC performance standards (*IFC Performance Standards*); A summary of IFC Standards is presented in Annex 2.
- ✓ Where projects involve sovereign obligors, Exim Banca Românească may instead benchmark projects against the relevant aspects of all ten World Bank Environmental and Social Standards. The World Bank standards are synthetically presented in **Annex 1.5**.
- ✓ Where such institutions are supporting the project, Exim Banca Românească may instead benchmark projects against the relevant aspects of the standards of a Major Multilateral Financial Institution.
- ✓ Against the relevant aspects of the World Bank Group Environmental, Health and Safety Guidelines (*EHS Guidelines*) – in correlation with the relevant aspects applicable to the transaction.
- ✓ In the absence of any relevant industry sector EHS Guidelines: (a) against the relevant aspects of any internationally recognised sector specific or issue specific standards such as, where appropriate, the Convention on Nuclear Safety, the Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management, and the relevant aspects of International Atomic Energy Agency (IAEA) standards for nuclear power plants and other nuclear facilities; and or (b) may refer to relevant international sources of guidance such as, for example, where appropriate, the Hydropower Sustainability Assessment Protocol and the Core Values and Strategic Priorities of the World Commission on Dams (WCD) Report for hydro-power projects and the standards of the World Organisation for Animal Health (OIE) for animal welfare issues, as well as any relevant IFC publications, such as its Good Practice Notes.
- ✓ Against the relevant aspects of the *Guiding Principles on Business and Human Rights* (UNGP).
- ✓ Alternatively, where appropriate, Exim Banca Românească may benchmark projects against other stricter standards, internationally acknowledged, such as European Union standards.

According to the Recommendation for every project classified in Category A, the exporter (supplier credit) or the financing bank (buyer credit) will present to Exim Banca Românească a report on *Environmental and Social Impact Assessment (ESIA)* together with other studies, reports or action plans referring to the relevant aspects of the project, as per the applicable international standards. In its content, ESIA report will describe in detail typical features of the project as per the Recommendation, as shown in the sample in Annex 3.

For any project classified in Category B, Exim Banca Românească will request an ESIA report or any other studies/reports drafted in order to assess the environment and social impacts of the project in the export target country, including information, elements/information that allow the assessment of the adverse impacts and potential risks with regard to environment and social aspects. These reports/studies will contain at least the following information:

- ✓ Description of the project, the geographical, ecological, social and temporal context;
- ✓ Information relating to the potential environment and/or social impacts together with any information on measures to prevent, minimise, mitigate or remedy adverse impacts, as well as monitoring measures;
- ✓ Standards, practices and procedures that the involved parties intend to apply, including information related to the conformity of the project with the national legislation or relevant regulations of the host country
- ✓ Results of any public consultation of local communities directly affected by the project and/or their legal representatives as well as any other engagement with third parties such as civil society organizations that have expressed their interest to the project; foreign buyer/ project sponsor is responsible for these consultations and/or engagements with interested parties. For the purposes of public consultations, environmental and social impact information should be made available to affected communities in a language accessible to them.

The project review takes into consideration the following key environmental and/or social factors:

a) in terms of climate and environment

- air emissions, including greenhouse gas and ambient air quality
- climate change considerations
- noise
- wastewater and ambient water quality
- water conservation
- energy conservation
- consumption of raw materials
- hazardous materials management and safety
- waste management
- contaminated land

- archaeological or cultural heritage sites
- ecosystems services
- biodiversity issues (e.g. modified, natural or critical habitats)
- sustainable management of living natural resources
- infrastructure and equipment design and safety
- construction and decommissioning issues
- emergency preparedness and response requirements

In terms of social impact and human rights:

- land acquisition
- physical displacement
- economic displacement
- affected communities, including informed consultation and participation (ICP) process, grievance mechanism, etc.
- physical integrity and security of person
- indigenous peoples, including free, prior and informed consent (FPIC) process
- vulnerable groups
- community exposure to diseases
- gender issues
- child labor
- forced labor
- discrimination
- workers' accommodation
- use of security personnel
- occupational health and safety
- freedom of association and collective bargaining
- unfair contract
- company grievance mechanism
- animal welfare issues
- supply chain issues
- potential positive impacts of projects.

4. EVALUATION, DECISION AND MONITORING

Exim Banca Românească evaluates the information resulting from screening and review of a project and decide whether to request further information, decline or provide official support.

Any application for officially supported export credit will be subject to the approval of the Inter-ministerial Committee for Financing, Guarantees, Insurance (ICFGI – CIFGA) from environment and

social impact perspective if the reports/submitted documents in underwriting reveal that the project that makes the object of the application for official support does not comply with the international standards requirements and host country regulations.

Based on the evaluation, Exim Banca Românească may set additional conditions *ex ante* or *ex post* approval, for example, measures to prevent, minimise, mitigate or remedy potential adverse *environmental* and social impacts, covenants, and monitoring requirements.

Where support for a project is provided subject to fulfilment of certain conditions whether during the construction and/or the operation phase of the project, Exim Banca Românească ensures that appropriate internal procedures are in place to monitor the project, regardless of its classification, in order to ensure compliance with the conditions of the official support.

For project classified in the category A and B, the exporter/ financing bank will be bound to present a report twice a year regarding the project stage and its environmental and social impact in the host country.

In case of fault on the approved conditions, Exim Banca Românească holds the right to establish along with the involved parties the adequate measures and their implementation as well as to suspend/discontinue the support for the project with prior notification of the exporter or financing bank.

III. Transparency and Reporting

For project classified in Category A, Exim Banca Românească will request to the exporter/ financing bank that the ESIA report or a summary of it to be made publicly available within 10 days of submitting an application for public support.

Exim Banca Românească discloses on its website www.eximbank.ro information regarding projects classified in Category A: project name, description of project and details of where additional information about the ESIA report (Environmental and Social Impacts Assessment) may be obtained, at least 30 days before the Inter-ministerial Committee for Financing, Guarantees and Insurance (ICFGI-CIFGA) approves any export credit insurance commitment.

Also, the bank will publish the list of projects classified in Category A and B, that are object to signed agreements with Exim Banca Românească in the name of and on the account of the State, granting official support for export credits and the relevant information regarding the environment and social impact as well as the standards used for its evaluation, respecting the legal provisions and confidentiality policy.

Exim Banca Românească makes available to the public aggregated information regarding projects classified in Category A and Category B that benefit of official support through Exim Banca Românească

instruments issued on behalf and for the account of the State. Such information is included in Exim Banca Românească Annual Reports.

Exim Banca Românească reports on a semi-annual basis to the Export Credit Working Groups of the Council of Europe and of the OECD data related to the projects classified in Category A and Category B, that benefit from official support for export credit in conformity with reporting requirements provided in the *Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence*.

IV. Grievance solution mechanism

A complaint may be filed by any client, group, community, entity or any other stakeholder interested or impacted or potentially impacted by one or many Exim Banca Românească actions. These entities might direct their query in writing at: dezvoltaredurabila@eximbank.ro.

V. Final Provisions

Provisions of the present policy are completed by the Recommendation provisions and any other documents issued by EU and OECD for its implementation. In order to apply the present provisions, Exim Banca Românească through the Financing, Guarantees, Insurance – State Funds Division will develop procedures and will cooperate with other Export Credit Agencies (financial institutions that act on behalf of the government for supporting exports by granting financing, guarantees and insurance) in order to reach a common approach regarding environment and social issues and applicable standards for officially supported projects.

Annex 1.1	Summary List of Category A Projects
Annex 1.2	IFC Standards
Annex 1.3	ESIA Report content
Annex 1.4	Policy and Calendar for Phasing Out Support for Fossil Fuels Export Transactions by Exim Banca Romaneasca as the Export Credit Agency of Romania

Annex 1.5 Summary of World Bank Environmental and Social Standards

F89/I-ORG-CS Questionnaire on Environmental and Social Impacts of Export Transactions

SUMMARY LIST OF CATEGORY A PROJECTS

The following is an illustrative list containing examples of the types of new projects and major expansion projects that may be classified as Category A. For classification, Exim Banca Românească takes into consideration the potential environmental and/or social impacts of each project.

1. Crude oil refineries (excluding undertakings manufacturing only lubricants from crude oil) and installations for the gasification and liquefaction of 500 tonnes or more of coal or bituminous shale per day.
2. Thermal power stations and other combustion installations (including cogeneration) with a heat output of not less than 300 megawatts (equivalent to a gross electrical output of 140 MWe for steam and single cycle gas turbines power stations) and nuclear power stations and other nuclear reactors, including the dismantling or decommissioning of such power stations or reactors (except research installations for the production and conversion of fissionable and fertile materials, whose maximum power does not exceed 1 kilowatt continuous thermal load).
3. Installations designed for the production, or enrichment of nuclear fuels, the reprocessing, storage or final disposal of irradiated nuclear fuels, or for the storage, disposal or processing of radioactive waste.
4. Integrated works for the initial smelting of cast-iron and steel, *e.g.* installations for the production of primary steel by blast furnace route or direct reduction; installations for the production of non-ferrous crude metals from ore, concentrates or secondary raw materials by metallurgical, chemical or electrolytic processes.
5. Installations for the extraction of asbestos and for the processing and transformation of asbestos and products containing asbestos: for asbestos-cement products, with an annual production of more than 20 000 tonnes finished product; for friction material, with an annual production of more than 50 tonnes finished product; and for other asbestos utilisation, of more than 200 tonnes per year.
6. Installations for the manufacture and/or recovery of chemicals (including but not limited to petrochemicals, fertilisers, pesticides & herbicides, health care products, detergents, paints, adhesives, agro-chemicals, pharmaceuticals, explosives) on an industrial scale using physical, chemical and/or bio-chemical processes and for large scale distribution of such chemicals *via* pipelines/terminals and associated facilities.
7. Construction of airports with a basic runway length of 2 100 metres or more.
8. Construction of motorways and express roads.
9. Construction of a new road, or realignment and/or widening of an existing road, where such new road, or realigned and/or widened section of road, would be 10 km or more in a continuous length.
10. Construction of railway lines that go beyond urban areas and of long-distance railway lines.
11. Sea ports and also inland waterways and ports for inland-waterway traffic which permit the passage of vessels of over 1 350 tonnes; trading ports, piers for loading and unloading connected to land and outside ports (excluding ferry piers) which can take vessels of over 1 350 tonnes.
12. Waste-processing and disposal installations for the incineration, chemical treatment or landfill of hazardous, toxic or dangerous wastes.
13. Large dams and other impoundments designed for the holding back or permanent storage of water.

14. Groundwater abstraction activities or artificial groundwater recharge schemes in cases where the annual volume of water to be abstracted or recharged amounts to 10 million cubic metres or more.
15. Industrial plants for the production of pulp, paper and board from timber or similar fibrous materials.
16. Operations that involve large scale extraction, *via* underground or open-pit mining, solution mining, or marine or riverine operations to obtain precious metals, base metals, energy and industrial minerals, or construction materials. It may also include the processing of the extracted material.
17. Greenfield cement plants where the project includes a greenfield quarry.
18. Large scale oil, gas, or liquefied natural gas development that may include any or all of:
 - exploration (seismic and drilling);
 - field development and production activities;
 - transport activities, including pipelines/terminals, pump stations, pigging stations, compressor stations and associated facilities; or
 - gas liquefaction facilities.
19. Installations for storage of petroleum, petrochemical, or chemical products with a capacity of 200 000 tonnes or more.
20. Large-scale logging.
21. Municipal waste water treatment plants with a capacity exceeding 150 000 population equivalent.
22. Municipal solid waste-processing and disposal facilities.
23. Large-scale tourism and retail development.
24. Construction of overhead electrical power transmission lines with a length of 15 km or above and a voltage of 110 kV or above.
25. Large-scale land reclamation.
26. Large-scale primary agriculture/sylviculture involving intensification or conversion of natural habitats.
27. Plants for the tanning of hides and skins where the treatment capacity exceeds 12 tons of finished products per day.
28. Installations for the intensive rearing of poultry or pigs with more than: 40 000 places for poultry; 2 000 places for production pigs (over 30 kg); or 750 places for sows.
29. Projects which are planned to be carried out in sensitive locations or are likely to have a perceptible impact on such locations, even if the project category does not appear in the above list. Such sensitive locations include National Parks and other protected areas identified by national or international law, and other sensitive locations of international, national or regional importance, such as wetlands, forests with high biodiversity value, areas of archaeological or cultural significance, and areas of importance for indigenous peoples or other vulnerable groups.
30. Projects involving land acquisition and involuntary resettlement of a significant number of affected people.