

Supporting the Dutch private sector in implementing responsible business conduct in its international activities

Evaluation of RBC frameworks for private sector instruments



Efforts and support by the Dutch Ministry of Foreign Affairs to assist the Dutch private sector in implementing responsible business conduct in their international activities and business relationships

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List of Abbreviations

ACF	Access Co-Development Facility
AEF	Access to Energy Fund
AF	Assessment Form
AMR	Annual Environmental and Social Monitoring Reports
APSI	Adviescommissie Private Sector Investeringsprogramma
ATRADIUS DSB	Atradius Dutch State Business
BoP	Base of the Pyramid
BP	Business Partners
BPI	Business Partners International
Common Approaches	OECD Common Approaches on Environmental and Social Due Diligence for Officially Supported Export Credits
CPPAP	Consumer Protection Principles Action Plan
CBD	UN Convention on Biological Diversity
CCR	Client Credit Review
CG	Corporate Governance
CGAP	Corporate Governance Action Plan
CIP	Clearance in Principle
CPPs	Smart Campaign Client Protection Principles
DCGC	Dutch Corporate Governance Code
DD	Due Diligence
DFI	Development Finance Institution
DFM	Dutch Finance Ministry
DGGF	Dutch Good Growth Fund
DHI	Subsidieregeling voor demonstratieprojecten, haalbaarheidsstudies en investeringsvoorbereidingsstudies
DHK	Subsidieregeling voor demonstratieprojecten, haalbaarheidsstudies en kennisverwerving
DMEAC	Dutch Ministry of Economic Affairs and Climate Policy
DMFA	Dutch Ministry of Foreign Affairs
DMFTDC	Dutch Ministry for Foreign Trade and Development Cooperation
DP	Decommissioning Plan
DT	Dekkingstoezegging
DTIF	Dutch Trade and Investment Fund
E&S	Environmental and Social Risk
External Agency	External Agency
ECAs	Export credit agencies
EDFI	European Development Finance Institutions
EHS Guidelines	Environmental Health and Safety Guidelines
EIA	Environmental Impact Assessment
EKV	Exportkredietverzekering
EL	Exclusion List
ERP	Enterprise Resource Planning
ESAP	Environmental and Social Action Plan

ESG	Environmental, Social and Governance
ESIA	Environmental and Social Impact Assessment
ESM	Environmental Social Management
ESMP	Environmental and Social Management Plan
ESMS	Environmental and Social Management System
ESRS	Environmental and Social Review Summary
FBK	Fonds Bestrijding Kinderarbeid
FDOV	Fonds Duurzaam Ondernemen en Voedselzekerheid
FDW	Fonds Duurzaam Water
FMO	Netherlands Development Finance Company
FOM	Faciliteit Opkomende Markten
FP	Finance Proposal
GAP	Good Agricultural Practices
GHG	Greenhouse Gas
GMP+	Good Manufacturing Practices
HACCP	Hazard Analysis and Critical Control Point
HRM	Human Resource Management
HSE	Health, Safety and Environment
IC	Investment Committee
ICT Sector Guide	ICT Sector Guide on Implementing the United Nations Guiding Principles on Business and Human Rights
IDF	Infrastructure and Development Fund
IFC	International Finance Corporation
IFCPS	International Finance Corporation Environmental and Social Performance Standards
ILO Declaration	ILO Declaration on Fundamental Principles and Rights at Work
IRBC	International Corporate Social Responsibility
LS&H4D	Life Sciences & Health for Development
MASSIF	Micro and Small Enterprise Fund
MB	Management Board
MER	Milieueffectrapportage
MPS-A	Milieu Programma Sierteelt
MSMEs	Micro, Small and Medium Enterprises
NCP	National Contact Point
NGOs	Non-Governmental Organisations
ODA	Official Development Assistance
ORIO	Ontwikkelingsrelevante Infrastructuurontwikkeling
OSHAS	Occupational Health and Safety Assessment Series
PA	Project Advisor
PIB	Partners for International Business
PPE	Personal Protective Equipment
PSI	Private Sector Investeringsprogramma
PSI Guidelines	Richtlijn Beheer PSI
PSISM	PSI Subsidy Manual
P4W	Partners for Water
QHSE	Quality, Health, Safety and Environmental

RBC	Corporate Social Responsibility
RBCAF	RBC Assessment Form
RBCAP	RBC Action Plan
RBCMR	RBC Monitoring Report
Result 1	First Mandatory Project Results
RRS	Rapid Risk Screen
RVO	Netherlands Enterprise Agency
SCC	SHE Checklist Contractors
SDGs	UN Sustainable Development Goals
SHE	Safety, Health and the Environment
SIB	Starters International Business
SME	Small and Medium Enterprise
SMETA	Sedex Members Ethical Tradit
SP	Sustainability Policy
SPU	Sustainability Policy Universe
TA	Technical Assistance
TF	Transitiefaciliteit
ToR	Terms of Reference
UNCAC	UN Convention against Corruption
UNFCCC COP 21	Paris United Nations Framework Convention on Climate Change, 21st Annual Conference of the Parties in Paris, November 2015
UNGC	United Nations Global Compact
UNGP	United Nations Guiding Principles on Business and Human Rights
UN PRI	United Nations Principles for Responsible Investment
VCA	Veiligheid, Gezondheid en Milieu Checklist Aannemers
WAP	World Animal Protection
WB	World Bank
WBBL	World Bank Black List
2getthere-OS	Pilot 2getthere-OS

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Executive summary

This report contributes to the evaluation of the effectiveness of the Dutch policy frameworks for Dutch companies to achieve corporate social responsibility (CSR). The evaluation is conducted by the Policy and Operations Evaluations Department (IOB) of the Dutch Ministry of Foreign Affairs (DMFA). In the evaluation, CSR is referred to as responsible business conduct (RBC). RBC concerns the international activities of Dutch companies and their business relationships (IRBC).

The scope of the study in this report concerns financial private sector (PS) instruments developed by DMFA which are managed and executed by three Dutch implementing organisations FMO (banking activities), Rijksdienst voor Ondernemend Nederland (RVO; the English translation is the Netherlands Enterprise Agency; it provides subsidies) and Atradius Dutch State Business (ATRADIUS DSB; export credit insurances and guarantees), hereafter ‘the implementing organisations’. The scope is further tailored to (i) an examination of the RBC framework of each implementing organisation as it currently stands and (ii) an assessment of how such RBC framework is used in practice in regard of certain sample activities, i.e. five sample projects per organisation, 15 in total. The selection of the sample projects was purposeful and aimed at including a variety of PS instruments.

The study in this report is executed by a research team from Nyenrode Business Universiteit (Nyenrode research team) in collaboration with DMFA officers and the representatives of the three implementing organisations, i.e. FMO, RVO and ATRADIUS DSB. The Nyenrode research team conducted mainly desk research, which was supported by several interviews with representatives of the three organisations. The desk research comprised: (i) publicly available information, e.g. website information concerning the implementing organisations and their RBC frameworks; (ii) contracts and agreements concluded between the implementing organisations and the applicants under the PS instruments; and (iii) the description, procedures and conditions pertaining to PS instruments. In regard of the second category of documents (under (ii)), the research entailed an examination of the communication between the party who applied for support under a certain PS instrument (the applicant) and the implementing organisation, including due diligence (DD) reports, and data on the monitoring and evaluation (M&E) of the project by the implementing organisation. A large part of the provided information concerned confidential information. Hence, the Nyenrode research team had to anonymise the findings thereof and was not allowed by the implementing organisation to contact the applicants. In addition to assessing the sample projects and the PS instruments to which they related, several other PS instruments managed by RVO were also examined through desk research to support further the collected evidence.

The study in this report has produced comparative observations which follow DMFA instructions in relation to the PS instruments. Furthermore, it provides general conclusions bearing in mind also certain limitations in the content and used methods. Hence, these conclusions cannot be generalised for all PS instruments and should only be considered in relation to the examined sample of PS instruments discussed and elaborated in this report. Accordingly, useful recommendations are provided.

Comparative observations

In the execution of the examined PS instruments, the three implementing organisations all consistently have the objective of avoiding adverse human rights, social and environmental impacts through conducting DD assessments concerning the applicants under the PS instruments, their business partners in their supply chain, and the proposed projects. They also propose to the PS beneficiaries to implement mitigating measures in their proposed projects wherever useful and necessary. All three organisations have engaged RBC specialists who work closely with their commercial officers. More specifically, six comparative observations can be made:

1. Applicants need to sign a statement in which they promise to the implementing organisation to act in line with the OECD Guidelines. In addition, RBC norms and standards which the three implementing organisations impose on their applicants in addition to the OECD Guidelines are not entirely identical but similar and often depend on the sector in which the organisation operates.
2. The implementing organisations' RBC frameworks require that an analysis is performed to identify RBC risks in the supply chain (i.e. DD) and that mitigating measures are suggested in case of average to high risks. However, the three implementing organisations are not entirely consistent in their RBC vocabulary, identification of risks, screening criteria, way of doing DD and way of mitigating risks.
3. Applicants need to have a good track record on CSR and they need to have a CSR policy in order to be accepted as contract partner under a PS instrument. The examined implementing organisations assess their applicants' reputation in different project cycle stages.
4. RBC conditions are introduced in loans, subsidies and other means of financial supports pursuant to any identified risks and mitigation measures. There are identified variations in the way the implementing organisations require their applicants to establish and use grievance and complaints mechanisms.
5. All implementing organisations have developed a monitoring protocol that included RBC aspects (in various manners).
6. All implementing organisations impose on the applicants under the PS instruments the duty of notification in case of identified violations.

Identified effects

Based on the evaluation of the RBC frameworks in the examined projects, the findings demonstrate that the PS instruments managed by FMO, RVO and ATRADIUS DSB often prompted a change in the behaviour of the beneficiaries and the integration of RBC principles in the business strategies of the beneficiaries. The changes revealed themselves in several ways, which are categorised as procedural and substantive ways. Additionally, some of the examined projects revealed several tangible positive impacts concerning the behaviour of supply chain companies.

The evaluation also confirms that the RBC frameworks integrate international RBC standards as agreed upon in the context of the OECD, United Nations, International Labour Organization, World Bank and International Finance Corporation, which contributes to setting the same standards for companies engaged in international business, and hence, confirming a level playing field and the continuation of trade. It was discovered that FMO and ATRADIUS DSB collaborate with the peers in international networks that set and assist in the implementation of standards. Even though RBC standards were imposed, and mitigation measures were often required from the applicants, the continuation of trade was confirmed by the finding in the majority of projects, because the proposed business projects materialised.

General conclusions and recommendations

In this report it is concluded that the strategy to develop RBC frameworks has been effective. RBC frameworks are in place and sufficiently meet the expectations of the government. Similar but not identical requirements are included in the RBC frameworks of the examined three implementing organisations. It is recommended that FMO, RVO and ATRADIUS DSB could present this information in a more transparent and systematic way.

It is relatively difficult to assess the coherence of the RBC frameworks in view of differences (e.g. in vocabulary and process steps) between PS instruments and implementing organisations. As they all contain the required components to some degree and refer to the same international standards (e.g. OECD Guidelines), coherence appears to be in place. It is recommended that the three implementing organisations be encouraged to cooperate and learn from the best practices developed by each of them. In addition, as all ODA-funded PS instruments have the objective to support sustainable development, it is recommended to apply a positive value-creation approach in all ODA-funded PS instruments (do good) in addition to the base-line approach of complying with the OECD Guidelines (do no harm).

The examined RBC frameworks of ODA-funded PS instruments have been considered effective on outcome level as they demonstrated ability to influence corporate policies and designs of projects, e.g. by promoting DD, reducing risks and enhancing access to remedy. The RBC frameworks are additional to the traditional risk-based frameworks in a way that they provide relevant project information to the funder(s) of the PS instruments. They also cater for stakeholders' participation. The RBC frameworks of most of the non-ODA-funded PS instruments are sometimes less extensive (by design) but the basic information is available. The RBC framework for trade missions has a different set-up as the character of this instrument differs from the other instruments in that it consists more of a service rather than that it provides financial support. It is recommended that the accessibility of the RBC frameworks could be improved in regard of the PS instruments. For transparency purposes and improving procedures, it is recommended that all three implementing organisations conduct internal evaluation assessments to learn from their own best practices like FMO does and make the results publicly available, thereby assisting other organisations and companies to apply RBC.

All three implementing organisations perform a DD assessment of applicant companies and organise follow-up actions, although in quite different ways. They have a strong focus on high-

risk sectors and themes such as child labour. All three organisations prioritise and allocate most of their RBC resources to those projects and beneficiaries that (could) pose the highest risks from an RBC impact (and credit) point of view. All three organisations have engaged RBC specialists – both in-house and external expertise - who work closely with the commercial project officers or underwriters, and foreign business partners. It is recommended that the performance of DD is ensured in a proper and reliable manner in all instruments, but tailor-made to the character of the PS instrument, the risk situation and the size of the project and the applicant. In case of a DD procedure in the form of self-assessment by the applicant, it is recommended that the applicant involve a third-party RBC expert to validate the self-assessment report.

Applicants often get time to implement mitigating measures during the execution of the projects. RBC frameworks' application hardly result in rejections of project proposals, if so, most often in combination with other factors. With respect to grievance mechanisms, FMO requires the implementation of grievance mechanisms capable of deciding on remedies by their clients in the execution of their projects. FMO has also set up a grievance mechanism for stakeholders at FMO itself. ATRADIUS DSB's grievance mechanism is accessible to local complainants and Non-Governmental Organisations (NGOs) who are not able to address their complaint at project level. It is also available to ATRADIUS DSB's direct clients who have complaints on ATRADIUS DSB's services. RVO's RBC framework imposes on applicants to establish grievance mechanisms. It is recommended that all ODA-funded PS instruments adopt the requirement to establish grievance mechanisms to give stakeholders and victims the possibility to file complaints and a better chance to influence project development. Those grievance mechanisms could be established at organisational level of the implementing organisation and/or at the project level in case of larger projects.

The evaluation of the sample projects revealed that the application of the RBC frameworks in the PS instruments produced several procedural and substantial impacts. The changes in awareness, strategies, policies and behaviour of beneficiaries illustrate the impact on the beneficiaries and in several instances, they also impacted the foreign business partners of the beneficiaries.

FMO focuses on companies but also on investment funds and banks in developing countries. This is done by imposing FMO's RBC conditions on investment funds and banks in low-income countries and emerging markets and by requiring their clients to impose the same on their clients. Thus, chain effects can be generated. Those multiplier chain effects were not detected in the instruments managed by RVO and ATRADIUS DSB, mainly due to the design of the instruments. It is recommended that the three implementing organisations cooperate and learn from the best practices developed by each of them, such as FMO's elaborated monitoring process concerning proposed changes and mitigation actions in order to generate tangible outcomes. It is also recommended that the beneficiaries of PS instruments disclose information to the implementing organisations as part of the ex-post evaluation concerning which spill-over effects (impact on the ground) are actually realised because of integrating RBC into the execution of the project. In addition, this study focuses on the identified effects of RBC frameworks in ODA-funded PS instruments. However, it is recommended that

additional research is conducted on the effectiveness of RBC frameworks for non-ODA instruments.

1. Introduction and Methodology

1.1. Aim of the study

This report is prepared to contribute to the evaluation, conducted by the Policy and Operations Evaluations Department (IOB) of the Dutch Ministry of Foreign Affairs (DMFA), of the effectiveness of the Dutch policy frameworks that are aimed at instructing and supporting Dutch companies to implement corporate social responsibility (CSR). In the evaluation, CSR is referred to by DMFA as responsible business conduct (RBC). This concerns the RBC of Dutch companies in their international activities and business relationships (IRBC). The study conducted for this report was executed by Nyenrode Business Universiteit (Nyenrode). The scope is limited to certain financial policy instruments developed by DMFA for the private sector (PS), i.e. PS instruments. Most of these PS instruments is managed and executed by three Dutch agencies ('implementing organisations'), i.e. FMO (banking activities), Rijksdienst voor Ondernemend Nederland (RVO; subsidies) and Atradius Dutch State Business (ATRADIUS DSB; export credit insurances and guarantees).

In consultation with the DMFA officers and the representatives of the three implementing organisations, samples were selected from the FMO, RVO and ATRADIUS DSB activities. The Nyenrode research team performed an examination of the general RBC frameworks of the three implementing organisations, followed by an examination of how these frameworks are used in practice, in regard of the samples.

1.2. Background on Dutch IRBC frameworks for PS instruments

The Dutch IRBC framework was renewed by DMFA in 2012, after the revised OECD Guidelines for Multinational Enterprises (OECD Guidelines) were launched in 2011.¹ Among other innovations, the revised 2011 OECD Guidelines implemented the United Nations Guiding Principles on Business and Human Rights (UNGP) developed by the team of Prof. John Ruggie, United Nations (UN) Special Representative on Business and Human Rights.² Hence, in the 2011 OECD Guidelines, more emphasis was put on the role of conducting due diligence (DD) investigations before taking a decision to invest abroad or to collaborate with (new) business partners, and to exercise DD throughout all activities and the whole collaboration abroad, meaning responding to issues signalled in the first DD by taking measures or refraining from doing business and monitoring the effectiveness of the measures. The DD should be aimed at preventing to causing or contributing to adverse impacts concerning human rights, environmental and social standards, and corruption.

The IRBC framework published by the DMFA in 2012 urged not only companies but also the government itself to exercise DD regarding international RBC issues and to ensure the implementation of RBC in its policy instruments. In 2013, RBC frameworks had been developed for all PS instruments that qualify as Official Development Assistance (ODA).³ Each

¹ OECD Guidelines for Multinational Enterprises, available at: <http://mneguidelines.oecd.org/guidelines/>

² UN Human Rights Council, Protect, respect and remedy: a framework for business and human rights: report of the Special Representative of the Secretary-General on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises, John Ruggie, 7 April 2008, A/HRC/8/5, available at: www.refworld.org/docid/484d2d5f2.html.

³ KST-31250-97, 2012; KST-31250-102, 2013.

PS RBC framework contains conditions and procedures concerning the various stages of the PS instrument(s) (application, implementation, monitoring and evaluation, closing). These frameworks have been evaluated by DMFA during the past couple of years.⁴ This report expands on that evaluation.

1.3. Methodology

The method which was employed by the Nyenrode research team concerned desk research, supported by several interviews (Annex 0). The team examined: (i) publicly available information, e.g. website information concerning the implementing organisations and their RBC frameworks; (ii) contracts and agreements concluded between the implementing organisations and the applicants under the PS instruments; and (iii) the description, procedures and conditions pertaining to PS instruments.

The Nyenrode research team focused on certain selected sample projects. In regard of the each examined project in the sample, the Nyenrode research team reviewed how the relevant RBC framework was applied by the implementing organisation. The research comprised an examination and evaluation of the communication between the applicant under the PS instrument and the implementing organisation, including any DD reports, and data on the monitoring and evaluation (M&E) of the project by the implementing organisation. A large part of the provided information concerned confidential information. Hence, the Nyenrode research team had to anonymise the findings thereof.

The main questions which were submitted to each of the three implementing organisations concerning the application of its RBC framework(s) in each of the selected project in the sample included:

- Were the RBC framework procedures followed?
- How were the RBC framework criteria monitored?
- Did the application of the RBC framework change the client's working practices (the client is the private company which applied for assistance under the PS instruments)?
- Were there tensions between the implementing organisation's and/or the client's desire to go forward with the project and the application of the RBC criteria?
- If so, how were they solved? What is the status of the project and what are the lessons learned in regard of RBC and the implementation of the implementing organisation's RBC framework?
- Have these lessons incited the implementing organisation to change its procedures in regard of its role as executioner of the DMFA instruments and the implementation of the DMFA's policies on IRBC?

The selection of the projects in the sample consisted of five projects per implementing organisation, i.e. in total 15 projects. The selection of the projects was purposeful and conducted by the Nyenrode research team in collaboration with the three implementing organisations and IOB. This selection of projects in the sample also facilitated the examination of a variety of PS instruments (e.g. IDF, AEF, MASSIF, PSI, DGGF-1, DGGF-3 and DTIF-2). An

⁴ TK, 2016.

overview of projects per PS instrument and per implementing organisation is provided in Table 1. The selection of projects concerned mostly relatively new projects which started in the last 10 years.

Table 1 – Overview of projects per PS instrument and implementing organisation

	IDF	AEF	MASSIF	PSI	DGGF-1	DGGF-3	DTIF-2
FMO	3 (Projects 1, 2 and 5)	1 (Projects 3)	1 (Projects 4)	0	0	0	0
RVO	0	0	0	3 (Projects 6, 7 and 8)	2 (Projects 9 and 10)	0	0
ATRADIUS DSB	0	0	0	0	0	4 (Projects 11 to 14)	1 (Projects 15)

The selection of the projects in the sample also contained various projects that performed well – in terms of RBC – and some that performed less as perceived by the implementing organisations. In some projects, it is later concluded that positive effects could be identified in regard of foreign business partners of the applicants under the PS instruments, so-called ‘spill-over effects’.

The selection of the projects in the sample also considered the categorisation of sector risks and Dutch sector agreements in such a way that projects in various sectors, and of various risk levels, were included in the selection. Table 2 provides an indication of the projects that are related to Dutch sectors for which RBC sector agreements have been concluded.

Table 2 – Projects per sector covered by sector covenants

Sectors with RBC Agreements	Projects
Coal	-
Garments and textile	-
Banking	Projects 2 and 4
Forestry	Projects 2
Vegetable protein	-
Gold	-
Food	Projects 7
Insurance	Projects 11 to 15
Pension funds	-

Table 3 shows which of the selected projects involve activities that fall in the high-risk sector mapping by KPMG in 2014.⁵

Table 3 – Projects in high-risk sectors

High-risk sectors	Projects
Textile/garments	-
Metal	-
Financial	Projects 2 and 4, 11-15
Wood and paper	-
Agriculture/horticulture/forestry	Projects 6, 7, 8, 9, 10, 12,
Energy	Projects 1 and 13
Retail	-
Wholesale	-
Electronics	-
Construction	Projects 1, 3, 5, 7, 9, 10, 11, 12, 13, 14
Chemical	-
Oil/gas	-

In the purposeful selection of projects, it was desired to include projects which were implemented or are being implemented in various developing countries in Asia and in Africa. Consequently, several of the projects concern projects that are implemented in those areas.

Besides the PS instruments assessed in the projects (e.g. IDF, AEF, MASSIF, PSI, DGGF-1, DGGF-3 and DTIF-2), various other ODA-funded and non-ODA funded PS instruments ('additional PS instruments') are or have been administered by one or more main implementing organisations. Hence, they are relevant to examine in the context of this study. These are also studied through desk research but they are not examined with a focus on specific projects and activities. They are only examined through publicly available information and documentation. The selection of the PS instruments examined through desk research and/or with a focus on certain projects and activities in this report was executed by the IOB and is based on financial volumes and policy relevance of the PS instruments. Some PS instruments had been terminated by the time of the study. Nonetheless, there can still be a pipeline of projects in implementation. The additional PS instruments concern: DHK, DRIVE, ORIO, FDW, FDOV, FBK, the partly ODA-funded PS instrument TF, the non-ODA-funded PS instruments DTIF-1 and trade missions.

Table 4 contains an indicative overview of various ODA-funded and non-ODA-funded PS instruments managed by FMO, RVO and ATRADIUS DSB and examined in this study. The selection of PS instruments which are included in this table was executed by IOB and is based on financial volumes and policy relevance of the instruments. Some instruments presented in Table 4 had been terminated by the time of the study presented in this report; nonetheless, there can still be a pipeline of projects in implementation.

⁵ KPMG (2014) 'CSR Sector Risk Assessment Considerations for dialogue', available at: www.imvoconvenanten.nl/~media/files/imvo/mvo-sector-risk-assessment.ashx.

Table 4 – An overview of ODA-funded and non-ODA-funded PS instruments managed by FMO, RVO and ATRADIUS DSB

Acronym	ODA	Full name	Objective (theme)	Implementing organisation	From – to
IDF	Yes	Infrastructure Development Fund	Support private investments in infrastructure	FMO	2002 - present
AEF	Yes	Access to Energy Fund	Access to energy	FMO	2003 - present
MASSIF	Yes	Micro and Small Enterprise Fund	Access to finance for MSEs	FMO	2006 - present
FOM	No	Faciliteit Opkomende Markten	Stimulating investment in emerging markets and developing countries	FMO	unknown - 2016
EKV	No	Exportkredietverzekering	Stimulating export	ATRADIUS DSB	1932 - present
DGGF-3	Yes	Dutch Good Growth Fund - Track 3	Insuring and financing Dutch export to emerging markets and developing countries	ATRADIUS DSB	2014 - present
DTIF-2	No	Dutch Trade and Investment Fund	Stimulate Export	ATRADIUS DSB	unknown
DTIF-1	No	Dutch Trade and Investment Fund	Financing Dutch SME investing in non-DGGF countries with purpose of generating employment and stimulating econ growth in the Netherlands	RVO	2016 - present
ORIO	Yes	Ontwikkelingsrelevante Infrastructuurontwikkeling	Infrastructure development	RVO	2009 - replaced
DRIVE	Yes		Infrastructure development	RVO	2014 - present
FDW	Yes	Fonds Duurzaam Water	Waterveiligheid en waterzekerheid	RVO	2016 - terminated

FDOV	Yes	Fonds Duurzaam Ondernemen en Voedselzekerheid	Food security and private sector development	RVO	2012 - terminated
LS&H4D	Yes	Life Sciences & Health for Development	Reducing poverty through health	RVO	2014 - present
2getthere-OS	Yes	Pilot 2getthere-OS	Strengthening the business climate	RVO	2011 - 2016
P4W	No	Partners for Water	Providing Water Safety and Security	RVO	2016 - present
FBK	Yes	Fonds Bestrijding Kinderarbeid	DD on child labour	RVO	2016 - present
TF	Partly	Transitiefaciliteit	Stimulating export	RVO	2011 - 2015
DGGF-1	Yes	Dutch Good Growth Fund - Track 1	Financing Dutch SME investing in emerging markets and developing countries	RVO	2014 - present
TM	No	Trade mission	Stimulating export	RVO	unknown - present
DHI	No	Subsidieregeling voor demonstratieprojecten, haalbaarheidsstudies en investeringsvoorbereidingsstudies		RVO	2018 - present
DHK	Yes	Subsidieregeling voor demonstratieprojecten, haalbaarheidsstudies en kennisverwerving		RVO	2014 - 2017
PIB	No	Partners for International Business	Positioning Dutch top sectors in foreign markets	RVO	2012 - present
SIB	No	Starters International Business	Stimulating export	RVO	2005 - present
DGGF-2	Yes	Dutch Good Growth Fund - Track 2	Financing local SMEs in emerging markets and developing countries via intermediary funds	PWC and Triple Jump	2014 - present

1.4. Limitations

This report considers and evaluates how the three main organisations that implement most of the PS instruments (i.e. FMO, RVO and ATRADIUS DSB) apply their RBC frameworks in

various phases of the project cycle. As this evaluation is mostly based on desk research of publicly available information and relevant documents provided by the implementing organisations pursuant to interviews with each of them, the resulting conclusions are only limited to establishing whether RBC frameworks are in place and what is the result of their juxtaposition and comparison. The information which the implementing organisations shared with the researchers in regard of the sample projects were governed by non-disclosure agreements and considered confidential information. The researchers were not allowed to contact the applicant companies themselves, their foreign business partners and/or their stakeholders. Hence, no empirical assessment was made in regard of the actual changes in their behaviour or changes in existing adverse impacts and access to remedy and the evaluation of the sample projects is based on the information received from the implementing agencies and the report thereon has been anonymised by the researchers.

Therefore, these conclusions cannot be generalised for all PS instruments and should only be considered in relation to the examined sample of PS instruments discussed and elaborated in this report. Accordingly, it is acknowledged that the researched documents did not always fully disclose if and to what extent the required alterations of the projects were indeed successfully implemented by the applicants. In addition, the researched documents did not always fully disclose if and to what extent the change in their behaviour of beneficiaries or in the behaviour of their business partners, or impacts on other supply chain stakeholders, as communicated in the provided documents, were indeed realised.

Additionally, based on the examination of RBC frameworks and information provided by the implementing organisations of projects funded through PS instruments (the sample) effects can be identified, such as changes in behaviour of beneficiaries and their foreign partners. The identified effects regard mainly ODA-funded PS instruments examined in depth through the close examination of projects. However, in this study the attention to RBC frameworks of non-ODA instruments is rather limited, i.e. only RBC frameworks are examined and discussed through desk research without discussing further their effectiveness through the close examination of projects. This inconsistency pertains to the way this study was commissioned in terms of chronological order by IOB. The Nyenrode team was asked to focus mainly on the examination of ODA-funded PS instruments of the three implementing organisations first before formulating the second assignment which did include the examination of RBC frameworks of non-ODA instruments to a lesser extent. Furthermore, the selection of examined PS instruments from DMFA was based on financial volumes. Moreover, although it was intended to include in the sample of the evaluation projects related to the particular non-ODA-funded PS instrument named EKV, however, the Ministry of Finance precluded the cooperation needed to evaluate this instrument based on empirical data.

1.5. Reading Guide

In this report, section 1 comprises an introduction to the study as well as an explanation of the methodology applied and of pertinent limitations. A brief presentation of the three implementing organisations follows in section 2. Section 3 provides the presentation and discussion of the comparative observations from the examination of the RBC frameworks of the three implementing organisations through desk research and the application thereof in the 15 sample projects. Section 4 contains additional information about the application of RBC frameworks in relation to PS instruments managed by RVO which are not examined through sample projects. Finally, section 5 is a general concluding section and provides the conclusions and recommendations.

The underlying evidence for the provided conclusions and recommendations can be found in the Annexes of this study. Each of the three examined implementing organisations has its own Annex (Annex I-III). In Annexes I-III, the RBC frameworks of the three implementing organisations as well as the evaluation of five projects per organisation are presented. In regard of each implementing organisation, first, its RBC framework is reviewed. This RBC framework is subsequently used to evaluate the five projects in the sample that concern such implementing organisation. The final subsection of Annexes I-III per implementing organisation contains the lessons learned and some brief concluding remarks. Supporting evidence from the examination of additional PS instruments can be found in Annex IV.

2. The three implementing organisations examined in this report

2.1. FMO

FMO is the Dutch development bank, based in The Hague, Netherlands. FMO is incorporated as a Dutch 'naamloze vennootschap met beperkte aansprakelijkheid' (NV), i.e. a company with limited liability. The shares are not listed at a stock exchange. The Dutch government holds 51% of the shares in FMO. It is licensed as a bank and supervised by the Dutch Central Bank. FMO operates as a commercial organisation, but due to its relationship with the Dutch government, it can take risks which commercial financiers are not able or not prepared to take. FMO manages funds for the DMFA and the Ministry of Economic Affairs and Climate (DMEAC). Its goal is to empower entrepreneurs in emerging economies. To that end, FMO invests in businesses, projects and financial institutions, with the objective to support job and income generation in an environmentally and socially responsible manner.

2.2. RVO

RVO is the Netherlands Enterprise Agency, which stimulates Dutch entrepreneurs to engage in sustainable, agricultural, innovative and international business. It aims to improve opportunities for entrepreneurs, strengthen their position and help them to realise their international ambitions with funding, networking, expertise and compliance with law and regulations. RVO is a government agency that operates under the auspices of the DMEAC. RVO does not apply one RBC framework to all its PS instruments, but instead works with a tailor-made RBC framework for each PS instrument. This evaluation primarily focuses on the two PS instruments and accordingly on RVO's RBC frameworks developed for the 'Private Sector Investeringsprogramma' (PSI) and the first track of 'Dutch Good Growth Fund' (DGGF-1).

2.3. ATRADIUS DSB

ATRADIUS DSB specialises in helping its customers with trade credit insurance, surety and debt collection.⁶ ATRADIUS DSB is a full subsidiary of Atradius Group NV, listed at Euronext. ATRADIUS DSB is the official export credit insurance agency of the Netherlands. On behalf of and for account of the Dutch state, ATRADIUS DSB covers financial risks related to export transactions and investments in enterprises abroad. ATRADIUS DSB offers a range of insurance and guarantee products to minimise the risk of non-payments for exporters of capital goods, internationally operating construction companies, banks and investors. ATRADIUS DSB supports sustainable trade by developing innovative insurance products and by supporting relevant export to emerging economies, which export supports sustainable development. It aims to do this in a transparent, ethical and responsible manner.

ATRADIUS DSB supports Dutch companies doing business abroad and it expects them to take their RBC obligations seriously. ATRADIUS DSB's objective is that an export credit insurance has a positive social and environmental impact. Therefore, ATRADIUS DSB will only insure export transactions and investments when they do not cause unacceptable environmental and social impacts.

⁶ Atradius, available online at: <https://group.atradius.com/about-us/#>.

Credit insurance falls under the authority of the DMFA and the Dutch Ministry for Foreign Trade and Development Cooperation (DMFTDC). They promulgate the RBC policy framework which ATRADIUS DSB must follow.

Regarding medium and high-risk projects (categories B and A, respectively, in line with the FMO risk categories), the final decision to award the credit insurance depends on the Dutch state.⁷ In such projects, ATRADIUS DSB advises the Dutch state about the project and the potential environmental and social (E&S) risks. ATRADIUS DSB has the authority to take its own decisions for other transactions.

⁷ Ibid. The Dutch state, in this document, refers to the Dutch Finance Minister and the Minister for Foreign Trade and Development Cooperation. It is not specified which Minister takes the final decision.

3. Comparative observations

In general, in the execution of the examined PS instruments, the three implementing organisations all consistently have the objective of avoiding adverse human rights, social and environmental impacts through conducting DD assessments concerning the applicants under the PS instruments, their business partners in their supply chain, and the proposed projects. They also propose to the PS beneficiaries to implement mitigating measures in their proposed projects wherever useful and necessary. All three implementing organisations have engaged RBC specialists who work closely with their commercial officers.

In particular, FMO applies its RBC framework to FMO-A transactions⁸ and transactions funded by each of the three revolving government funds (IDF, AEF and MASSIF). The same applies for ATRADIUS DSB regarding the management of DGGF-3, DTIF-2 and EKV,⁹ whereas RVO works with a tailor-made RBC framework for each PS instrument (PSI, DGGF-1 and DTIF-1).

3.1. Signing of OECD statement (Observation 1)

Applicants need to sign a statement in which they promise to act in line with the OECD Guidelines. This signing requirement was met for all the preceding PS instruments managed by FMO, ATRADIUS DSB and RVO. However, some variations were found between the RBC frameworks applied by FMO, ATRADIUS DSB and RVO in regard of RBC norms and standards which the three implementing organisations impose on their applicants in addition to the OECD Guidelines. Such norms are, among the three, not entirely identical but similar and often relate to the sector in which they operate. All three implementing organisations (see in Table 5) follow the OECD Guidelines, the ILO Declaration on Fundamental Principles and Rights at Work ('ILO Declaration') and the International Finance Corporation Environmental and Social Performance Standards (IFCPS).

Table 5 – A juxtaposition and a comparison of the (international) standards mentioned in the RBC frameworks applied by FMO, ATRADIUS DSB, RVO-PSI and RVO-DGGF-1

	FMO	RVO-PSI	RVO - DGGF-1	ATRADIUS DSB
RBC Standards	OECD Guidelines	OECD Guidelines	OECD Guidelines	OECD Guidelines
	International Finance Corporation Environmental and Social Performance Standards	International Finance Corporation Environmental and Social Performance Standards	International Finance Corporation Environmental and Social Performance Standards	International Finance Corporation Environmental and Social Performance Standards
	World Bank Group Environmental Health and Safety Guidelines			World Bank Group Environmental,

⁸ FMO-A is FMO's own fund, not financed by the government.

⁹ It was intended to include sample projects concerning the regular non-ODA-funded PS instrument EKV in the evaluation through the examination of projects, however, the Ministry of Finance precluded the cooperation needed to evaluate this instrument in more depth.

	ILO Declaration on Fundamental Principles and Rights at Work	ILO Declaration on Fundamental Principles and Rights at Work		Health and Safety Guidelines
	United Nations Guiding Principles on Business and Human Rights			United Nations Guiding Principles on Business and Human Rights
	Equator Principles	UN Convention on Biological Diversity		UNGC
	United Nations Principles for Responsible Investment	ISO 26000		OECD Common Approaches on Environmental and Social Due Diligence for Officially Supported Export Credits
	EDFI–Principles for Responsible Financing			
	G20/OECD Principles of Corporate Governance			
	Dutch Corporate Governance Code			
	Smart Campaign Client Protection Principles			

The examined RBC frameworks are transparent and accessible for (potential) clients via the websites of the implementing organisations. FMO and ATRADIUS DSB also refer explicitly to the UNGPs (which are also incorporated in the OECD Guidelines) and adhere to dedicated international sector standards concerning RBC topics. That is: FMO refers to the Equator Principles for project finance, the United Nations Principles for Responsible Investment (UN PRI), the Principles for Responsible Financing developed by European Development Finance Institutions (EDFIs) and the Smart Campaign Client Protection Principles (CPPs). ATRADIUS DSB refers to the OECD Common Approaches on Environmental and Social Due Diligence for Officially Supported Export Credits ('Common Approaches'). Only FMO refers to norms regarding corporate governance concerning the organisation of their clients, i.e. the G20/OECD Principles of Corporate Governance¹⁰ and the Dutch Corporate Governance Code (DCGC). However, it is evaluated that all RBC frameworks contain clear RBC criteria.

3.2. RBC risks analysis and introduction of mitigating measures (Observation 2)

The frameworks require that an analysis is performed to identify RBC risks in the supply chain and that mitigating measures are suggested in case of average to high risks (i.e. DD). The three

¹⁰ G20/OECD Principles of Corporate Governance, available online at: www.oecd.org/corporate/principles-corporate-governance.htm.

implementing organisations are not entirely consistent in their RBC vocabulary, identification of risks, screening criteria, way of doing DD and way of mitigating risks.

3.2.1. Vocabulary

In line with the variation in international standards to which the RBC frameworks of FMO, ATRADIUS DSB and RVO adhere, they also use a different vocabulary when it comes to RBC risks identification. FMO identifies risks using Environmental, Social and Governance (ESG) terminology, which refers to 'Environmental, Social and Governance' criteria, as is common in the international banking sector. ATRADIUS DSB employs terminology provided in the OECD Common Approaches which is a set of recommendations in the framework of officially supported export credit, addressing E&S DD relating to the exports of capital goods and/or services and the locations to which these are destined. RVO refers to 'RBC' risks (RBC refers to 'Corporate Social Responsibility' or in Dutch 'Maatschappelijk Verantwoord Ondernemen' (MVO)). As RVO operates in a Dutch context, hence it uses the Dutch RBC terminology. The background of the different approaches by the three implementing organisations is that both FMO and ATRADIUS DSB work in an international arena with concomitant disciplines and participate in international networks with peers. They collaborate with them in defining standards and frameworks and they communicate with their peers about how to integrate those in their practice.

FMO also participates in joint financing and investment projects, in which projects all co-financiers or co-investors have to agree about the same standards and approaches towards the applicant under a PS instrument. Often, EDFIs and international development banks act as co-financiers. They are FMO's peers. Like FMO, ATRADIUS DSB also participates in joint financing and investment projects, with banks, international financing institutes and other state export credit agencies (ECAs). It also collaborates intensively with ECAs in setting common standards, i.e. the Common Approaches. In order to avoid distortion of competition, state insurance companies aim to apply the insurance conditions of the OECD Consensus rules¹¹ and the E&S requirements in the Common Approaches. In addition, the responsible Ministries in OECD countries monitor the implementation of the OECD Consensus rules for ECAs.

3.2.2. Identification of risks

All three organisations require an RBC risk analysis in the supply chain of the applicant, perform a DD assessment though in diverse ways, and all three organise follow-up actions (mitigating measures will be suggested in case of average to high risks), also differently. In case of a DGGF-1 application, the RVO risk analysis concerns the supply chain of the project, not the applicant.¹² Various aspects play a role: (i) the FMO Exclusion List (EL); (ii) risk-screening criteria; (iii) the manner in which DD is conducted; (iv) and if and how mitigating measures are suggested. They are discussed below. Overall, FMO seems to conduct the most

¹¹ OECD, Consensus rules, available online at: www.oecd.org/trade/topics/export-credits/arrangement-and-sector-understandings/.

¹² Information retrieved from RVO.

elaborate DD process and the DD findings constitute an important input for FMO's monitoring and engagement throughout the investment process. They could lead to a modification of the transaction or a refusal of the request. Project approvals and contracts include both financial and RBC considerations. The compliance with the follow-up actions is scrutinised and laid down in conditions precedent in transaction contracts or in other contractual terms, such as post-closing covenants.

FMO's General Investment Criteria¹³ state, among other, that no investment or loan is to be provided concerning a project in a country which is in a state of war or armed conflict with another country or encounters a serious internal conflict or civil war, unless the country in question has been approved by FMO's Asset Liability Committee. Accordingly, FMO has developed an EL which defines the type of countries, activities and sectors concerning which FMO does not provide investments or loans.¹⁴ The RBC frameworks of ATRADIUS DSB and RVO also refer to the FMO EL. ATRADIUS DSB applies the EL during first stages of screening. If an activity is on the list, the application will be rejected. Similar to FMO, RVO indicates that projects involving FMO's EL are not eligible for awarding financial assistance. When DGGF-1 was developed, RVO more or less imitated the ESG procedures of FMO in order to develop similar processes.¹⁵

3.2.3. Risks screening criteria

FMO's General Investment Criteria¹⁶ prescribe that FMO test every project proposal also in regard of its 'RBC additionality', i.e. whether it provides additional, non-financial value, such as green and inclusive development impact, E&S management and governance improvements. Green and inclusive investments are not seen as elements of ESG additionality. ESG additionality relates to improvements in Environmental Social Management (ESM) and governance. FMO uses green and inclusive investment to classify projects with positive impact to environment or the Base of the Pyramid (BoP). Hence, FMO has the objective that the RBC risk analysis not only examines whether the proposed project can do harm, but also considers whether it has a positive impact, e.g. green and inclusive investment. FMO categorises its investments in distinct levels of E&S risks. This approach is similar to the International Finance Corporation's (IFC's) use of E&S risk categorisation, which is also used by the other EDFIs. FMO requires all direct investments of medium and high E&S risk to adhere fully to its RBC standards. Low-risk investments are only required to adhere to applicable law.

ATRADIUS DSB uses screening criteria as formulated in its 'Environmental and Social Policy Document' to determine the probability of RBC risks. These criteria are more wide-ranging than the Common Approaches screening criteria. In general, the severity of the potential

¹³ FMO, General Investment Criteria, available online at: www.fmo.nl/policies-and-position-statements.

¹⁴ The EL statement is found in FMO's "Rapid Risk Screen". See also FMO, EL, available online at: www.fmo-im.nl/en/exclusion-list.

¹⁵ Information retrieved from RVO.

¹⁶ FMO, General Investment Criteria, available online at: www.fmo.nl/policies-and-position-statements.

impacts in combination with the likelihood of its occurrence determine the risk category.¹⁷ According to the Common Approaches, the following applications are always to be subjected to a DD procedure:

- All export credit and investment applications with a transaction value of €10 million (mln) or more;
- All export credit and investment applications involving a delivery to or near a “sensitive area”,¹⁸ regardless of the transaction value; and
- All export credit and investment applications involving a delivery with an increased risk of serious project related human rights violations, regardless of the transaction value.

Based on the Dutch government’s national ECA policy, ATRADIUS DSB subjects more transactions to a DD procedure, in addition to those already covered by the scope of the Common Approaches:

- All export credit and investment applications that involve a delivery to a ‘sensitive sector’, regardless of the transaction value.

According to these screening criteria, transactions with a value lower than €10 mln are only subjected to a DD procedure if they involve sensitive areas, sensitive sectors¹⁹ or an increased risk of human rights violations. This Dutch national policy applies to DTIF-2 and DGGF-3 managed by ATRADIUS DSB. However, the same policy applies a lower threshold for DD assessments in regard of DGGF-3, i.e. €1 mln instead of €10 mln.

RVO conducts RBC risks screening in their two RBC frameworks for PSI and DGGF-1. PSI risk categories are available since 2012 at the supply chain level. With respect to DGGF-1 same risk categories are used as FMO, i.e. A, B+, B and C.²⁰

3.2.4. Ways of doing DD

FMO has a large and experienced team of RBC specialists who work with its clients on the identification and management of RBC risks. Also, external independent RBC specialists are engaged, who often conduct site visits and engage with local stakeholders. In all high and

¹⁷ ADSBATRADIUS DSB uses five risk categories: A, B, C, M, E. Three of those (A, B and C) are based on international agreements, two are the outcome of national policy (M and E). See ADSBATRADIUS DSB, MVO Beleidsdocument Exportkredietverzekering, 2018, 13.

¹⁸ “Delivery” covers both delivery of capital goods and/or provision of works. “Sensitive areas” are defined in the document as areas with high nature value (e.g. national parks, rain forests, coral reefs and wet lands), areas with a high population pressure (e.g. involving projects with a high-risk of land expropriation and relocation), important areas for indigenous peoples or other vulnerable groups, border areas, conflict areas, post-conflict areas and areas with a high historical or architectural value (e.g. areas included in the UNESCO World Heritage list).

¹⁹ These include deliveries to or work in: The(i) the dredging industry; Large (ii) large-scale construction projects; The(iii) the chemical industry; Paper(iv) paper and pulp industries; Large (v) large-scale agricultural and horticultural projects; Large (vi) large-scale intensive cattle farms; The(vii) the textile industry; Mining(viii) mining; and Nuclear(ix) nuclear projects.

²⁰ Information retrieved from RVO.

medium risk projects, FMO's RBC specialists actively cooperate with the FMO investment officers and other Development Finance Institution (DFI)-investors. The level and exact focus of engagement depend on the type and severity of the identified (potential) impact and/or the extent to which the E&S impacts pose a risk to the client and FMO.²¹ In case of risks concerning the governance structure of the client itself,²² FMO involves governance specialists.

ATRADIUS DSB decides based on the ATRADIUS DSB screening criteria whether a DD needs to take place. In a DD, the business relations involved in the project and the risks of potential adverse impacts on the environment are mapped. Also, the likelihood of project-related human rights violations occurring are assessed.²³ For high-risk projects, the applicant exporter has to supply an Environmental and Social Impact Assessment (ESIA) or similar documentation. If ATRADIUS DSB identifies potential problems in the supply chain of a project, a more in-depth investigation including site visits can be required.

RVO used an 'Assessment Form' for PSI applicants to decide about the content of DD. All PSI funded companies had to conduct a chain responsibility risk analysis and formulate an action plan to prevent or mitigate potentially negative impacts. Among other, applicants had to ascertain that neither they, nor their local joint-venture partner nor its main supplier used child or forced labour. RVO Project Advisors (PAs), however, were not obliged to verify the information provided by the applicant,²⁴ but they did have to consult local embassies about

²¹ FMO applies heightened scrutiny to any investment causing complex resettlement or affecting indigenous peoples, critical habitat or critical cultural heritage.

²² With regard to Corporate Governance of a client, FMO considers a proposed project high-risk if three out of five risk areas, namely the commitment to good Corporate Governance, board structure and functioning, the control environment, transparency and disclosure, as well as protection of shareholder rights, are considered high-risk.

²³ Such risks concern, for example, potential relocation, disadvantages for indigenous peoples, and the use of child- or forced labour. The human rights involved are, for example: the right to adequate means of existence, in case of forced relocation; the right to a safe working environment, if there are doubts about the way the company treats its employees; the right to water, if a project threatens the availability of clean drinking water; the right to privacy, if the project involves products that have a negative effect on the spread of sensitive personal information; and the rights of indigenous peoples and children's rights, if children are employed for a project.

²⁴ Richtlijn Beheer voor PSI, September 2016, 29. RVO informed by email in May 2019 that the PSI Guidelines required the PAs to ask the applicants how they monitored this situation, but that the PAs were not obliged to verify this information themselves. That was done during the site visit, as agreed in the monitoring protocol drawn up by RVO and the DMFA. It is not possible for RVO PAs to visit all suppliers and check the social and environmental conditions at all supplies. Often suppliers are not based in the ODA country visited by RVO but they are based in various countries such as China, Brazil, etc., which perhaps means travelling all over the world to check all suppliers. This responsibility, according to OECD, lies with the company. RVO does an internet check on the main suppliers. However, RVO only visits farmer organisations supplying to the company and in some cases, it is possible to visit the main supplier if they are based close to the company. The PAs also had to consult local embassies about the positive developments and potential RBC problems related to a project. If a local partner was notified about child or forced labour at its main supplier, the local partner had to check whether the allegation was true. If so, the local partner had to notify RVO immediately. If the PA harboured suspicions regarding this issue, he had to ask the project partners for clarification. In case of doubt, a third party – e.g. an NGO or expert – could be hired for independent fact finding. RVO had the authority to stop the subsidy and demand repayment in case of child or forced labour.

any positive developments and/or potential RBC problems related to a project. The DGGF- 1 Policy Rules state that an RBC-assessment constitutes an integral part of the application process and that RBC requirements are made part of the loan agreement.²⁵ It includes ESIA, DD, supply chain analyses, site visits, monitoring site visits, annual reports, etc.²⁶ Applicants must also show to RVO that they and their joint-venture partners strive to prevent sexual harassment and other inappropriate behaviour.

3.2.5. Mitigating measures

If mitigating measures are needed, FMO prepares a so-called Environmental and Social Action Plan (ESAP) and/or a Corporate Governance Action Plan (CGAP) and/or a Consumer Protection Principles Action Plan (CPPAP), which are agreed upon with the client prior to the signing of the contract. The objectives of such an action plan is to ensure that within a reasonable time-period, and at a minimum within the period of the investment, the project supported by FMO complies with FMO's RBC policies and standards. In line with the IFCPS, clients are also required to have a grievance mechanism in place.

ATRADIUS DSB determines if the DD reveals any activities that might cause severe damage to human beings, animals or the environment, in which case ATRADIUS DSB requires that they are prevented or mitigated as far as possible. Checking the proposed mitigating and compensating measures is part of the DD. Another important part is checking whether the project owners have involved those stakeholders who might be affected by the project in a meaningful way. Consultation with the local population also must be embedded in the project development.

RVO required from PSI-applicants to hand in a chain responsibility risk analysis and to explain the preventive or mitigating measures it would take. With regard to the project's impact, applicants had to explain how the project would contribute to sustainable job creation, including good wages and working conditions (a living wage would be preferred), safe and healthy working conditions and environmental mitigation measures. In regard of DGGF-1 projects, RVO uses an RBC Action Plan (RBCAP).²⁷

3.3. CSR/RBC track record and CSR/RBC policy (Observation 3)

Applicants need to have a good track record on CSR and they need to have a CSR policy. All implementing organisations assess their applicants' reputation in different project cycle stages.

²⁵ Besluit van de Minister van Buitenlandse Handel en Ontwikkelingssamenwerking tot vaststelling van beleidsregels voor het verstrekken van subsidie in het kader van onderdeel 1 van het Dutch Good Growth Fund, 10 June 2014, nr. MINBUZA-2014.304011 (section 4.4).

²⁶ Information retrieved from RVO.

²⁷ In all DGGF projects loan agreements include an RBC covenant and RBCAP, even for C category (low risk) projects. Similar as with FMO, the action plan is always agreed upon with the client prior to signing of contract. Often certifications are included as a requirement, which means third-party auditors regularly check performance of the company. This information was retrieved from RVO by email.

FMO carefully selects its clients and discusses with potential clients' RBC issues in an early stage of the project. Through implementing RBCAPs and applying monitoring procedures, FMO seeks to successfully navigate projects in emerging markets with high RBC risks.

ATRADIUS DSB assesses the E&S reputation of the applicant (Dutch exporter), the foreign client and the project in the DD evaluation. This includes reviewing the applicant's standing in public opinion, its working practice regarding RBC, its policies and management systems regarding health, security and the environment.

With respect to RVO, the PSI Guidelines stipulated that the applicant and its local partner provide RVO with their own RBC policies.²⁸ Furthermore, the Dutch applicants had to have a good RBC reputation, which could be proved by the existence of a formal RBC policy or the promise to draft one. However, no evidence of having implemented the RBC policy was required. Concerning DGGF-1, RVO ascertains the RBC track records and RBC policies of applicants.²⁹ And RBC issues are discussed with clients.³⁰

3.4. RBC conditions introduced in financial support (Observation 4)

RBC conditions are to be introduced in loans, subsidies and other means of financial supports pursuant to any identified risks and mitigation measures. There are identified variations in the way the implementing organisations require their applicants to establish and use grievance and complaints mechanisms.

RBC risk management is fully integrated in FMO's approval process. Both the commercial and the credit teams have RBC specialists who are involved in the assessment.³¹ If mitigating measures are needed, an ESAP, CGAP and/or CPPAP become part of the investment or loan agreement. ATRADIUS DSB's contractual arrangements include if necessary, the RBC conditions, mitigation measures and reporting requirements. The PSI Guidelines (RVO) noted that RBC-related issues that arose during the project could have consequences for the subsidy. Furthermore, the RVO PAs carefully had to scrutinise the Milieueffectrapportage (MER) in

²⁸ According to the Subsidy Manual.

²⁹ In one project, the applicant's RBC reputation was checked by: (1) looking at the implementing organisation's previous experience with them; (2) doing a Google search; (3) looking at the WBBL; (4) finding info on them in the local embassy's brochure on the topic of RBC.

³⁰ RVO always includes advice by a pertinent embassy on the reputation of the company. Information provided by RVO.

³¹ FMO's "commercial" and "credit" teams are different teams operating in different FMO's departments with different but often collaborative tasks in investment projects of PS instruments concerning risk management, DD and ultimately finance. The commercial teams execute DD and develop the "Clearance in Principal" and "Financial Proposal" (FP) documents. The credit teams analyses the Finance Proposal (FP) based on FMO, investment criteria and policy and write an advice to the IC for decision. In terms of ESG they can call for a different risk profile and assess the ESG aspects of the contractual condition. This information was obtained from FMO by phone and by email. See also the Figures I.2 and I.3 above in section 2.1.7; FMO, Organizational Chart, available online at: www.fmo.nl/profile.

order to monitor a project's RBC progress.³² In regard of DGGF-1 projects, RVO includes the RBCAP in its financial agreement.³³

3.4.1. The role of the Dutch state

Only ATRADIUS DSB requires a decision by the Dutch state concerning awarding the insurance or not for any high-risk transactions.³⁴ ATRADIUS DSB presents the DD results in an advice to the state and outlines the strong and weak points of the applicant's reputation and the project evaluation. Sometimes, when the financial DD has been concluded, but the social and environmental DD is not ready yet, ATRADIUS DSB proposes to offer a conditional insurance, i.e. the condition is a positive outcome of the social and environmental DD. Regarding the PS instruments managed by FMO and RVO, the state has delegated the decision power to these organisations.

3.4.2. Rejections

In the evaluation period, only in one of the examined projects, the applicant withdrew its application because it did not wish to implement the RBC mitigation measures required by FMO. No other information was obtained from FMO regarding the ratio of rejected projects due to RBC risks. In the same period, ATRADIUS DSB, on average, rejected one DGGF-3 or DTIF-2 application per year. Such rejections were usually based on a combination of factors, financial, as well as RBC risks.³⁵ RVO rejected one PSI application on RBC grounds and it explained to one applicant that the application would have no chance of success, because it involved activities listed on FMO's EL.

3.4.3. Grievance and complaints mechanisms

In different ways, each of the three implementing organisations have set up complaints' mechanisms for people or organisations that have suffered adverse impact from the business activities conducted by PS beneficiaries and/or for the applicant in case of rejection of the application. FMO does not condone violations of human rights by its clients. To meet this responsibility, FMO itself has set up a grievance mechanism that can facilitate early indication and prompt remediation of various project-related grievances, comprising a complaints office and an Independent Expert Panel to review the handling of complaints by FMO. Additionally, special project related grievance mechanisms sometimes have to be set up as part of the mitigation measures by the beneficiary of the PS instrument. During its DD, ATRADIUS DSB assesses the quality and effectiveness of the grievance mechanism of the project owner. ATRADIUS DSB's grievance mechanism is accessible to local complainants and NGOs who are not able to address their complaint at project level. It is also available to ATRADIUS DSB's direct clients who have complaints concerning ATRADIUS DSB's services. RVO provides for a

³² 'Richtlijn Beheer' for PSI, section 1.8.

³³ ESIA includes RBC conditions in action plan, including some possible conditions precedent, which need to be fulfilled before loan is disbursed. Information retrieved from RVO by email.

³⁴ That is: risk category A and B transactions in EKV projects require Dutch state permission; concerning DGGF-3, Dutch state permission is required for all transactions because the risks will be fully borne by the DMFA.

³⁵ Information obtained from RVO and ATRADIUS DSB on 11 April 2019 by phone and by email.

digital-complaints-form and complaints procedure for stakeholders in regard of PSI and DGGF-1 projects, mainly aimed at applicants who wish to complain about a rejection of their application.³⁶ DGGF-1 includes that all companies should start a grievance and complaints mechanism themselves, both in the Netherlands as well as in the local (subsidiary) company.³⁷

3.5. Monitoring evaluation and the duty of notification (Observations 5 and 6)

All implementing organisations have developed a monitoring protocol that included RBC aspects (in various manners) and included in their contract documentation also the duty of notification on the side of the applicant in case of identified violations.

FMO maintains frequent and extensive contact with the clients. It works with client credit reports, annual monitoring reports, independent and external evaluation reports, and independent and external effectiveness studies. Action plans which have been agreed upon are closely monitored by FMO's project and RBC managers. When applicable, FMO requires annual RBC performance reports and site visits to assess a client's performance. In the implementation of a transaction, non-performance of action plans is followed up and can result in amending of the contract, not releasing next tranches of the loan, and the ending of the contract.

ATRADIUS DSB can exert most influence on a project before the insurance is awarded. It can impose mitigating measures that have to be taken during the evaluation process. This influence decreases somewhat after the insurance is awarded. The client has to report to ATRADIUS DSB on any severe RBC impacts and changes in the information supplied before. This requirement is part of the general conditions attached to the insurance policy. Signals about previous projects received via third parties, such as NGOs, courts, the media, and the OECD National Contact Point (NCP), can also be a ground for following up on a project and requesting clarification, additional information or to conduct a new reputation check of the applicant. Furthermore, when a client applies for a new insurance for follow-up transactions, ATRADIUS DSB can take into consideration whether potential risks have materialised in the previous transaction and how the client dealt with them. In regard of certain high-risk projects (category A), in accordance with the Common Approaches, ATRADIUS DSB monitors them in proportion to the risks in the project. The client has to report annually on its progress regarding the prevention or mitigation of the social and environmental effects of the project. This monitoring activity can include site visits conducted by RBC experts of ATRADIUS DSB or by an external consultant. When a party fails to deliver on its promises, the right to the insurance expires and the policy will be cancelled.

RVO had the authority to terminate any PSI subsidy and demand repayment in case of child or forced labour would be detected in relation to the subsidised project. Although RVO requires annual, progress, final and spin-off reports from its beneficiaries under PSI and RBC

³⁶ DGGF, Suggestions and complaints available online at: www.dggf.nl/contact/suggesties-en-klachten.

³⁷ Information retrieved from RVO and ATRADIUS DSB on 11 April 2019 by phone and by email.

Monitoring Reports (RBCMRs) from its beneficiaries under DGGF-1, its RBC frameworks do not elaborate in detail how RVO tests compliance and what action is taken in case of non-compliance with the RVO RBC standards. If a local partner received a complaint about child or forced labour at its main supplier, the local partner had to check whether the allegation was true. If so, the local partner had to notify RVO immediately. In case of doubt, a third party – e.g. an NGO or expert – could be hired for independent fact finding.

The RBC frameworks developed by the three implementing organisations for the management are applied with a practical approach of aiming for gradual improvement of RBC compliance conduct by the applicants and in the projects that are supported. It can be also concluded that the three implementing organisations and their clients work deal with serious practical challenges and dilemmas for the full implementation of the RBC framework. The frameworks are proportional in terms of engaging the client in a process of adjustment and supporting the client with TA and advice where required. The measures proposed to clients by the three implementing organisations often have not to be completed all at once. Furthermore, depending on the RBC risk category, the implementing organisations determine: (i) whether a DD must be conducted (FMO conducts always DD but the extent of DD might differ per PS instrument) and, if so, how; and (ii) what the level of scrutiny will be. More intense scrutiny is reserved for those projects that pose the largest social and environmental risks. Only one client in the projects examined in the sample indicated that it did not wish to comply with the RBC measures imposed on it in the process. In the other instances, the beneficiaries did not express that they experienced implementing the RBC framework criteria in their projects as a burden, but rather as a stimulus.

FMO faces limitations to engage extensively with all its clients.³⁸ Therefore, most of the FMO RBC resources are directed to those projects and clients which have the highest risks from an RBC impact and credit point of view. FMO further contractually agrees with and supports its clients to achieve measurable RBC improvements over time. If the implementation of the FMO RBC standards could have adverse effects on the client's market position due to a lack of a 'level playing field', FMO will look for other routes to effectuate the required level of sustainability. For example, by using its 'convening power' to promote sector-wide minimum RBC risk management standards that aim to create a level playing field, while elevating RBC standards across the sector, e.g. in the banking sector FMO promotes the implementation of RBC risk management standards to local banks in Nigeria.

ATRADIUS DSB considers in the DD evaluation, the severity, the nature and the scale of the potential negative social and environmental effects, and their potential impact on the local population, living environment, biodiversity and animal welfare. ATRADIUS DSB prioritises the assessment of the more severe effects, whereby it bases its selection on three factors: sector, location and applied technology. Another aspect is the transaction volume. However, the

³⁸ Implementing FMO's Sustainability Policy – Considerations for FMO, guidance for FMO employees, undated. Available online at: www.fmo.nl/policies-and-position-statements.

thresholds of €1 mln for DGGF-3 transactions and €10 mln for DTIF-2 transactions only apply if the transaction does not involve a sensitive sector, sensitive location or a high likelihood of project-related human rights violations occurring and they are therefore risk-based.

RVO distinguishes between four rounds of deliverable results, each with a different time frame. Such time frames allow the clients a certain 'grace period' to achieve compliance and develop their business. RVO used 'result-based contracts' for PSI subsidies.³⁹ DGGF-1 also includes gradual improvement through conditions in RBCAPs or through annual revision process.

3.6. Identified effects

Based on the evaluation of the RBC frameworks in the examined projects, the findings demonstrate that the PS instruments managed by FMO (IDF, AEF and MASSIF), RVO (PSI and DGGF-1) and ATRADIUS DSB (DGGF-3 and DTIF-2) often prompted a change in the behaviour of the beneficiaries and the integration of RBC principles in the business strategies of the beneficiaries. The changes revealed themselves in various ways, which are categorised as procedural and substantive ways. Firstly, the implementing organisations required that the applicants implemented several procedural changes at the organisational and policy level of the applicant/client:

- **Organisational procedural impacts at the level of the applicant/client:** A project illustrated that the application of an RBC framework led to a reorganisation of the client's management team responsible for monitoring its RBC performance. In another project, the client was required to add social expertise to its Investment Team;
- **Procedural impacts involving the introduction of HSE policies:** In one project, health, safety and environmental issues (HSE) procedures, covering both the construction, operation and maintenance phases had to be established by the client. Furthermore, the client adopted the practice of not developing any proposed new facility that could not be expected to comply with applicable HSE standards;
- **Procedural impacts involving changing or adopting RBC policies of the applicant/client:** In a project, the implementing organisation demanded that its client develop policies and procedures for HSE issues. In other projects, the implementing organisation demanded that its client adopt an emergency response and a DP;
- **Procedural impacts requiring the applicant/client to ensure that it obtains a certain type of sustainability certification for its organisation or activities:** In a project, an implementing organisation required its client to acquire Hazard Analysis and Critical Control Point (HACCP) and ISO certificates and also demanded that an independent validation company had to agree to award a certification to the client;
- **Procedural impact involving the development of a remedial plan:** In a project, an implementing organisation required the client to revise and formally adopt an emergency response plan; and

³⁹ Information provided by RVO in May 2019 by email.

- **Procedural impacts involving changes in reporting by the client about RBC impacts:** In that project, the client had to submit annual RBC progress reports to the implementing organisation.

Secondly, the implementing agencies required that the applicants implemented several substantive changes in the applicant's/client's working practice:

- **Substantive impacts in the client's monitoring practice:** In one project, the implementing organisation demanded a change in the client's monitoring practice. In another project, the DD had established that the client was unable to properly monitor and audit the HSE performance of all ongoing operations from its company headquarters. Therefore, the implementing organisation demanded that the client assign auditors at the regional level, alongside the regional management teams;
- **Substantive impacts in the client's working practice regarding working conditions:** In a project, changes to a client's working practice were demanded by an implementing organisation which demanded the use of certain machinery and also required its client to take preventive measures for work involving certain products. Another project showed that an implementing organisation demanded an improvement of the working conditions of employees;
- **Substantive impacts in the client's hiring practices:** In one project, the implementing organisation required that some new employees had to be female. In another project, the implementing organisation demanded that its client hire new employees and at least some of them female in the first year;
- **Substantive impacts in wages:** In one project, the implementing organisation demanded that its client's employees receive a salary above the legally imposed minimum wage. For the employees in another project wages had to be raised up to 60% above the legally imposed minimum;
- **Substantive impacts in benefits:** Another project showed that the employee benefits had to include clothing, foot wear, housing, dust free working areas, ear protection, pensions, health insurance and allowances for transport and lunch. These benefits had to be specified in the employment contract or HRM policy; and
- **Substantive environmental impacts:** In one project, the implementing organisation demanded that the client develop certain environmental procedures and type of environmental protection. In another project, the client also had to apply for and be granted by the municipality an environmental licence.

Additionally, some of the examined projects revealed several tangible positive impacts concerning the behaviour of supply chain companies:

- **Impacts involving improved conditions in the value chain:** In one project, a client had to include a requirement in its investment policy that any projects eligible for receiving funding from the client would also establish and maintain their own Environmental

and Social Management System (ESMS). In another project, the sector impacts were evaluated by an independent consultant who found that the environmental and social policies required by client from a fund's participants showed a positive impact on the client's investment. The fund's participants had made investments in order to make their operations more environmentally friendly. With regard to social policies, the fund's participants had policies relating to corporate governance and the fair treatment of employees and customers;

- **Impacts regarding child and forced labour in the value chain:** In three projects, the implementing organisation required its clients to ascertain that the client's first essential supplier did not use child or forced labour;
- **Impacts involving changes in the labour conditions at the level of sub-contractors in the value chain:** In one project, the implementing organisation insisted that the consistent provision of PPE to the employees of its client's sub-contractors receive continuous attention from its client, including unremitting awareness raising and training efforts, combined with its additional HSE capacity, to improve the practices of its sub-contractors; and
- **Impacts involving reduction of RBC risks:** In one project, the implementing organisation required that the foreign business partner of the client had to accept TA. In another project, the implementing organisation required that the foreign business partner of the client had to introduce a formal HRM policy, which included instructions concerning working hours, payment for overtime and holidays.

The evaluation above confirms that the RBC frameworks integrate international RBC standards as agreed upon in the OECD, UN, International Labour Organization (ILO), World Bank (WB) and IFC context, which contributes to setting the same standards for companies engaged in international business, and hence confirming a level playing field and the continuation of trade. It was discovered that FMO and ATRADIUS DSB collaborate with the peers in international networks that set and assist in the implementation of standards. Even though RBC standards were imposed, and mitigation measures were often required from the applicants, the continuation of trade was confirmed by the finding in the majority of projects, because the proposed business projects materialised.

4. Additional comparative evidence from PS instruments managed by RVO

In this section, additional evidence and an analysis is presented from the examination and comparison of additional PS instruments managed by RVO. Among the three examined implementing organisations RVO is the organisations which administers the most PS instruments selected for this study. Regarding all of these examined additional PS instruments, the RBC frameworks are assessed and compared against the six baseline comparative observations as explained in section 3. The individual examination of each additional PS instrument can be found in Annex IV which provides general information about each of these additional PS instruments.

In this section, research is not based on the evaluation of the RBC frameworks through examined projects and activities. Hence, no effects are identified with respect to changes in both the behaviour of the PS instruments’ beneficiaries and the integration of RBC principles in the business strategies of the beneficiaries or with respect to changes in the behaviour of their foreign partners.

4.1. Signing of OECD statement (Observation 1)

In the additional PS instruments examined in this report, applicants need to sign a statement in which they promise to act in line with the OECD Guidelines. This signing requirement was met for all the additional PS instruments.

Table 6 – A juxtaposition and a comparison of nine additional PS instruments concerning the signing of OECD declaration statement

	RVO - ORIO	RVO - DRIVE	RVO - FDW	RVO - FDOV	RVO - TF	RVO - DHK	RVO - DTIF-1	RVO - FBK
OECD Declaration statement	Yes	Yes	Yes	Yes	Yes, if a project involves investment activities	Yes	Yes	Yes

In the additional PS instruments – regarding RBC norms and standards which the three implementing organisations impose on their applicants in addition to the OECD Guidelines – it is found that these are almost identical.

Table 7 – A juxtaposition and a comparison of nine additional PS instruments concerning RBC norms and standards

	RVO - ORIO	RVO - DRIVE	RVO - FDW	RVO - FDOV	RVO - TF	RVO - DHK	RVO - DTIF-1	RVO - FBK
RBC Standards	<ul style="list-style-type: none"> • OECD Guidelines • ILO Declaration on Fundamental Principles and Rights at Work • International Finance Corporation Environmental and Social Performance Standards 	<ul style="list-style-type: none"> • OECD Guidelines • ILO Declaration on Fundamental Principles and Rights at Work • International Finance Corporation Environmental and Social Performance Standards 	<ul style="list-style-type: none"> • OECD Guidelines • ILO Declaration on Fundamental Principles and Rights at Work • UN Convention on Biological Diversity 	<ul style="list-style-type: none"> • OECD Guidelines • ILO Declaration on Fundamental Principles and Rights at Work • UN Convention on Biological Diversity 	<ul style="list-style-type: none"> • OECD Guidelines • ILO Declaration on Fundamental Principles and Rights at Work • UN Convention on Biological Diversity 	<ul style="list-style-type: none"> • OECD Guidelines • ILO Declaration on Fundamental Principles and Rights at Work 	<ul style="list-style-type: none"> • OECD Guidelines • International Finance Corporation Environmental and Social Performance Standards 	<ul style="list-style-type: none"> • OECD Guidelines

4.2. RBC risks analysis and introduction of mitigating measures (Observation 2)

In the additional PS instruments, the RBC frameworks require that an analysis is performed to identify RBC risks in the supply chain and that mitigating measures are suggested in case of DD.

Table 8 – A juxtaposition and a comparison of nine additional PS instruments concerning the implementation of due diligence and risk analysis

	RVO - ORIO	RVO - DRIVE	RVO - FDW	RVO - FDOV	RVO - TF	RVO - DHK	RVO - DTIF-1	RVO - FBK
Due diligence	Yes	Yes	Yes	Yes	Yes	Progress reports if the project is longer than one year	Applicant has to communicate about implementation of RBCAP	Yes
Risk analysis applicant	Yes	Yes	Yes	Yes	Yes	Not apparent in the examined information	Yes, including supply chain analysis	Yes
Risk analysis agency	Yes	Yes	Yes	Yes	Yes	Not apparent in the examined information	Yes	Yes

In the additional PS instruments, RBC frameworks are almost entirely consistent in the implementation of due diligence, identifications of risks and risk analysis.

4.3. CSR/RBC track record and CSR/RBC policy (Observation 3)

In the additional PS instruments, applicants need to have a good track record on CSR and they need to have a CSR policy. RVO assesses their applicants' reputation.

Table 9 – A juxtaposition and a comparison of nine additional PS instruments concerning the assessment of the applicants' reputation, track record on CSR and CSR policy

	RVO - ORIO	RVO - DRIVE	RVO - FDW	RVO - FDOV	RVO - TF	RVO - DHK	RVO - DTIF-1	RVO - FBK
Exclusion List	Yes, FMO Exclusion List	Yes, FMO Exclusion List	Yes: FMO Exclusion List	Yes: FMO Exclusion List	Yes: FMO Exclusion List	Not apparent in the examined information	Yes: FMO Exclusion List	Yes: FMO Exclusion List
RBC Policy required	Yes	Yes	Yes	Yes	Yes	Not apparent in the	Yes	Yes

						examined information		
RBC Reputation check	Yes	Yes	Yes	Yes	Yes, as part of refusal grounds	Not apparent in the examined information	Yes	Yes

4.4. RBC conditions introduced in financial support (Observation 4)

In the additional PS instruments, RBC conditions are to be introduced in loans, subsidies and other means of financial supports pursuant to any identified risks and mitigation measures.

Table 10 – A juxtaposition and a comparison of nine additional PS instruments concerning RBC conditions and mitigation measures in contractual terms

	RVO - ORIO	RVO - DRIVE	RVO - FDW	RVO - FDOV	RVO - TF	RVO - DHK	RVO - DTIF-1	RVO - FBK
Complaints mechanism	Yes	Yes, it is part of IFCPS criteria.	Not apparent in the examined information	Not apparent in the examined information	Not apparent in the examined information	Not apparent in the examined information	Yes	Not apparent in the examined information
Mitigation measures included in contractual terms	Yes	Yes	Yes	Yes	Yes	Not apparent in the examined information	Yes	Yes

Although the examined information for the additional PS instruments is only limited, i.e. publicly available documents it appears that there are to some extent identified variations in the way that RVO requires from their applicants to establish and use grievance and complaints mechanisms.

4.5. Monitoring evaluation and the duty of notification (Observations 5 and 6)

In the additional PS instruments, RVO has developed a monitoring protocol that included RBC aspects and also the duty of notification in case of identified violations.

Table 11 – A juxtaposition and a comparison of nine additional PS instruments concerning monitoring protocol and duty of notification

	RVO - ORIO	RVO - DRIVE	RVO - FDW	RVO - FDOV	RVO - TF	RVO - DHK	RVO - DTIF-1	RVO - FBK

Monitoring and evaluation	Yes	Yes.	Yes	Yes	Yes	Yes	Yes	Yes
Notifications	Yes	Yes	Yes	Yes	Not apparent in the examined information	Not apparent in the examined information	Yes	Yes

5. Conclusions and recommendations

5.1. Consideration of the limitations

This report considers and evaluates FMO, RVO and ATRADIUS DSB on the application of their RBC frameworks in relation to various PS instruments. The outcome of the evaluation is based on desk research of publicly available information and relevant documents provided by FMO, RVO and ATRADIUS DSB. The conclusions presented in this section are only limited to establishing whether RBC frameworks are in place and what is the result of their juxtaposition and comparison. In this report, the presented outcome does not incorporate empirical results pertinent to the beneficiaries of the PS instruments, their foreign business partners and/or other stakeholders – in regard of the actual changes in their behaviour or changes in existing adverse impacts and access to remedy. In this report, the results on outcome and impact level are only limited to conclusions based on desk research and the examination of the confidential documents provided by FMO, RVO and ATRADIUS DSB. The conclusions presented in this report cannot be generalised for all PS instruments and should only be considered in relation to the examined sample of PS instruments discussed and elaborated in this report. In addition, this report did not examine if required alterations of the projects or if and to what extent the change in their behaviour of beneficiaries of the PS instruments or in the behaviour of their foreign business partners or impacts on other supply chain stakeholders – as communicated in the provided documents – were indeed realised.

5.1. Conclusions and recommendations

In this report it is concluded that the strategy to develop RBC frameworks has been effective. RBC frameworks are in place and sufficiently meet the expectations of the government. Similar but not identical requirements are included in the RBC frameworks of the examined three implementing organisations. It is recommended that FMO, RVO and ATRADIUS DSB could present this information in a more transparent and systematic way.

It is relatively difficult to assess the coherence of the frameworks in view of differences (e.g. in vocabulary and process steps) between PS instruments and implementing organisations. As they all contain the required components to some degree and refer to the same international standards (e.g. OECD Guidelines), coherence appears to be in place. It is recommended that the three implementing organisations could be encouraged to cooperate and learn from the best practices developed by each of them. In addition, as all ODA-funded PS instruments have the objective to support sustainable development, it is recommended to apply a positive value-creation approach in all ODA-funded PS instruments (do good) in addition to the baseline approach of complying with the OECD Guidelines (do no harm).

In this report, the examined RBC frameworks of ODA-funded PS instruments have been effective on outcome level as they demonstrated ability to influence corporate policies and designs of projects, e.g. by promoting DD, reducing risks and enhancing access to remedy. The RBC frameworks are additional to the traditional risk-based frameworks in a way that they provide relevant project information to the funder(s) of the PS instruments. Additionally, they also cater for stakeholders' participation. The RBC frameworks of most of the non-ODA-funded PS instruments are sometimes less extensive (by design) but the basic information is

available. The RBC framework for trade missions has different set-up as the character of instrument differs from the other instruments in that it consists more of a service rather than that it provides financial support. It is recommended that the accessibility of the RBC frameworks could be improved in regard of the PS instruments. For transparency purposes and improving procedures, it is recommended that all three implementing organisations conduct internal evaluation assessments to learn from their own best practices like FMO does and make the results publicly available.

The evaluation in this report indicates that all three implementing organisations perform a DD assessment of applicant companies and organise follow-up actions, although in quite different ways. They have a strong focus on high-risk sectors and themes such as child labour. All three organisations prioritise and allocate most of their RBC resources to those projects and beneficiaries that (could) pose the highest risks from an RBC impact (and credit) point of view. All three organisations have engaged RBC specialists – both in-house and external expertise – who work closely with the commercial project officers or underwriters, and foreign business partners. It is recommended that the performance of DD is ensured in a proper and reliable manner in all instruments, but tailor-made to the character of the PS instrument, the risk situation and the size of the project and the applicant. In case of a DD procedure in the form of self-assessment by the applicant, it is recommended that the applicant involve a third-party RBC expert to validate the self-assessment report.

In this report it is concluded that beneficiaries-clients often get time to implement mitigating measures during the execution of the projects. RBC frameworks hardly result in rejections of project proposals, if so, most often in combination with other factors. With respect to grievance mechanisms, FMO requires the implementation of grievance mechanisms capable of deciding on remedies by their clients in the execution of their projects. FMO has also set up a grievance mechanism for stakeholders at FMO itself. ATRADIUS DSB's grievance mechanism is accessible to local complainants and NGOs who are not able to address their complaint at project level. It is also available to ATRADIUS DSB's direct clients who have complaints on ATRADIUS DSB's services. RVO's grievance mechanisms are part of the conditions imposed on the companies which receive subsidies or funding from RVO.⁴⁰ It is recommended that all ODA-funded PS instruments adopt the requirement to establish grievance mechanisms in order to give stakeholders and victims the possibility to file complaints and a better chance to influence project development. Those grievance mechanisms could be established at organisational level of the implementing organisation or at the project level in case of larger projects.

The evaluation of the projects revealed that the application of the RBC frameworks in the PS instruments produced several procedural and substantial impacts. The changes in awareness, strategies, policies and behaviour of beneficiaries illustrate the impact on the beneficiaries and in several instances, they also impacted the foreign business partners of the beneficiaries. FMO focuses on companies but also on investment funds and banks in developing countries. This is done by imposing FMO's RBC conditions on investment funds and banks in low-income

⁴⁰ Information retrieved from RVO.

countries and emerging markets and by requiring their clients to impose the same on their clients. Thus, chain effects can be generated. Those multiplier chain effects were not detected in the instruments managed by RVO and ATRADIUS DSB. Mainly due to the design of the instruments. It is recommended that the three implementing organisations cooperate and learn from the best practices developed by each of them, such as FMO's elaborated monitoring process concerning proposed changes and mitigation actions in order to generate tangible outcomes. It is also recommended that the beneficiaries of PS instruments disclose information to the implementing organisations as part of the ex-post evaluation concerning which spill-over effects (impact on the ground) are actually realised because of integrating RBC into the execution of the project. In addition, this study focuses on the identified effects of RBC frameworks in ODA-funded PS instruments. However, it is recommended that additional research is conducted on the effectiveness of RBC frameworks for non-ODA instruments.

Annex 0 – List of interviewees and the team responsible for the overall evaluation

FMO	
Thelma Brenes Munoz	Evaluation Officer I Strategy & Corporate Affairs FMO
Beatrijs van Manen	Sustainability Officer at FMO

RVO	
Michel Ridder	Senior Advisor Corporate Social Responsibility
Liesbeth Hof's	Programma Coördinator Monitoring & Effectmeting
Marjolein Vink	Project officer Private Sector Investment programme

Atradius DSB	
Anne Jellema	Senior Environmental and Social Advisor
Arjen Walbroek	Senior Environmental and Social Advisor

The team responsible for the overall evaluation of the study	
Otto van Genee	Clusterleider beleidsonderzoek
Alexander Otgaar	Senior Policy Advisor
Martine de Groot	Beleids onderzoeker

Annex I. FMO

I.1. FMO – Investment process and criteria

To achieve the 2025 FMO Corporate Goals, every project which is proposed to FMO for obtaining finance, is assessed regarding its impact, sustainability and long-term viability in the context of these goals. To contribute to creating positive impacts, the FMO investment process is guided by a comprehensive set of policies and position statements, which together form FMO's RBC framework. FMO works with general investment criteria to ensure that its investment operations comply with its objectives and consistent with the current government policy concerning development cooperation. FMO's objective is: "to contribute to the advancement of productive enterprises in developing countries, to the benefit of economic and social advancement of those countries, in accordance with the aims pursued by their governments and the policy of the Netherlands government on development cooperation."⁴¹ The general investment criteria require FMO to test each request for a loan or investment against the following dimensions of development impact:

- Financial additionality: providing financial services only where the market can or does not do the same, or otherwise does not provide on an adequate scale or on reasonable terms;
- Environmental, Social and Governance (ESG) additionality: providing additional, non-financial value (such as green and inclusive development impact, environmental and social (E&S) management and governance improvements);
- Catalytic role: maximising the flow of finance to FMO's clients by mobilising third-party funds; and
- FMO's finance activities are limited to developing countries.⁴²

FMO further applies the following principles:

- No finance is to be provided to a country which is in a state of war or armed conflict with another country;
- No finance is to be provided to a country which is engaged in a serious internal conflict or civil war, unless the country in question has been approved by FMO's Asset Liability Committee; and
- FMO will attempt to ensure that low-income⁴³ and lower middle-income⁴⁴ economies account for approximately 70% of investments, approximately half (35%) of which being accounted for by low-income economies.

FMO's long term goal is to contribute to a world in which, in 2050, more than nine billion people live well and within the means of the planet. The short-term strategy goals for 2025

⁴¹ FMO, General Investment Criteria, available online at: www.fmo.nl/policies-and-position-statements.

⁴² Developing countries are defined by FMO's general investment criteria as countries which: (i) were classified by the World Bank in its recent World Development Report as low-income economies, lower-middle income economies or upper middle-income economies; (ii) were classified as such when the FMO financing was approved, and countries or regions; (iii) expressly designated as such by the Dutch government.

⁴³ As defined by the World Bank in its World Development report.

⁴⁴ Ibid.

are displayed in Figure I.1. FMO’s Corporate Goals are shaped by the United Nations (UN) Sustainable Development Goals (SDGs).

Figure I.1 – FMO Goals – At corporate level



I.2. FMO’s – Sustainability Policy (SP)

In 2016, FMO launched the FMO Sustainability Policy Universe (SPU). This Universe brings together multiple sets of documents and tools that together form the framework that guides FMO’s efforts in relation to ESG issues.⁴⁵ The SPU is supposed to create a comprehensive and holistic approach to contributing to sustainable development, in accordance with the SDGs and in compliance with the many international norms and standards that are aimed to shape

⁴⁵ The FMO Sustainability Policy Universe, undated document. Available online at: www.fmo.nl/policies-and-position-statements.

corporate responsible behaviour. The SPU encompasses the policies presented in Table I.4 and which will be elaborated upon below.

Table I.1 – FMO’s Sustainability Policy Universe (SPU)

1) The FMO Sustainability Policy
2) FMO Position Statements
3) Investment Criteria
4) Exclusion List
5) Goal and Target Setting, including Key-Performance Indicators
6) Tracking of Environmental, Social and Governance risk mitigation in the FMO portfolio
7) Ex-ante and Portfolio Disclosure
8) Accountability and Learning
9) Stakeholder engagement
10) Integrated Reporting
11) Complaints Mechanism
12) Sustainability Management System
13) Dedicated teams

FMO’s Sustainability Policy (SP) is the leading part of the Sustainability Policy Universe (SPU).⁴⁶ It states that it is FMO’s mission to empower entrepreneurs in emerging markets to build a better world through a firm commitment to sustainable development. The SP sets out what FMO’s commitment to sustainable development means in practice. Section 5 in FMO’s SP, prescribes the “environmental, social and corporate governance due diligence, monitoring and engagement procedures.”⁴⁷ By following the SP, FMO intends to protect people and the environment possibly impacted by FMO’s loans and investments and to help clients to manage their environmental and social impact and to improve their corporate governance (CG).

FMO refers to ‘clients’ when it provides loans to companies and to ‘investee companies’, ‘portfolio companies’ and ‘relationships’ when investing equity. For the sake of readability, the term ‘clients’ is used to refer to all different type of partners in this report. The SP should be read in conjunction with the rest of the documents that form part of the SPU. Of particular importance for FMO’s working practices is a guidance document outlining the implementation of FMO’s SP named ‘Implementing FMO’s Sustainability Policy – Considerations for FMO’.⁴⁸ The SPU also includes the so-called FMO Position Statements, e.g. on issues, such as human rights, gender, land control and animal welfare. These documents are all available online and assist the FMO officers with the implementation of the SP in relation to specific ESG issues.⁴⁹ The SP is considered a ‘living document’, which can be updated based on lessons learned and input from FMO’s stakeholders. FMO’s stakeholders include: the Dutch government, FMO’s clients and partner-institutions, and also affected communities and civil society organisations.

⁴⁶ FMO, Sustainability Policy, dated 23 December 2016, available online at: www.fmo.nl/policies-and-position-statements.

⁴⁷ Ibid.

⁴⁸ Implementing FMO’s Sustainability Policy – Considerations for FMO, undated. Available online at: www.fmo.nl/policies-and-position-statements.

⁴⁹ FMO, Policies and position statements, available online at: www.fmo.nl/policies-and-position-statements.

I.3. FMO – The scope of FMO’s SP

The scope of the SP extends to FMO’s entire footprint. This includes FMO’s activities at the organisational level, energy use, resource use, travel and new investments, and with respect to all products provided by FMO. The SP also reaffirms FMO’s long-term 2050 goal of nine billion people living within the means of the planet and its commitment to contribute to the SDGs. In the short term, it adds a goal for 2020: “[to] become the leading impact investor by doubling our impact and halving our footprint by doubling jobs supported and avoided Greenhouse Gas (GHG) emissions by 2020.”⁵⁰ Regarding the impact FMO is aiming at, the SP stipulates that FMO supports private sector development in emerging markets, aiming for job creation and overall sustainable development. Furthermore, FMO actively seeks to achieve inclusive development. FMO aims to reach the economically excluded, through supporting valuable and quality jobs, inclusive finance, and finance of innovative products and services. FMO also actively strives to achieve gender equality.

Regarding its footprint, FMO aims to contribute to financing the transition in the economy, in line with the Paris United Nations Framework Convention on Climate Change (UNFCCC COP 21) goal, i.e. to keep global temperature rise this Century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius. FMO also aims to contribute to genuine improvements towards a sustainable use of natural resources, such as water. Furthermore, FMO recognises the value of ecosystems, which form the natural capital of the world economy. FMO aims to prevent their degradation. Finally, the SP aims to conserve biodiversity in the broadest sense.

I.4. FMO – Works according to the FMO SP

FMO selects clients that are willing to work with FMO on improving their environmental, social and human rights impact, as well as improving their governance. With its clients, FMO contractually agrees that they implement performance improvements related to the most important ESG risks. In accordance with the United Nations Guiding Principles on Business and Human Rights (UNGPR), FMO respects internationally recognised human rights standards and takes measures to avoid supporting activities that may cause or contribute to human rights violations and acknowledges the responsibility of its clients to do the same. This means to avoid infringing the rights of others and to address actively the adverse impact these clients’ businesses may cause or contribute to. FMO does not condone violations of human rights by its clients. To meet this responsibility, they have set up a grievance mechanism at FMO itself that can facilitate early indication, and prompt remediation, of various project-related grievances. In addition, FMO requires their clients to set up project-based grievance mechanisms.

I.5. FMO – RBC standards

FMO requests its staff, clients and counterparties to adhere to the letter and spirit of the applicable international environmental, social and human rights laws as well as national laws and regulations they are subject to, and to maintain the highest ethical standards. FMO also requires its clients to comply with all tax regulations in their home and host countries and to show responsible tax behaviour. In addition to requiring its staff, clients and counterparties to

⁵⁰ FMO, Impact Model & Methodology, available online at: www.fmo.nl/impact/how-we-measure-impact.

comply with laws, FMO upholds the internationally established RBC standards presented in Table I.2, including in its own operations.

Table I.2 – FMO’s RBC standards

- International Finance Corporation Environmental and Social Performance Standards
- World Bank Group Environmental Health and Safety Guidelines
- Equator Principles
- OECD Guidelines on Multinational Enterprises
- United Nations Guiding Principles on Business and Human Rights
- ILO Declaration on Fundamental Principles and Rights at Work
- UN Principles for Responsible Investment
- European Development Finance Institutions – Principles for Responsible Financing
- G20/OECD Principles of Corporate Governance
- Dutch Corporate Governance Code
- Smart Campaign Client Protection Principles

I.6. FMO – ESG risk management in five steps

To uphold these RBC standards, FMO has embedded ESG risk management as an integral part in its organisational structure and finance and investment processes. Project approvals and contracts include both financial and ESG considerations. Figures I.2 and I.3 indicate how the approval process takes place within FMO to demonstrate the collaboration between the financial and ESG specialists in the assessment of proposals and taking decisions on imposing conditions in relation to loans and investments.

Figure I.2 – Steps relating to the financial proposal (Source FMO)

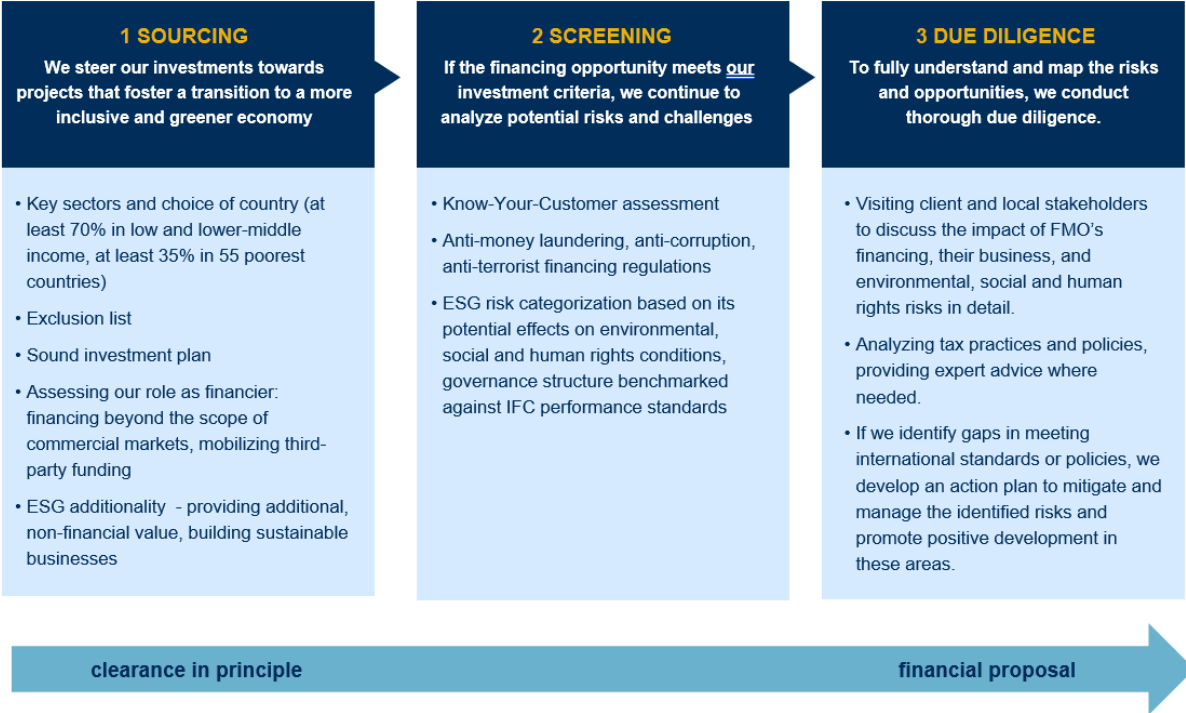
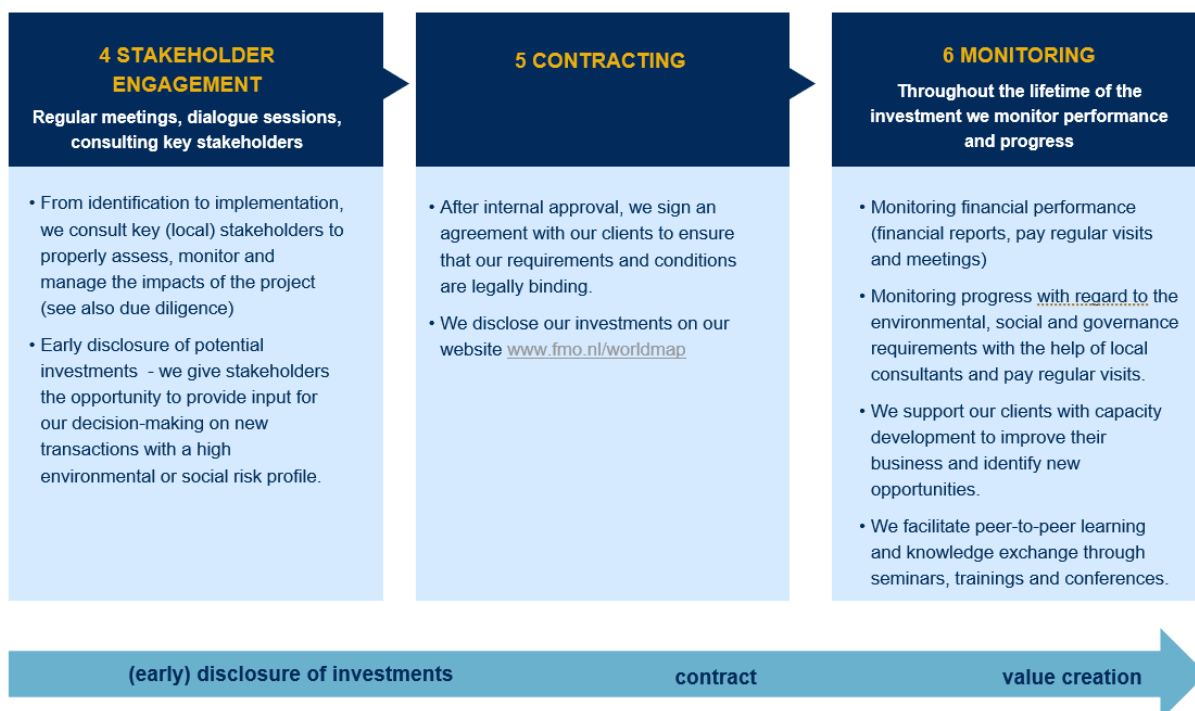


Figure I.3 – Steps relating to value creation (Source FMO)



FMO has built up a large and experienced team of ESG specialists who work with its clients on the identification and management of ESG risks. In terms of embedding the ESG aspects in the process of getting to a financial proposal and value creation of the project (Figures I.2 and I.3), the FMO ESG team follows the five steps presented in Table I.3 to manage sustainability, in which DD and stakeholder engagement are combined in step 3. They are elaborated below and subsequently applied in the examined projects to test whether FMO applies its RBC framework onto projects.

Table I.3 – FMO’s five steps

<p>Step 1 – Does the proposed project violate the FMO Exclusion List?</p> <p>Step 2 – ESG Risk Categorisation - <u>Rapid Risk Screen (RRS)</u></p> <p>Step 3 – Due Diligence and Stakeholder Engagement</p> <p>Step 4 – Contract</p> <p>Step 5 – Monitoring and Evaluation</p>
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The first step concerns an initial assessment of a potential client or investment (‘the project’). FMO verifies that the project does not breach its Exclusion List (EL), which defines the type of activities in which FMO does not invest.

As a second step, FMO screens the project concerning its potential ESG risks, i.e. the Rapid Risk Screen (RRS). FMO categorises its investments in different levels of E&S risk. This approach is similar to the International Finance Corporation’s (IFC) use of E&S risk categorisation, which is also used by the other European Development Finance Institutions (EDFIs). Regarding investing in financial institutions, the risk categorisation is made based on such bank’s existing or proposed portfolio, the IFC Environmental and Social Performance

Standards' (IFCPS) triggered transactions, and prevailing country-specific sensitive issues.⁵¹ For direct investments, comprising equity investments in companies, the risk categorisation is based on the client's activity, IFCPS's triggered transactions as well as prevailing country-specific ESG challenges. FMO's risk categorisation is also based on the IFC's E&S Categorisation Framework, which is included in Annex I to the SP. FMO requires all direct investments of medium and high E&S risk (i.e. categories B, B+ and A) to fully adhere to the (inter)national ESG standards. Low-risk (i.e. category C) investments are only required to adhere to applicable law. For direct investments, the risk categories are as follows:

- Category A means business activities with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented;
- Category B+ means business activities with potential adverse environmental or social risks and/or impacts that are generally beyond the site boundaries, largely irreversible, but can be addressed to a certain extent through mitigation measures;
- Category B means business activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and can be readily addressed through mitigation measures; and
- Category C means business activities with minimal or no adverse environmental or social risks and/or impacts.

The third step entails the DD process, in which FMO executes a *thorough* ESG assessment of the projects (as opposed to the RRS). This enables FMO to identify the main ESG risks and strengths of a project and to assess the quality of any proposed risk management and mitigation measures. The DD findings constitute an important input for FMO's monitoring and engagement throughout the investment process and could lead to a modification of the transaction or a refusal of the request for a loan or investment. FMO's ESG specialists engage actively with all category A, B+ and, if needed, category B projects. The level and exact focus of engagement depend on the type and severity of the identified (potential) impacts and/or the extent to which the E&S impacts pose a risk to the client and FMO. ESG risk management is fully integrated in the approval process: this judgement call lies with FMO's commercial teams, while FMO's credit team independently subjects every proposal to critical scrutiny for verification. Both the commercial and the credit teams have ESG specialists who are involved in the assessment. Stakeholder consultation can be part of the process. FMO applies heightened scrutiny to any investment causing complex resettlement or affecting indigenous peoples, critical habitat or critical cultural heritage. Regarding CG, FMO classifies all its clients as either high risk, moderate risk or low risk. FMO considers a proposed project a high-risk project if three out of five risk areas, namely the commitment to good CG, board structure and functioning, the control environment, transparency and disclosure, as well as protecting shareholder rights, are considered high-risk areas. In such case, FMO's governance specialists are involved in the DD process and action plans will be part of FMO's investment contract.

The fourth step includes agreeing on the ESG terms in the contracts between FMO and the client in regard of the project, i.e. that the contractual arrangements include the ESG

⁵¹ FMO's SP gives the following examples of such sensitive issues: indigenous people, land rights, water and deforestation.

conditions and reporting requirements for the clients whenever deemed necessary as an outcome of the DD process. In many projects, these ESG conditions include the implementation by the client in the project of a so-called 'Environmental and Social Action Plan (ESAP)' and/or 'Corporate Governance Action Plan (CGAP)' and/or 'Consumer Protection Principles Action Plan (CPPAP)', which are agreed upon between FMO and the client prior to contracting. The objective of such an action plan is to ensure that within a reasonable time-period, and at a minimum within the period of the investment, the project supported by FMO complies with FMO's ESG policies and standards. In line with the IFCPS, clients are also required to have a grievance mechanism in place.

Subsequently, as a fifth step, FMO maintains frequent and extensive contact with the clients and, when applicable, requires annual ESG performance reports to assess the client's performance and progress on any action plans agreed upon. Depending on the project's risk and impact profile, FMO determines the required intensity of the engagement and monitoring and may also conduct monitoring visits and/or commission independent external monitoring. FMO sees monitoring as an important opportunity to support its client in achieving the agreed-upon sustainability goals. FMO also commissions evaluations to external consultants to assess the development impact of the project.

Additionally, FMO proactively seeks investment opportunities that contribute to a greener and more resource efficient economy. An important observation here is that FMO not only looks at RBC from a risk point of view, but also looks at opportunities. To stimulate its so-called 'Green Investments', FMO has set internal annually increasing targets. To determine if a transaction contributes to FMO's green targets and goals, an independent internal panel⁵² screens potential project and/or all existing projects. The panel determines whether the environmental benefits realised through the transaction are genuine and sufficient to qualify for its green targets and goals. For every transaction which meets this goal, also the normal risk assessment procedures are followed.

1.7. In practice: proportionality and accountability

The reality in which FMO works poses serious practical challenges or dilemmas for the implementation of the RBC-framework in some of the proposed projects and to be accepted clients. Referring to the Guidance document, i.e. 'Implementing FMO's Sustainability Policy – Considerations for FMO', firstly, FMO acknowledges that it faces limitations to engage extensively with all its clients. Therefore, it is decided that the priority and allocation of most of the FMO ESG resources are directed to those projects and clients that (could) pose the highest risks from an ESG impact and credit point of view. Also, FMO's early engagement with potential clients on these issues, as well as its careful client selection and monitoring procedures, seek to successfully navigate projects in emerging markets with high ESG risks. FMO further contractually agrees with and supports its clients to achieve measurable improvements towards standards laid down in the FMO SP over time.

Furthermore, if in a direct relationship with a client, the implementation of the FMO RBC standards could have adverse effects on the client's market position due to a lack of a 'level

⁵² Unspecified in the FMO's SP.

playing field’, FMO will look for other routes to effectuate its sustainability ambitions. For example, by using their ‘convening power’ to promote sector-wide minimum ESG risk management standards that aim to create a level playing field, while elevating ESG standards across the sector.

Finally, confronted with these challenges in meeting FMO’s sustainability goals, FMO has implemented internal accountability mechanisms to ensure that their specialists work well with the FMO SP. There is an ‘Evaluation Unit’ established and operates independently from the production-orientated departments. It periodically evaluates projects and sectors for purposes of accountability and internal lessons learned. The ESG performance of projects is included in the scope of the Evaluation Unit’s evaluation programme. These evaluations are published so as to ensure external transparency as well.⁵³

I.8. FMO – Projects

I.8.1. Project 1

I.8.1.1. Background

The first project which was evaluated against FMO’s RBC framework falls under the Infrastructure and Development Fund (IDF).⁵⁴ FMO signed a loan agreement to finance the project.

IDF was established in 2002 by the Dutch government and FMO to support private investments in infrastructure.⁵⁵ The rationale is that basic services, such as roads, ports, railways, sanitation, energy and communications systems often lead to direct and immediate improvements in people’s quality of life.⁵⁶ Infrastructure is also a means to fulfil the wider FMO objectives, such as economic growth, employment, empowerment and poverty reduction.

IDF is aimed at creating reliable infrastructure in many sectors, including energy, transport, ports, agribusiness, water, environment and social infrastructure.⁵⁷ It follows an inclusive approach, meaning to finance companies that serve people living at the Base of the Pyramid (BoP). A second focus theme of the fund is climate mitigation. The fund has an official climate marker, indicating that it contributes to the climate goals set by the Dutch government.

In general, IDF financing is available for: (i) long-term financing of large infrastructure projects; (ii) loans of up to €10 million (mIn) – in euros (€), US\$ or local currencies; (iii) minority shares in equity investments; (iv) investments in dedicated infrastructure investment funds; and (v) early stage equity for new project development.

I.8.1.2. Step 1 (Exclusion List (EL))

⁵³ The evaluation reports can be found at: www.fmo.nl/about-us/reports.

⁵⁴ FMO, IDF available online at: www.fmo.nl/infrastructure-development-fund.

⁵⁵ Ibid.

⁵⁶ Ibid.

⁵⁷ Ibid.

The first step in applying FMO's SP in the investment process is, as outlined supra, to establish whether the proposed project could be in breach of the EL. At that point, in the proposed plan the project did not involve activities prohibited by the EL.⁵⁸

1.8.1.3. Step 2 (Rapid Risk Screen (RRS))

The second step, and the main purpose of the RRS, is to screen the proposed project regarding ESG risk and to award it a risk-category. Based on the RRS questionnaire, the preliminary categorisation was A/B+.⁵⁹

1.8.1.4. Step 3 (Due Diligence (DD) – Environmental and Social Review Summary (ESRS))

FMO's appraisal for the proposed investment considered E&S management policies and procedures and gaps using the IFPCS, the WB EHS Guidelines, and relevant human rights guidance.⁶⁰ Corrective measures intended to close any identified gaps.

The scope of review for the ESRS was: (i) to check implementation of the ESAP; and (ii) to monitor overall E&S performance since the period of DD. Performance was assessed using these IFPCSs as benchmarks. In addition, the ICT Sector Guide on Implementing the UN

⁵⁸ Ibid., 1.

⁵⁹ Section 2 of the form contains the category C criteria: (1) Does the transaction involve activities with minimal or no environmental/social impacts? (2) Does it involve companies with negligible environmental or social risk, such as professional service companies? Section 3B of the form seeks to apply the following so-called "performance standards" (the term used on the form) to the project: (i) Labour and Working Conditions: is there evidence of employee labour issues (e.g. evidence of child or forced labour; violations of ILO practices; violation of national employment laws relating to working conditions; retrenchment of significant numbers of employees?); (ii) Pollution Prevention and Abatement: is there increased risk of pollution without mitigation (e.g. emissions significantly affecting ambient conditions; use of hazardous materials in non-compliance with national legislation; significant hazardous waste generation; use of pesticides without management plans?); (iii) Community, Health, Safety and Security: are local communities facing an increased risk (e.g. significant risk from communicable disease)? Does the project involve use or transport of hazardous materials with potentially significant risk? Are there risks associated with the structural elements (e.g. dams, roadways) of the project? Is there a risk of using security personnel without adhering to industry human rights standards?; (iv) Land Acquisition and Involuntary Resettlement: is there a risk of large-scale physical resettlement of people, or economic displacement caused by loss of assets or access to livelihood (e.g. land, crops, water, houses?); (v) Biodiversity and Natural Resources: does the project involve significant conversion of natural habitat? Or does it have an impact on critical natural habitats/protected areas or threatened species? Does it introduce alien species with potentially significant impacts on native species?; (vi) Indigenous People: is there a potential for adverse impact on indigenous or natural resource dependent people?; and (vii) Cultural Heritage: is there a potential adverse impact on critical cultural heritage which is unavoidable? Is there a risk of significant damage to cultural heritage and/or cultural knowledge (e.g. UNESCO sites, objects of religious, archaeological, natural significance)? The last section, 3C Section of the form, is used for client assessment. The potential client is assessed according to the following criteria: (i) "Commitment: limited management accountability for E&S performance; lack of formal policies on E&S issues; deficient E&S management system; no management of third-party risks?; (ii) Capacity: limited E&S staff resources and human resources capacity; limited communication with local communities; deficient E&S training provided to staff?; (iii) Track Record: deficiencies in E&S performance exposed through media or NGO campaigns; regular breaches of law; high accident/injury rates; limited or no reporting on E&S performance?; (iv) Permitting Failure: delayed or absent environmental or social permits (EIA, resettlement action plan etc.), or track record of systematic environmental fines, penalties?; (v) Social License to Operate: evidence of loss of community support (e.g. complaints, protests) or lack of an active consultation program with local people (e.g. no grievance mechanisms, community forum, social outreach program?".

⁶⁰ Presumably the WB EHS Guidelines. The human rights guidance that was used was the ICT Sector Guide. Available online at: www.ihrb.org/pdf/eu-sector-guidance/EC-Guides/ICT/EC-Guide_ICT.pdf.

Guiding Principles on Business and Human Rights (ICT Sector Guide) was used for human rights guidance. FMO arrived at the following findings:

- Assessment and management of E&Ss and impacts: FMO deemed it essential that at the regional level Quality, Health, Safety and Environmental (QHSE) auditors would be assigned, alongside the regional construction management teams;
- Labour and working conditions: FMO found that human resources policies and procedures were designed to ensure compliance with all applicable local labour laws and regulations. They aimed to promote fair treatment, non-discrimination and equal opportunity of its employees, and included written procedures for handling employee grievances. Most of these policies and procedures were close to being finalised, at the time of writing of this report. Workers were also provided with appropriate personal protective equipment (PPE) and health. There was no formal grievance policy in place though one was outlined in the draft employees' handbook of the project. There had been two to three grievances, claiming late payment. Each case had been resolved. Minimum human resources requirements for sub-contractors were being drafted. Given the fact that most sub-contractors had not applied in a proper way, safety standards as well as the application of health and environment management standards was limited, an assessment of the contractor's willingness to make necessary improvements was part of contractor screening process. The consistent provision of PPE to the employees of sub-contractors, such as helmets, boots, harnesses and high visibility vests, remained an area of continuous attention. FMO expected that with unremitting awareness raising and training efforts, and additional QHSE capacity, gradually, practices would improve. In practice, FMO found that this was not always directly feasible given the volume of people involved at a sub-contractor level and local norms permitting work under the age of 18 combined with the speed of the rollout of the construction project;
- Resource efficiency and pollution prevention: FMO concluded that the risks were minimal;
- Community, health, safety and security: A grievance mechanism for communities was also established;
- Land Acquisition and involuntary resettlement: According to FMO, the company had put into place rigorous procedures to ensure that: (i) sites were acquired from the legitimate land owner; (ii) sites were not established on lands where they had a negative impact on people's lives; and (iii) land owners and users got fair compensation. Past ownership was traced at least seven years back in time. Titles, deeds, past ownership, land and tax assessment slips, crop revenue assessment receipts, and the results of a site verification to establish who was actually living on the land or using the land were all considered;
- Clearance in Principle (CIP): The CIP was written by FMO officers, sent to the Investment Committee (IC) and signed. Regarding ESG risks, the project complied with the investment criteria. Moreover, the project had E&S additionality: FMO was expected to initiate improvements in the projects' EHS management system to ensure

compliance with IFCPS and EHS Guidelines.⁶¹ The Green Investment classification had to be explored during DD;

- E&S Risk Analysis: The client's (the term 'client' is used interchangeably in this report with 'applicant') commitment to implement FMO's E&S requirements was affirmed; and
- FMO's Investment Committee Advice and Management Board Decision: FMO's Management Board (MB) decided to finance the project, based on the advice of the IC. The IC also made a recommendation about future integration of E&S issues in the investment process of FMO. It advised FMO to require a written human rights DD report from an expert consultant, due to the followed process, the expert's support proposed mitigating measures could not be independently verified. Requiring such a written report in the future, as part of the standard operating practice, was, according to the IC, important for two reasons: (i) to demonstrate FMO's attention to human rights DD; and (ii) to build knowledge in this new area that could be shared with other E&S specialists.

I.8.1.5. Step 4 (Contract)

The contract for the loan was signed. The Client/Applicant was asked to develop and implement a stakeholder engagement plan. This plan had to contain a definition of stakeholders, a grievance mechanism and a plan for communicating with the community. Writing and implementing this plan was the national QHSE Manager's responsibility.

I.8.1.6. Step 5 (Monitoring and Evaluation)

FMO commissioned an external evaluation to assess the development impact of its investments. The subsequent report contained the following ESG-related conclusions. FMO would need to continue to play a supporting and catalytic role going forward in order to, amongst other things, develop an awareness of ESG issues for investors and investees. FMO would also need to transfer to other sectors the finding that a DFI has the opportunity to significantly increase impact by supporting environmental or governance solutions early on. FMO could, support: (i) to invest in a redesign of the RBC strategy to develop a Theory of Change; (ii) to design specific engagement programmes based on the needs of the community, business needs and goals; and (iii) to develop a robust monitoring and evaluation framework to allow a shift from tracking activities to tracking outputs or outcomes.

Conclusion of project

FMO followed its RBC framework regarding this project. The application of RBC criteria was monitored with multiple site visits and tracked in the ESRS, which was regularly updated. There was tension between the desire to go forward with the project and the application of RBC criteria. FMO's involvement changed the behaviour of the Client/Applicant. The need to apply FMO's RBC standards led to the expansion of its local QHSE department, to hiring an experienced manager and to putting into place procedures to meet these standards, and to making sure that its contractors and sub-contractors did so as well. Nevertheless, the

⁶¹ Presumably the WB EHS Guidelines.

independent consultant found that these positive steps had to be improved upon, by creating a more proactive community engagement programme and by upgrading its monitoring and evaluation framework.

Table I.4 – Project’s compliance with FMO’s RBC framework

5 Steps	Project 1
Does the project violate the Exclusion List?	No
Environmental, Social and Governance risk categorisation	B+, later A
Due diligence	Environmental and Social Review Summary
Contract	Yes
Monitoring and evaluation	Site visit and evaluation report

1.8.2. Project 2

I.8.2.1. Background

The second project which was evaluated against FMO’s RBC framework was also funded out of IDF.

I.8.2.2. Step 1 (Exclusion List (EL))

FMO decided to finance the project. An RRS was used, though no mention of the EL was made.

I.8.2.3. Step 2 (Rapid Risk Screen (RRS))

In the first screening, FMO used the E&S risk categorisation through applying an RRS for Financial Institutions. The E&S risk category was determined as A.

I.8.2.4. Step 3 (Due Diligence)

The first and most important requirement was to document the Environmental and Social Management System (ESMS) as required by FMO’s E&S policies. The second action required by the ESAP was the inclusion in the Client’s/Applicant’s ESG policy of a requirement applicable to projects that they establish and maintain an ESMS meeting FMO’s E&S requirements. Hence, the projects in which the Client/Applicant is involved had to:

- Conduct a social and environmental impact assessment (EIA);
- Establish and manage a programme of mitigation and social and environmental improvement measures and actions;
- Establish, maintain and strengthen as necessary an organisational structure that defines roles, responsibilities and authority to implement the social and environmental management programme;
- Train and build the capacities of employees and project stakeholders;

- Design and manage the project with the free, prior and informed consent of the affected community, including the preparation and implementation of a community engagement plan;
- Design, document and manage an equitable benefit-sharing mechanism;
- Establish and manage a grievance mechanism;
- Establish and implement a project procedure to monitor and measure the effectiveness of the social and environmental management programme; and
- Report to Access Co-Development Facility (ACF) according to its reporting requirements.

Thirdly, FMO required the Client/Applicant to document and publicly disclose the benefit-sharing mechanism for each transaction and to demonstrate broad community support. Finally, FMO required the Client/Applicant to engage social expertise as part of its Investment Team.

E&S Tracker: The second DD document concerned an E&S performance tracker, also undated. It included a number of performance indicators, with a particular risk weight. Regarding organisational capacity, FMO concluded that the Client/Applicant had in place sufficient ESG capacity. FMO adjudged the risk weight of the projects managed by the Client/Applicant to be high, but the performance to be green.

E&S DD Questions: The third DD document posed the following questions: (i) whether evaluating this investment project would include a visit to pipeline projects selected by the client; (ii) whether external E&S expertise would be engaged by the Client/Applicant and how it would be financed; and (iii) whether FMO wanted to be involved more closely in the first two to three transactions implemented by the client.

The next document provided was the investment plan. The advice to the IC was positive.

1.8.2.5. Step 4 (Contract)

The agreement for FMO to buy shares in the Client's/Applicant's fund was concluded and contained ESG-related conditions and annexes.

1.8.2.6. Step 5 (Monitoring and Evaluation)

The progress of FMO's investment was monitored via a number of Client Credit Reviews (CCRs). They each included an E&S risk analysis. The resulting reports were written by an FMO E&S specialist.

1.8.2.7. Conclusion of the project

FMO followed its RBC framework in regard of this project. It was mentioned above that an RRS was used, though no explicit mention of the EL was made, probably due to the fact that at the time of assessing this project, the procedures were a bit different from the current procedures. During the ESMS review, an FMO analyst asked a number of critical questions, which were subsequently implemented as requirements into the ESAP. The progress regarding implementing the RBC criteria was monitored via an E&S tracker and annual CCRs. At the end of the project, the Client's/Applicant's fund was included in FMO's sector wide evaluation

report. This report concluded that the project had been a successful investment in terms of implementation of the FMO ESG requirements in the project. No tensions between the desire to go forward with the project and the application of RBC criteria were observed. The current status of the project is: closed.

Table I.5 – Project’s compliance with FMO’s RBC framework

5 Steps	Project 2
Does the project violate the Exclusion List?	Unknown
Environmental, Social and Governance risk categorisation	A
Due diligence	Environmental and Social Action Plan and Environmental and Social Risk tracker
Contract	Yes
Monitoring and evaluation	Client Credit Reviews and evaluation report

1.8.3. Project 3

1.8.3.1. Background

The third project which was evaluated against FMO’s RBC framework was financed out of FMO’s Access to Energy Fund (AEF).⁶² AEF was jointly initiated by the Dutch government and FMO to support private sector projects aimed at providing long-term access to energy services.⁶³ AEF supports funding possibilities include:⁶⁴ (i) taking minority shares in equity investments; (ii) providing loans of up to €7 mln; and (iii) early stage equity to contribute to the high-risk, early project development phase.

1.8.3.2. Step 1 (Exclusion List (EL))

In a document, which is signed by FMO, it was stated that the project did not violate FMO’s EL.

1.8.3.3. Step 2 (Rapid Risk Screen (RRS))

⁶⁴ Ibid.

There was no specific RRS. The impact of the project on the environment was deemed acceptable and in compliance with the IFCPS. FMO advised positively about the proposed project which can have strong development impact.

I.8.3.4. Step 3 (Due Diligence (DD))

The ESRS was written by an FMO E&S Specialist. An independent advisor was assigned to the project. This independent advisor had, according to the E&S Specialist, reviewed two EIAs and various corporate E&S documents. The independent advisor had also conducted a site visit. In addition, the Client's/Applicant's management had been consulted, although it is not clear by whom (FMO's E&S Specialist or the independent advisor). The independent advisor's report was consequently crucial in establishing FMO's E&S conclusions regarding the project. The findings of the report include:

- Social and environmental assessment and management systems: there were no objections to the project;
- Labour and working conditions: the Client/Applicant was in the process of developing its 'Internal Regulation', which essentially implemented the requirements included a number of areas relevant to wages, benefits, bonuses, vacations, various workplace prohibitions and EHS issues. All the Client's/Applicant's workers earned more than the minimum wage. Neither the Client/Applicant nor its contractors made use of migrant labour, forced labour or child labour;
- Pollution prevention and abatement: the Client's/Applicant's operations produced limited waste and used very few toxic or hazardous materials. The project had a very favourable GHG profile. The Client/Applicant had an undated and unapproved 'Emergency Response Plan' (ERP). No drills of the plan appeared to have been conducted;
- Community health and safety: Fires, seismic or volcanic activity, flooding, hurricanes and chemical spills as risks which could potentially affect surrounding communities were all considered low. There were no communities or settlements located on or near the project site. Therefore, the overall risk to community health and safety were low.
- Land acquisition and involuntary resettlement: The project developers had no powers of expropriation and had not engaged in any involuntary resettlement activities. No lands had been purchased for the project;
- Biodiversity conservation and sustainable natural resource management: No species of them were threatened or endangered;
- EHS Guidelines: the Client/Applicant complied with all the requirements contained in the other general and industry sector guidelines; and
- Independent advisor's conclusions and recommendations: The potential negative environmental and social impact of the project was minimal and relatively easy to mitigate. The first step was to set-up an internal and external grievance mechanism. The second step was to conduct regular drills and evaluations of the Applicant's Enterprise Resource Planning (ERP) covering the most probable emergency scenarios. And the third step was to develop a training plan for personnel that included EHS issues. Other recommendations included dedicating funds from project revenues to

support the Client’s/Applicant’s environmental and social programmes; develop alliances with conservation, university and other groups to work on habitat restoration and multi-season mentoring of birds and other fauna. Furthermore, it was recommended that the development of a targeted community development strategy would be more linked to the project impacts, local development problems and potential project upsides, such as long-term habitat restoration. The independent advisor advised setting-up a Decommissioning Plan (DP) and to consider consolidating health and safety functions under an environmental coordinator. The independent advisor also recommended a follow-up DD.

FMO’s E&S Specialist also evaluated the project against FMO’s Corporate Sustainability Priorities. It was argued that the project scored excellent on GHG impacts, because its core activity was the generation of renewable energy. The project’s adverse impacts were limited and adequately mitigated. Therefore, the project’s score on environmental footprint was neutral. An ESAP was written subsequently.

I.8.3.5. Step 4 (Contract)

The Client/Applicant signed a loan agreement with FMO, including deliverables for the client via the ESAP and ESRS.

I.8.3.6. Step 5 (Monitoring and Evaluation)

In the following years, the Applicant filed the so-called Annual Environmental and Social Monitoring Reports (AMRs).

Effectiveness Study: The project was part of an effectiveness study commissioned by FMO and conducted by ECORYS. ECORYS concluded that the project was a pioneering private sector project, which clearly met FMO’s objectives. Regarding environmental sustainability and other environmental impacts, ECORYS found that FMO had imposed environmental standards that contributed to improving the environmental management of the project since the beginning.

I.8.3.7. Conclusion of the project

FMO followed its RBC framework in regard of this project. The DD phase of the project included a thorough report commissioned from an independent consultant. The results of this report were turned into deliverables for the Client/Applicant via the ESAP and ESRS. The application of the RBC criteria was monitored via AMRs and an effectiveness study. According to the AMRs, the Client/Applicant operated its project in compliance with all the RBC requirements. This was confirmed by the independent effectiveness study. According to that study, the project had had no negative environmental impact and FMO’s role had been positive.

Table I.6 – Project’s compliance with FMO’s RBC framework

<u>5 Steps</u>	<u>Project 3</u>
Does the project violate the Exclusion List?	No

Environmental, Social and Governance risk categorisation	B+, later B
Due diligence	Independent due diligence report, Environmental and Social Action Plan and Environmental and Social Review Summary
Contract	Yes
Monitoring and evaluation	Annual Environmental and Social Monitoring Reports and an effectiveness study

1.8.4. Project 4

1.8.4.1. Background

The fourth project evaluated against FMO's RBC framework was funded out of FMO's MASSIF fund. FMO manages MASSIF on behalf of the Dutch government.⁶⁵ MASSIF reaches out to end-beneficiaries through financing local financial intermediaries and institutions that contribute to their development. With the fund, FMO invests early on, taking high risks and, by doing so, catalyse new investors into the financial inclusion space. MASSIF provides access to financial services, such as bank accounts, savings products and loan products for micro, small and medium-sized entrepreneurs. Supporting these entrepreneurs is key in creating job opportunities and better livelihoods for those at the BOP to support their families. MASSIF has four investment themes within a selected set of mostly low and lower-middle income countries. The first investment theme is 'The Unbanked': Micro, Small and Medium Enterprises (MSME's) in the least financially penetrated and fragile countries. The second investment theme is 'Agriculture and Rural Livelihoods': FMO supports small businesses in rural areas and the agricultural value chain to improve the livelihoods of members of these communities. The third investment theme is Women-owned businesses and Youth Entrepreneurs: FMO tries to create opportunities and promote gender equality. The fourth and final investment theme is Innovations in Inclusive Business, which concerns access to basic goods and services. MASSIF invests through a variety of instruments from seed capital, local currency debt and mezzanine structures to direct equity and investment funds. It also offers capacity development grants to strengthen the organisational capabilities of its investees.

FMO's funding objective related to a new initiative: to provide risk capital finance to SME's that could demonstrate viable business plans and sustainable market demand.

1.8.4.2. Step 1 (Exclusion List (EL))

The RRS made no mention of FMO's EL.

1.8.4.3. Step 2 (Rapid Risk Screen (RRS))

⁶⁵ FMO, MASSIF, available online at: www.fmo.nl/partner-with-us/massif.

According to the RRS, the E&S risk category for the project was B.

1.8.4.4. Step 3 (Due Diligence (DD))

No ESAP or ESRS was provided to the Nyenrode research team.

1.8.4.5. Step 4 (Contract)

FMO decided to fund the project. Regarding E&S, the following recommendation was made. FMO should, in coordination with IFC, discuss with the proposed Client/Applicant how the E&S risk mitigation could be improved.

1.8.4.6. Step 5 (Monitoring and Evaluation)

A number of CCRs were written by FMO, to monitor the project. FMO commissioned the Institute to conduct an impact evaluation of the Business Partners International (BPI) project.

1.8.4.7. Conclusion of the project

FMO followed its RBC framework in regard of this project. The application of the RBC criteria was monitored via FMO’s CCRs. The Client’s/Applicant’s ESMS had been found adequate by FMO and the CCRs stated that there were no causes for concern regarding the RBC performance of the project. Furthermore, an independent evaluation report found that the Client/Applicant also imposed RBC criteria on its clients (hence causing a spin-off effect).

Table I.7 – Project’s compliance with FMO’s RBC framework

5 Steps	Project 4
Does the project violate the Exclusion List?	Unknown
Environmental, Social and Governance risk categorisation	B
Due diligence	Unknown
Contract	Yes
Monitoring and evaluation	Client Credit Reviews, ESG Reports and an impact evaluation report

1.8.5. Project 5

1.8.5.1. Background

The fifth and final project evaluated against FMO’s RBC framework was funded out of FMO’s IDF PS instrument. The investment would be used to expand the Client’s/Applicant’s current business.

1.8.5.2. Step 1 (Exclusion List (EL))

The FMO’s E&S Specialist confirmed that the project did not include activities prohibited under FMO’s EL.

I.8.5.3. Step 2 (Rapid Risk Screen)

The E&S Specialist gave the project a preliminary risk categorisation of A/B+. This was later turned into solely B+. The CIP went into more detail, regarding the E&S risks for the project.

I.8.5.4. Step 3 (Due Diligence)

FMO’s findings confirmed, regarding E&S, that E&S risks for the project are low to medium, and well manageable through adequate implementation of the ESAP and ESMS. The ESRS reviewed the proposed project against the IFCPS. The ESRS also contained a list of the E&S requirements that had to go into the contract.

I.8.5.5. Step 4 (Contract)

FMO’s loan was agreed. The Client/Applicant had to agree to implement an ESAP.

I.8.5.6. Step 5 (Monitoring and Evaluation)

The Client/Applicant had in most respects, performed as agreed with FMO. However, the Client’s/Applicant’s reluctance to implement certain aspects of the ESAP and multiple delays in this work led to FMO’s concerns about the quality of the work being completed. FMO thought that many of the aspects implemented did not adhere to international standards. This dispute was concluded and led to the mutual decision to terminate the loan.

I.8.5.7. Conclusion of the project

FMO followed its RBC framework regarding this project. Its application resulted in the termination – by mutual decision, according to the evaluation report – of the loan agreement between FMO and the Client/Applicant. The Client/Applicant had initially been willing to comply with FMO’s RBC requirements, but they made too little progress with their implementation. This lack of progress was established by an independent party.

Table I.8 – Project’s compliance with FMO’s RBC framework

<u>5 Steps</u>	<u>Project 5</u>
Does the project violate the Exclusion List?	No
Environmental, Social and Governance risk categorisation	B+
Due diligence	Environmental and Social Action Plan and Environmental and Social Review Summary
Contract	Yes
Monitoring and evaluation	Client Credit Reviews and evaluation reports

I.9. FMO Concluding remarks

FMO followed its RBC framework in all projects. The application of the RBC criteria was constantly monitored by FMO using various means, i.e. multiple site visits and tracked in the ESRS (Environmental and Social Review Summary), an E&S (Environmental and Social) tracker and annual CCRs (Client Credit Reviews). FMO's involvement changed in a tangible way the behaviour of clients. In one project, the application of FMO's RBC standards led to expand its QHSE (Quality, Health, Safety and Environmental) department, to hire an experienced manager and to put into place procedures to meet these standards, and to make sure that its contractors and sub-contractors did so as well. In another project, the results of the DD phase were turned into deliverables for the client via the ESAP (Environmental and Social Action Plans) and ESRS (Environmental and Social Review Summary). In various projects, the application of the RBC criteria was monitored via AMRs (Annual Environmental and Social Monitoring Reports), an effectiveness study and an independent evaluation report.

Annex II. RVO

II.1. PSI – RBC framework

PSI subsidy, which ended in 2014, supported Dutch or foreign business investments in emerging markets, in cooperation with a local partner in Africa, Latin America or Central and Eastern Europe.⁶⁶ PSI is managed by RVO. It stimulated innovative pilot investments, with the goal of strengthening the private sector of the recipient country. It aimed to stimulate economic growth in ODA countries, to create job opportunities, transfer of knowledge and to improve income of local people. PSI Guidelines for managing the projects were formulated for the period 2009 – 2011. They were lastly updated in September 2016 (PSI Guidelines).⁶⁷ Section 1.8 of the PSI Guidelines is devoted to RBC. In general terms, the PSI Guidelines stated that clients must be leaders regarding RBC in their countries. In section 1.8, regarding RBC monitoring, the RVO Project Advisors (PAs) were mandated to monitor the implementation of the RBC-aspects stated in the decision in which a subsidy was awarded, by talking to the project partners or conducting a site visit. The PAs had to pay attention to the types of RBC issues presented in Table II.1.

Table II.1 – RVO’s RBC focus for PSI⁶⁸

Section 1.8.2 of the PSI Guidelines stipulated that the subsidy applicant and its local partner had to provide RVO with their own RBC policies. The PSI Guidelines also noted that RBC-related issues that arose during the project could have consequences for the subsidy. Section 1.8.3 of the PSI Guidelines, regarding child and forced labour, stipulated that companies using Dutch government subsidies had to ascertain that neither they, nor their local partner nor the main supplier used child or forced labour. The PSI Guidelines required the PA to ask the applicants how they monitored this situation, but the PAs were not obliged to verify any information provided by the client.⁶⁹ That was occasionally done during site visits, as agreed

⁶⁶ Although the programme ended in 2014 no new projects were accepted, but existing projects were continued. RVO’s PSI page. Available at: www.rvo.nl/subsidies-regelingen/private-sector-investeringsprogramma-psi.

⁶⁷ Richtlijn Beheer PSI, September 2016.

⁶⁸ Section 1.8.1, Richtlijn Beheer PSI, September 2016.

⁶⁹ During RVO visits, it is not possible for RVO project advisors to visit all suppliers and check the social and environmental conditions at all supplies. RVO does not perform audits. Often suppliers are not based in the ODA country visited but based in other countries. This responsibility, according to OECD lies with the company. RVO does an internet check on the main suppliers. There is no difference in the way of working between RVO, FMO

in the monitoring protocol drawn up by RVO and the DMFA. The PAs also had to consult local embassies about any positive developments and potential RBC problems related to a project. In the event that a local partner was notified about child or forced labour at its main supplier, the local partner had to check whether the allegation was true. If so, the local partner had to notify RVO immediately. If the PA harboured suspicions regarding this issue, he had to ask the project partners for clarification. In case of doubt, a third party – e.g. an NGO or expert – could be hired for independent fact finding. RVO had the authority to stop the subsidy and demand repayment in case of child or forced labour. In section 1.8.4 of the PSI Guidelines, the PAs were tasked to carefully scrutinise the ‘Milieueffectrapportage’ (MER; i.e. the environmental performance report) often required as part of the first mandatory project results (Result 1). Finally, the PAs were required to monitor a project’s RBC progress. Only relevant RBC issues had to be written down.

The Minister of the Dutch Ministry for Foreign Trade and Development Cooperation (DMFTDC) had also adopted policy rules for PSI, most recently in 2013, including a so-called PSI Subsidy Manual.⁷⁰ This Subsidy Manual explained to potential applicants how to apply for a PSI subsidy. It constituted the framework for RVO staff for evaluating the applications. Regarding RBC, the Subsidy Manual stated in its section 2, which contained the general requirements to be met by an applicant, that the Dutch government valued RBC highly and expected PSI funded projects to be RBC role models in their countries and sectors. According to the Subsidy Manual, RBC criteria were fully integrated in the PSI application procedure. PSI could, according to the Subsidy Manual, not be used to finance activities stated in FMO’s EL. Furthermore, applicants had to have a good RBC reputation, which could be proved by the existence of a formal RBC policy or the promise to draft one as part of Result 1. RVO demanded that all PSI funded companies had to ensure that all their project partners complied with the OECD Guidelines. In line with these OECD Guidelines, all PSI funded companies had to conduct a chain responsibility risk analysis as well. Based on that analysis, they had to formulate an action plan to prevent or mitigate potentially negative impacts. Section 4 of the Subsidy Manual contained the formal requirements. Under section 4.7 of the Subsidy Manual, the project partners were required to declare their familiarity and compliance with the OECD Guidelines, the ILO Declaration on Fundamental Principles and Rights at Work (ILO Declaration) and the UN Convention on Biological Diversity (CBD).

II.2. PSI – RBC standards and criteria

The criteria used by RVO to evaluate applications were stated in section 6 of the PSI Guidelines. Under section 6.1.2 of the PSI Guidelines, the project partners were required to have a good RBC reputation and the applicant was required to hand over to RVO a formal RBC policy for its own company. If an applicant did not have such a policy, it had to deliver one as part of the first project results. An applicant’s RBC policy had to be based on the principles and

or Atradius or IFC. There are no financial institutions who conduct extensive visits to suppliers of the companies they finance. For example, RVO sometimes visits farmer organisations supplying to the company. Sometimes, it is only possible to visit the main supplier if the organisation is located close to the company. This information collected was by RVO.

⁷⁰ Besluit van de Minister voor Buitenlandse Handel en Ontwikkelingssamenwerking van 16 december 2013, nr. DDE-669/2013, tot vaststelling van beleidsregels en een subsidieplafond voor het Private Sector Investeringsprogramma, Staatscourant, nr. 136, 2 Januari 2014.

guidelines promoted by the OECD Guidelines, the IFCPS and the ISO 26000 RBC handbook. The applicants also had to describe how the policy was implemented. Furthermore, under section 6.2.d of the PSI Guidelines, the applicant was required to provide to RVO a chain responsibility risk analysis and to explain which preventive or mitigating measures it would take. Regarding the project’s impact, applicants were required, under section 6.3.b of the PSI Guidelines, to explain how the project would contribute to sustainable job creation, including good wages and working conditions, safe and healthy working conditions and environmental mitigation measures. Applicants paying a living wage would be preferred. In the Arabic region, job creation for employees under 25 and female employees would be preferred. Under section 6.3.f of the PSI Guidelines it was stated that projects with a positive environmental effect would be preferred. Similarly, according to section 6.3.g of the PSI Guidelines, a project with a positive impact on gender equality would be preferred. In particular, any project that could create a positive impact on the appointment of women in management positions would be desirable to select.

The evaluation procedure for a PSI subsidy comprised various processes, including an assessment of the application against the formal requirements stated in section 4 of the Subsidy Manual and the entry requirements stated in section 5 of the Subsidy Manual; an evaluation of the project according to the evaluation criteria stated in section 6 of the Subsidy Manual; any positively evaluated projects were divided into two groups, i.e. one for the Arabic region and one for the other PSI-countries; and RVO asked the advice of the external advice committee PSI (Adviescommissie Private Sector Investeringsprogramma; APSI);

In the evaluation procedure, RVO could ask the local Dutch embassy or an independent expert for advice. An RVO employee could also conduct a site visit or commission an external consult to conduct it. RVO would determine whether or not to award a subsidy within 13 weeks. If a subsidy was awarded, the recipient company had to deliver an annual report containing the results it had achieved. Achieving this ‘Result 1’, the way as had been agreed with RVO prior to the award of the subsidy, was essential. If Result 1 was not achieved or delayed, RVO could alter the conditions included in the award or withdraw the award of the subsidy. Furthermore, the project had to be conducted in accordance with the OECD Guidelines, the ILO Declaration and the CBD. Two months after the project had been concluded, the PSI-funded company had to deliver a final report to RVO.

Based on this RBC framework, the application procedure concerning a PSI-funded subsidy can be divided into the five steps presented in Table II.2. They are applied in the examined projects to test whether RVO applies its PSI-RBC framework onto projects.

Table II.2 – PSI’s five steps

<p>Step 1 – Application Step 2 – Due diligence Step 3 – Adviescommissie Private Sector Investeringsprogramma Step 4 – Decision to Award PSI Subsidy Step 5 – Monitoring and Evaluation</p>
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II.3. DGGF-1 – RBC framework

DGGF-1, which is an ongoing private sector instrument that provides Dutch SMEs with customised financing⁷¹ in order to conduct business in developing countries⁷² and emerging markets.⁷³ The DGGF PS instruments offer guarantees and loans up to a maximum amount of €15 mln. The DGGF PS instruments comprise three types of financial support (in Dutch ‘loketten’; i.e. ‘tracks’):

- DGGF-1 (administered by RVO) offers guarantees and direct financing with a repayment obligation, such as loans and also equity investments in projects, to companies that want to invest in a DGGF country,⁷⁴ but which have trouble in getting the necessary financing;
- DGGF-2 (administered by PWC and Triple Jump) supports Dutch entrepreneurs who import from a developing country or an emerging market and are looking to increase their growth; and
- DGGF-3 (administered by ATRADIUS DSB) provides export credit insurance and export financing to companies in relation to exporting capital goods to one or more of the DGGF countries.

II.4. DGGF-1 – RBC standards and application procedure

The Minister of Foreign Trade and Development Cooperation provided RVO with policy rules for DGGF-1 in 2014,⁷⁵ including RBC standards (section 4.4 of these policy rules; DGGF-1 Policy Rules). The DGGF-1 Policy Rules state that an RBC evaluation must constitute an integral part of the application process. Furthermore, applicants have to comply with the OECD Guidelines and to conduct a chain supply risk analysis with the support of RVO. The RBC information provided by the applicant to RVO is to be evaluated based on the national laws of the pertinent DGGF-country and the IFCPS. An RBC Action Plan (RBCAP) to mitigate risks has to be made if necessary. In that case, the RBC requirements are to be made part of the financial agreement. The applicant has to implement the measures stated in the RBCAP and to communicate about its progress in doing so. Applicants have to have a good RBC reputation. This can be proven by a formalised RBC policy developed by the applicant. This policy has to be based on the OECD Guidelines, and potentially be certified according to ISO 26000. The RBC policy has to include a description of its implementation in practice and an indication of the person responsible for this implementation. Moreover, the DGGF-1 instrument cannot be used to finance activities stated in FMO’s EL. Finally, the recipient of an RVO financing has to ensure that no child or forced labour is used for the project.

Section 5 of the DGGF-1 Policy Rules deal with the application procedure. The first step is handing in an Assessment Form (AF). The Policy Rules add that the signatories to this AF have

⁷¹ RVO, DGGF, available online at: <https://english.rvo.nl/subsidies-programmes/dutch-good-growth-fund-dggf>.

⁷² The lower and middle-income countries included in the DGGF country list. Available online at: www.dggf.nl/landenlijst.

⁷³ Ibid.

⁷⁴ RVO, Country list, available online at: <https://english.dggf.nl/country-list>.

⁷⁵ Besluit van de Minister van Buitenlandse Handel en Ontwikkelingssamenwerking tot vaststelling van beleidsregels voor het verstrekken van subsidie in het kader van onderdeel 1 van het Dutch Good Growth Fund, 10 June 2014, nr. MINBUZA-2014.304011.

to show RVO that they and their partners strive to prevent sexual harassment and other inappropriate behaviour. RVO is to evaluate the AF, using the DGGF-1 policy rules' criteria. Regarding transparency, non-confidential corporate information is subsequently to be made public 30 days before the award of the financing. Applicants also have the possibility to file a complaint with RVO's grievance mechanism, if they consider their application unfairly treated. The five steps presented in Table II.3 evidence the use of RBC criteria in the DGGF-1 application procedure. They are applied in the examined projects to test whether RVO applies its DGGF-1-RBC framework onto projects.

Table II.3 – DGGF-1's five steps

Step 1 – RBC Assessment Form
Step 2 – DGGF-1 Advisory Committee Advice on results DD
Step 3 – Decision to Award Financing
Step 4 – RBC Covenant and RBC Action Plan
Step 5 – Monitoring and Evaluation

II.5. RVO – Projects

II.5.1. Project 6

II.5.1.1. Background

The first project evaluated against PSI's RBC framework was a PSI investment project.

II.5.1.2. Step 1 (Application)

A draft RBC policy was signed by the Applicant. The RBC policy aimed to provide a framework to outline a commitment and encourage creativity in how these RBC efforts were to be pursued and implemented by the Applicant. Ongoing stakeholder dialogue and annual reporting on the progress made was part of the RBC policy. The RBC policy also contained sections on various areas such as: socially beneficial goods and services, sound trade practices, communication with members of society, respect for diversity and equal employment opportunity, non-complicity in forced or child labour, employee engagement in a responsible setting, remuneration policies/minimum wages, personal development, training and capacity building, work place health and safety, positive involvement in environmental issues, activities for social benefit, governance and an internal management system for RBC. Furthermore, the RBC policy encompassed a compensation philosophy aimed to pay employees equitably and fairly within their defined job markets, complying with minimum wage legislation in its countries of operation.

II.5.1.3. Step 2 (Due Diligence (DD))

The DD phase for the project, prior to the award of the subsidy, consisted of: (i) a site visit; (ii) a Q&A based on the visit; (iii) an assessment form; and (iv) the advice to the external APSI committee. The examined documents revealed the following process:

- Site Visit: Upon receipt of the application, RVO paid a visit to the Applicant. A report was written concerning this meeting. No specific RBC-related problems were mentioned or appeared in the report;

- Q&A: In a document, questions which had come up during a site visit, were put to the Applicant. No specific questions regarding RBC issues and risks were asked;
- Assessment Form: Pursuant to the AF, written by RVO, a second meeting between RVO and the Applicant took place relating to the Applicant and project. The second question on the AF relates to RBC, i.e. how does the Partner act in accordance with the ILO Declaration, the OECD Guidelines and the CBD? The evaluation box was left empty. The ninth question also relates to RBC, i.e. does the Applicant have a good RBC reputation? To establish this, the Applicant was required to provide a written RBC policy and details about its implementation to RVO. The Applicant had provided RVO with a draft RBC policy at this point. The project plan reflect enough RBC assumptions and clear RBC results. Another question related to the Applicant's fair remuneration of employees and whether the Applicant created a safe working environment and whether it had sound labour policies. This question was answered 'yes', with the comment 'wage above average'. A next question was about the secondary labour conditions, which were deemed to be sufficient by RVO. The environmental impact was deemed neutral by the RVO analyst. According to RVO, the project would also have a neutral impact on the position of women. The last question related to the project's potentially positive impact on the rights of local communities regarding land, water, natural resources and animal welfare. This question was answered in the affirmative too. These answers led to RVO's overall positive evaluation. The three components of the project were adjudged to be: (i) partners: good; (ii) project: pass ('voldoende', i.e. sufficient); and (iii) impact: pass. There were, according to RVO, no 'valluiken' (trap doors and exclusion criteria, in bold font on the form) applicable; and
- Embassy Advice: After the application was made, RVO also sought advice from the Dutch Embassy concerning the reputation of the Applicant. The advice was positive. The Applicant's local Partners and their main suppliers were not known to make use of child or forced labour. According to the embassy, the proposed impact of the project was realistic. It would improve the knowledge of the workers engaged and their income positions.

II.5.1.4. Step 3 (Adviescommissie Private Sector Investeringsprogramma (APSI Advice))

The next phase of the application process was the APSI advice. This committee's advice was to nominate the project for a subsidy, because of its "clear business case and positive development effects". Regarding RBC, the committee noted that the Applicant had ascertained that no child or forced labour was used within the companies of the project Partners, nor in the project itself, nor at the main supplier of the project. If the application were to be selected, APSI advised that a statement about the absence of child and forced labour should be made in the administrative decision ('beschikking', i.e. the contractual arrangements). The environmental impact of the project was deemed to be neutral, as was the impact on women.

II.5.1.5. Step 4 (Decision to Award the Subsidy)

Following the APSI advice, RVO decided to award the subsidy to the Applicant. The decision stated clearly that the Applicant had to implement the project in accordance with the OECD

Guidelines, the ILO Declaration, and the CBD. Regarding child labour, the decision demanded that the Applicant implement the project in accordance with ILO Conventions 138 and 182 against child labour and ILO Conventions 29 and 105 against forced labour. The Applicant had to establish that no use was made of child or forced labour at its company, at the companies of the other project Partners, at the project company itself or at the company of the first essential supplier to the project. Should the Applicant fail to comply with the obligations arising from the subsidy decision, the subsidy could be reduced, suspended or reclaimed. To the decision were annexed the following mandatory RBC project deliverables: (i) the Applicant has ascertained that no child or forced labour is used by the main supplier of the project. This result had to be verified by a statement signed by the Applicant that the first main supplier did not make use of child or forced labour; (ii) a completed RBC policy of the Applicant company. This was to be verified by a copy of the RBC policy document of the Applicant company and a description of how the policy was formalised in the company; and (iii) 40 new employees have been contracted. Four out of ten proposed medium/high-level new employees had to be female. The salaries should be at least 20% above minimum wage. This was to be verified by employment records and copies of the payroll.

II.5.1.6. Step 5 (Monitoring and Evaluation)

The monitoring phase of the project went in accordance with the documents that the Applicant had to provide as per the administrative decision. In its first progress report, the Applicant reported that all results had been achieved. Furthermore, a finalised RBC policy document was attached in on annex, including a description of how the policy was implemented in the company. The Applicant had hired employees during the reporting period. They provided a list of names in another annex.

The expectation was that the project would be closed after the final report was written by the Applicant. However, a problem arose at this late stage, leading to a delay in the conclusion of the project. The problem was established by an outside agency which drafted a report ('the External Agency'). The External Agency found that the Applicant failed to comply with applicable national labour laws. The administration and content of contracts were inconsistent with company rules and labour regulations. Furthermore, the implementation of the non-binding local wage standard led to non-compliance with labour regulations. The External Agency also found discrepancies in the payment of wages that casual workers ought to have received. It concluded that, although there were no fundamental violations of several ILO Conventions, such as the use of child or forced labour, there were indications of violations of principles and criteria stated in the OECD Guidelines. Such violations relating to wages, which were low compared to the standards of other companies or the national government, as well as to the provisions of health insurance, which was absent. Based on these findings, the External Agency made recommendations. RVO had commissioned a report to establish the facts, after suspicions about the irregularities were raised.

II.5.1.7. Conclusion of the project

Based on communication between RVO, the Applicant and the External Agency, the final stages of the project went as follows. The Applicant welcomed the report and asked the

External Agency to help in implementing the recommendations. They also wanted the External Agency to provide regular monitoring on its progress. To that end, Terms of Reference (ToR) were drafted, between the Applicant and the External Agency. RVO gave input to the draft ToR and formally closed off the project.

RVO followed the PSI RBC framework in this project. The RBC criteria were monitored via a progress, annual and final report. However, despite the regular reporting requirements agreed with the Applicant, the problem regarding employment practices did not feature in any of the annual progress reports. When the problem became apparent during the concluding stages of the project, RVO hired a third party to conduct a review. After the facts were established, the Applicant promised to follow the recommendations and to change its practices. The current status of the project is: closed.

Table II.4 – Project’s compliance with PSI’s RBC framework

5 Steps	Project 6
Application	Application
Due diligence	Assessment Form
APSI Advice	Positive
Decision to award the subsidy	Examined
Monitoring and evaluation	Progress, annual and final reports

II.5.2. Project 7

II.5.2.1. Background

The second project evaluated against RVO’s RBC framework involved the award of a subsidy pursuant to the PSI programme.

II.5.2.2. Step 1 (Application)

The RBC section of the AF noted that the Applicant was part of a Group, which had an RBC policy. All their suppliers had one as well. However, the foreign Partner of the Applicant (Partner) did not have an RBC policy at the time of application. The Applicant and the Partner affirmed that they would fully consider the established RBC standards of the countries in which they operated. During the first phase of the project, details of a joint RBC policy would be outlined regarding:

- Contributing to economic, social and environmental progress with a view to achieving sustainable development;
- Respecting the human rights of those affected by their activities consistent with the host government’s international obligations and commitments;
- Encouraging local capacity building through close co-operation with the local community, including business interests, as well as developing the enterprise’s

activities in domestic and foreign markets, consistent with the need for sound commercial practice;

- Encouraging human capital formation, in particular by creating employment opportunities and facilitating training opportunities for employees;
- Refraining from seeking or accepting exemptions not contemplated in the statutory or regulatory framework related to environmental, health, safety, labour, taxation, financial incentives, or other issues;
- Supporting and upholding good CG principles and develop and apply good CG practices;
- Developing and applying effective self-regulatory practices and management systems that foster a relationship of confidence and mutual trust between enterprises and the societies in which they operate;
- Promoting employee awareness of, and compliance with, RBC company policies through appropriate dissemination of these policies, including through training programmes;
- Refraining from discriminatory or disciplinary action against employees who make bona fide reports to management or, as appropriate, to the competent public authorities, on practices that contravene the law, the guidelines or the enterprise's policies;
- Encouraging, where practicable, business partners, including supplier and sub-contractors, to apply principles of corporate conduct;
- Abstaining from any improper involvement in local political activities;
- Demonstrating the importance of natural resources; and
- Respecting the five rights for animals as laid down in EU legislation.

It was alleged that with this RBC policy, the Partner would be the first of its kind to acquire such a policy.

Embassy Advice: RVO asked the Dutch embassy for advice. The embassy replied that the Partner was a respected organisation with no negative remarks on its record. The embassy had not found any evidence that the Partner made use of child or forced labour and advised positively on the project.

Verification Questions: In an undated document, questions were asked by an RVO to a representative of the project Partners, in order to verify various aspects of the application. The RVO noted that the joint RBC policy referred to in the AF was missing and that a new statement which included the prohibition of forced labour had to be drawn up. This statement was subsequently sent to and received by RVO.

II.5.2.3. Step 2 (Due Diligence (DD))

The project was evaluated by RVO. Also, the AF was verified. Regarding RBC, RVO reached the following conclusions. The Applicant had a good RBC reputation, and this was reflected in the way it worked. The Group of which the Applicant was a member had an RBC policy that was also applicable to the Applicant. The Applicant's suppliers had also implemented RBC policies. Furthermore, RVO noted that child labour was covered in a statement disavowing the practice,

but forced labour was not. Therefore, a new statement including the latter was required. According to RVO, the project plan contained enough RBC principles, which were linked to concrete results. The project would work in accordance with the following standards: Hazard Analysis and Critical Control Point (HACCP), Good Manufacturing Practices (GMP+) and relevant ISO guidelines. It would also work according to specific relevant sector EU guidelines. The project would allegedly create high/medium level jobs and basic level jobs. The project would, according to RVO, also have a positive impact on employees' lives, because they would receive wages far above the minimum wage. Housing would also be provided, if needed. Men and women would have equal opportunities. The environmental impact of the project was deemed acceptable. RVO argued that the project met all standards for manure treatment, waste disposal and reduction of odour and gas emissions. Regarding the impact on women, RVO concluded that the project had an acceptable (medium) impact on their position, because it would involve 30% female employees, of whom four would occupy management positions. The overall assessment was positive, and the RVO officers passed the application on to APSI.

II.5.2.4. Step 3 (Adviescommissie Private Sector Investeringsprogramma (APSI Advice))

The APSI decided to nominate the project for a subsidy. Its advice, undated, contained the following remarks regarding RBC. This committee affirmed that the Applicant and its local Partner had a good RBC reputation. Reference was made to the Applicant's RBC policy. The absence of an RBC policy at the Partner was conceded. The Partner also provided pensions, child compensation for schooling and health and illness insurance payment to its employees. Furthermore, it contributed to a government fund for community well-being. Regarding child and forced labour, the committee found that the Applicant had ascertained that no child labour or forced labour was used within the companies of the project Partners, nor in the project, nor at the main supplier of the project. If the project was selected, the committee advised to make a statement about the absence of child and forced labour part. According to the committee, the plan contained enough RBC considerations. The project would be executed in accordance with Good Agricultural Practice (GAP), HACCP and GMP+ guidelines. The environmental impact was deemed to be neutral as was its impact on the position of women.

II.5.2.5. Step 4 (Decision to Award the Subsidy)

Based on this advice, RVO awarded the subsidy. The Applicant was obliged to report on this implementation via a progress, annual, final and spin-off report. The Applicant was required to comply with the OECD Guidelines, the ILO Declaration and the CBD. The following RBC project results were imposed via the decision:

- The Applicant had to ascertain that no child or forced labour was used by the first main supplier of the project. Means of verification: a statement signed by the Applicant that the first main supplier did not make use of child or forced labour;
- Workers had to be contracted of whom at least one female. Salaries had to be at least 5% above minimum wage. Fringe benefits had to include clothing, foot wear, housing, dust free working areas, ear protection, pensions, health insurance, allowances for transport and lunch. These benefits had to be specified in the employment contract or

in a Human Resource Management (HRM) policy. Means of verification: employment records, labour contracts, monthly payroll or a copy of the HRM policy document;

- Ten trainers had to be contracted of whom at least two females;
- An environmental license had to be granted by the municipality. This had to be verified by a copy of the document;
- 39 employees had to be contracted of whom at least six females. All of them had to be paid 5% higher than minimum wage and to receive all of the benefits listed supra; and
- A finalised RBC policy will set an example.

II.5.2.6. Step 5 (Monitoring and Evaluation)

The first progress report regarding RBC contained the following information. Working conditions were alleged to be good. Salaries for basic level jobs were €280 a month and €800 for medium/high skilled work. A bonus system based on production goals was set-up for the workers. Men and women were payed equally and received the same benefits. Working conditions were in line with the latest Dutch standards. Housing and transportation to work was available where necessary. The project Partners declared that they did not use child labour. Their main supplier did not use child labour either. A statement attesting to that fact was annexed to the report. The next report workers had been contracted during the reporting period. They were paid above average salaries and provided with good secondary employment conditions. In an annual report, the Applicant and the Partner reported on their progress. They had hired extra workers. Hiring proved problematic. Workers were in favour of other jobs which paid more. Of the total number of hired workers, three were women. All workers, including the women, had received above average salaries and good secondary benefits. Employment records, labour contracts, a payroll and a signed HRM policy were annexed to the report.

In a second annual report, the Applicant and the Partner reported that ten trainers had been hired. No new RBC information was reported. In another annual report the companies reported that, as required 39 employees had been contracted of whom six were female. Salaries were 5% above minimum wage and fringe benefits included: clothing, foot wear, housing, dust free working areas, ear protection, pensions, health insurance, allowances for transport and lunch. These benefits were included in the employment contracts of the workers and in the HRM policy. After having developed an RBC policy, it had been further specified, to set an example in the sector. Furthermore, a number of additional protocols had been formulated. These were already copied by 15% of companies in the Applicant's sector. The standards were being used as training material, used in a demo for the local university, and in the training centre courses. Positive feedback, the companies reported, was continuously received from other local companies that implemented the standards in their production systems. In the specific RBC section of the report, these protocols were referred to as the future standards for the entire sector nationally. The protocols were also said to be a guidance for local producers. These protocols were not annexed to the report. Regarding child labour, the companies reported that all suppliers were monitored and checked on a regular basis. Any suspicious rumours were checked and verified, if needed. In the final report,

no new RBC-related information was reported. The relevant sections were copied from the previous annual report. A copy of the finalised RBC policy was annexed to the report.

The RBC elements of the document included:

- The statement that the Applicant seeks to be a good corporate citizen in everything that it does;
- A reference to the Universal Declaration of Human Rights, ILO Declaration, OECD Guidelines, the Rio Declaration on Environment and Development and the UN Convention Against Corruption;
- Core values, including social responsibility were: (i) clear direction and strong leadership; (ii) customer focus; (iii) respect for people; (iv) open communication; (v) working to deliver best value; (vi) openness and transparency; (vii) equality; probity; (viii) development of positive working relationships with others; (ix) commitment to the highest ethical standards of public service; and (x) respect for animals and animal welfare; and
- Further developing environmental management practices that minimise waste and maximise efficiencies.

The policy also included sections on employees, customers, stakeholders, community and the environment.

II.5.2.7. Conclusion of the project

RVO acknowledged receipt of the final report. After having asked for and received additional information and having visited the company, RVO concluded that all means of verification were found in place and that all sub-results had been achieved. Therefore, the subsidy was paid to the Applicant and the project was regarded as concluded.

The PSI RBC framework was followed in this project. The RBC criteria were monitored via progress, annual and final reports. RVO’s involvement changed the working practices of the Applicant, by imposing the requirement to formulate a formal RBC policy. The current status of the project is: closed.

Table II.5 – Project’s compliance with PSI’s RBC framework

<u>5 Steps</u>	<u>Project 7</u>
Application	Assessment Form
Due diligence	Evaluation Form written by an RVO RBC analyst
APSI Advice	Positive
Decision to award the subsidy	Examined
Monitoring and evaluation	Progress, annual and final reports

II.5.3. Project 8

II.5.3.1. Background

The third PSI project evaluated against the PSI RBC framework was a project, proposed by the Applicant and a foreign local Partner. The project is in the horticultural sector.

II.5.3.2. Step 1 (Application)

Regarding RBC, the AF contained the following information. The Applicant had a formal RBC policy, which was to the form, but the Partner did not have one yet. The Applicant alleged that in the project, they had minimised any detrimental environmental impact caused by their activities, treated their employees well and employed 75% women. Although the Partner did not have a formal RBC policy, with respect to labour standards, it made no use of forced or child labour, in accordance with the ILO Conventions. The Applicant thought of their employees as a core asset. They worked in good conditions, had labour contracts and earned a living wage. No discrimination was allowed in recruitment and the Partner complied with national labour laws. Corruption was, according to the Applicant, not tolerated either. The Partner vowed not to make use of child or forced labour. Regarding labour standards, the Applicant and the Partner promised to remunerate their employees in accordance with national labour laws. Official working hours would be followed. Some 52 full-time positions would be created, and the least paid employees would still receive 160% of local wages for similar positions. All permanent employees would be insured and would receive a compensation for personal health insurance. Furthermore, the project would create jobs in a poor region. This, the Applicant believed, would help reduce the rural-to-urban migration trend. In addition, the Applicant promised to do all that was reasonable and practicable to protect the health and safety of the employees, including training. Moreover, employee development would be an important element in the overall positive RBC impact of the project. The Applicant vowed to have no tolerance for corruption but acknowledged that it remained a challenge. The Applicant specifically identified the registration procedures they would have to follow as an area of concern. To minimise this risk, the Applicant intended to follow all administrative procedures correctly, and consult the Partner's contacts on the matter. Furthermore, all the Applicant's financial statements would be audited by an independent account, to ensure maximum transparency. Product safety and hygiene would be guaranteed by complying with all relevant sectoral EU guidelines and GAP criteria. A rail system would be installed to create a safe and healthy workplace for the employees.

Embassy Advice: RVO asked the Dutch embassy for advice. The advice was positive. The embassy employee stated that the Applicant and the Partner did not have a reputation of using child or forced labour.

II.5.3.3. Step 2 (Due Diligence)

RVO evaluated the project internally and reached a positive conclusion, advising APSI to green light the project. Regarding RBC, RVO reached the following conclusions: (i) the project proposal contained adequate RBC criteria; (ii) the Applicant had a good RBC reputation; (iii) the Applicant and the Partner had also signed a declaration disavowing the use of child or forced labour.

II.5.3.4. Step 3 (Adviescommissie Private Sector Investeringsprogramma (APSI Advice))

The subsequent APSI advice, undated, was positive and the project was officially nominated for the PSI subsidy. This committee regarded the partnership as a win-win situation. They believed that the project can introduce new techniques to the sector and make it more profitable and environmentally sustainable. Regarding RBC, the committee noted that the Applicant, which, according to the committee, did not have a formalised RBC policy, had described its informal policy on HRM, health and safety, environmental protection, bribery and chain responsibility, while the Partner, which lacked a formal approach to RBC, would make no use of child or forced labour. The committee also noted that the Applicant would be responsible for ensuring that no child or forced labour would be used by the Partner, nor within the project, nor by the main supplier of the project. A statement to that effect would have to be delivered, according to the committee. Finally, the committee observed that the plan contained adequate RBC principles, referring specifically to two certifications obtained by the applicant. According to the committee, the latter in particular included very advanced criteria to ensure safety and environmental sustainability.

II.5.3.5. Step 4 (Decision to Award the Subsidy)

RVO decided to award the subsidy. A progress, annual, final and spin-off report was demanded. The applicant was required to manage all environmental aspects of the project responsibly and to implement the project in accordance with the OECD Guidelines, the ILO Declaration and the CBD. The following mandatory RBC results were demanded in the decision:

- A statement signed by the applicant that the first main supplier does not make use of child or forced labour;
- The execution of an EIA concerning the greenhouse and engineering plan;
- Many employees contracted, including many female employees. Salaries had to be 60% above minimum wage;
- Many employees trained in line with the training programme;
- Many companies trained on safety and certification;
- GAP and a sector certification was awarded by an independent validation company; and
- Positive outcome of the EIA.

RBC Policy Tool: RVO notified the applicant that it could use RVO's new RBC policy tool, and that it could also apply for an RBC voucher for a 50% discount on a consultancy request.

II.5.3.6. Step 5 (Monitoring and Evaluation)

A progress report was received by RVO and included in the dossier. Regarding RBC, it included a signed statement by the applicant declaring that no child or forced labour would be used by the supplier nor by any other company involved in the project. The annual report contained no new RBC related information. A final report was filed with RVO. Regarding RBC, an HRM manual was developed in which all the rights and duties of the employees were listed. These employees also received free transport and free meals at lunch. Regarding supply chain

responsibility, the joint venture of the applicant and Partner declared that it would not have been able to obtain GAP and Sedex Members Ethical Tradit (SMETA) certification if it had used child or forced labour. RVO received the final report. It contained copies of the GAP and SMETA certifications.

SMETA Report: A SMETA audit report was annexed to the 2015 final report. The auditor had found that workers generally had a good opinion of their joint venture’s management. The management, they said, knew how to communicate with different levels of workers and was particularly adept at avoiding negative work attitudes. The management also encouraged positive energy at work by setting up a good worker award. Nevertheless, the workers wanted their wage to be increased, because they felt that their salary was not sufficient, to meet their needs, even if they earned the minimum wage according to local law. However, a health & safety committee for analysing risks and drawing up action plans to mitigate them had not yet been created. Furthermore, all workers, including migrant workers, had contracts of employment. These records were available to verify hours of work and wages. No inconsistencies were found in these records. The lowest paid production workers all earned the minimum wage or more, according to the auditor. However, the auditor also noted that 90% of the work force earned the minimum wage, while only 10% earned more. No employee worked over 60 hours a week (standard + overtime). The correct overtime premiums were paid. There was no production work at night and the youngest employee found on site was 18 years.

II.5.3.7. Conclusion of the project

RVO confirmed receipt of the final report. This letter mentioned a site visit. RVO concluded that all ‘Means of Verifications’ were in place and that all results had been achieved. Therefore, the applicant and the Partner had met all the obligations laid down in the decision to award the subsidy.

RVO followed PSI’s RBC framework during this project. The application of the framework led to several outcomes for the applicant. It was required to conduct an EIA and an engineering plan. Furthermore, RVO required that the applicant and the Partner hire several female employees. Salaries had to be 60% above minimum wage which according to the SMETA report was not the case. These employees also had to be trained in line with the training programme. The company also had to train ten other companies in the sector. Finally, an independent validation company had to agree to award a certification to the applicant.

Table II.6 – Project’s compliance with PSI’s RBC framework

5 Steps	Project 8
Application	Assessment Form
Due diligence	Evaluation Form written by an RVO RBC analyst
APSI Advice	Positive

Decision to award the subsidy	Examined
Monitoring and evaluation	Progress, annual and final reports

II.5.4. Project 9

II.5.4.1. Background

The Applicant was active in the agricultural and horticultural sectors. They applied for a DGGF-1 in the form of guarantee.

II.5.4.2. Step 1 (Responsible Business Conduct Assessment Form (RBCAF))

The application was reviewed by two RVO RBC analysts. They used an RBCAF. The project was adjudged to be a B+ risk, according to the FMO classification scheme. RVO RBC analysts concluded that this risk was acceptable. Few negative effects were expected and as they would be tied to a specific location, they would be easy to mitigate. In their assessment, the RVO RBC analysts included the following findings. The project did not involve activities found on FMO's EL. Furthermore, the RBC reputation of the Applicant and its local Partner was good. This was verified by checking the WB Black List (WBBL) and conducting a Google search, which yielded no negative information. The Applicant did not have a formal RBC policy at the time. RVO would help it to formulate one in the months following the award of the subsidy. The local Partner of the Applicant was certified according to fair trade, GAP, Milieu Programma Sierteelt (MPS-A), and also followed a sector code of practice. These certificates regard responsibility relating to all RBC-related topics, with the exception of the production chain. In that chain, the most important raw materials were bought from suppliers, which acquired them from big multinationals, with sound RBC policies. By buying their raw materials at such highly regarded companies, the Applicant met its chain responsibilities, according to the RVO RBC analysts. Other environmental risks were covered, they argued, by the certificates awarded to the local Partner. The local Partner was fair trade certified, which means that all social issues were monitored on a regular basis. RVO proposed that the Applicant send a copy of the annual payroll to RVO to check the wages. The analysts proposed to include preventive measures in the RBCAP. A payroll copy, HRM policy and a description of the wages compared to the local living wage were still missing to RVO in the file.

RVO reached a positive conclusion about the project proposal and advised to finance it. RBC risks for the project were considered low. Any potential risks were well covered by the applicant. The few points mentioned above would have to be included in the RBCAP and the monitoring requirements. A new EIA was not deemed necessary. The RBCAF ended with the following financing conditions:

- A formal RBC policy is to be drafted;
- Mandatory use of the certain machinery;
- Preventive measures to be implemented;
- An annual payroll copy to be sent to RVO to check wages; and
- Annual copies of certificates to be submitted.

The project was also adjudged, by RVO, to be in accordance with the OECD Guidelines and the Rio Markers for Climate Change Mitigation and Adaptation, turning it into a 'climate relevant investment'.

II.5.4.3. Step 2 (DGGF-1 Advisory Committee Advice)

The DGGF-1 advisory committee approved the proposed subsidy – a 60% guarantee. In its decision, this committee demanded that the workplace policies for female employees would be specified.

II.5.4.4. Step 3 (Decision to Award the Subsidy)

The decision to award the subsidy was conditional. In the six months after the decision, a number of agreements had to be made, including a 'RBC-Covenant' between the Applicant and the Dutch state. This covenant had to include an RBCAP. A violation of this RBC-Covenant would be ground for terminating the subsidy and/or for imposing a fine on the Applicant.

II.5.4.5. Step 4 (Responsible Business Conduct (RBC) Covenant and RBC Action Plan (RBCAP))

A signed copy of the RBC-Covenant was attached to the decision. This covenant reiterated that the award of the subsidy was conditional, inter alia, on compliance by the Applicant with the OECD Guidelines. It also referred to the RBCAP, which had already been written by RVO's RBC Senior Advisor. The RBCAP set out certain deliverables and other obligations on the part of the Applicant aimed at improving the compliance with the OECD Guidelines. In the covenant, the parties set out the obligations of the Applicant in respect of the OECD Guidelines and the consequences of a breach of the covenant and/or the RBCAP.

In the RBC-Covenant, the applicant promised that:

- It had carefully reviewed and was fully aware of the OECD Guidelines;
- It and its related parties and persons would duly comply with and act in full compliance with the OECD Guidelines and that its foreign subsidiary would also comply with the IFCPS's and that any exceptions were fully disclosed and addressed in the RBCAP;
- Its foreign subsidiary or any activities related to it were not on the FMO EL;
- Any failure to perform the actions set out in the RBCAP within the deadlines set therein or any failure to comply with the OECD Guidelines, would constitute a breach of the RBC-Covenant; and that
- It and its foreign subsidiary did not use child or forced labour and had an obligation to ensure that they would never do so.

The RBCAP, annexed to the covenant, contained the following actions, which had to be performed by the applicant before a certain date:

- Provide a copy of the yearly RBC Monitoring Report (RBCMR);
- Provide a copy of the payroll of the local entity company as an annex to the yearly RBCMR;
- Provide a yearly copy of any renewed certificates and audit reports concerning the certification of fair trade, MPS-A, GAP and the sector code of practice;
- Provide a copy of any monitoring and prevention programme;

- Provide a copy of the finalised RBC policy of the Applicant; and
- Supply a chain table completed with agreed management and monitoring actions.

II.5.4.6. Step 5 (Monitoring and Evaluation)

The RVO analyst confirmed the approval by RVO of the RBCAP. He also noted that the RBC reporting was in order. The supply chain form was satisfactory as well. A number of issues were unresolved. The payroll provided to RVO showed that some workers were only paid for 24 or 25, instead of the customary 26 days. RVO demanded an explanation. Furthermore, copies of the GAP, fair trade and the sector code of practice certificates had not yet been received by RVO. In a separate e-mail, sent on the same day, the RVO analyst conveyed the following information to his colleague/superior: the RBCMR had been received by RVO and was in order. The wages over 2016 had increased, according to the payroll. The RVO analyst wondered why some employees were only paid for 23, 24 or 25 days. These people did get their full pension benefits. Workers got paid when they were ill. If a worker did not show up without prior notification, he/she got a so-called 'red card'. A worker could be dismissed after multiple red cards. Employees were sometimes employed as daily workers, but these were automatically upgraded into full employment after a couple of months. No certificates had been received by RVO. However, a copy of the monitoring and prevention policy had been received.

The RVO analyst remarked that the wages had increased once more, that the Applicant's strategy was to raise wages with 2% above the local inflation correction each year. The Applicant and the related companies had also started to open bank accounts for their employees, in particular for the women, to enable them to use the money they earned independently. The Applicant held the MPS-A certification and the silver level of the sector code of practice. They expected to regain the GAP certificate in two months. However, they had decided to discontinue the fair-trade certificate, although their working practice would remain the same.

II.5.4.7. Conclusion of the project

RVO followed DGGF-1's RBC framework during this project. The outcomes were that the Applicant had to submit a formal company RBC policy. Furthermore, RVO demanded the use of certain machine used. RVO also required the Applicant to take preventive measures for work related adverse impacts, and to update RVO about any developments concerning the certifications the Applicant and the related companies had been awarded

Table II.7 – Project's compliance with the DGGF-1 RBC framework

<u>5 Steps</u>	<u>Project 9</u>
Application	Assessment Form
DGGF-1 Advisory Committee Advice	Positive
Decision to award the subsidy	Examined

RBC Covenant and RBCAP	Examined
Monitoring and evaluation	E-mails

II.5.5. Project 10

II.5.5.1. Background

This project used the PSI PS instrument discussed above. The Applicant applied for a subsidy to extend their project earlier discussed. RVO referred them to DGGF-1.

II.5.5.2. Step 1 (Responsible Business Conduct Assessment Form (RBCAF))

RVO wrote in the RBCAF that the project did not include any activities prohibited under the FMO EL. They classified the project as B, a medium risk, because the risks identified in relation to the working conditions, the environment and safety were adequately covered. After ascertaining that the Applicant's activities are not on the FMO EL, the RVO analysts reviewed the reputation of the Applicant. They found that the Applicant's reputation was sound and that the local Partner was highly respected. No negative information was procured during a check of the WBBL and a Google search. Regarding the Applicant's RBC policy, RVO found that the Applicant professed to respect RBC guidelines via a mission statement. RVO also confirmed the RBC policy of the local Partner. The analysts reviewed the RBC policy of the local Partner and concluded that it aimed to become a frontrunner in terms of running a sustainable and responsible business. The Applicant had appointed a person on RBC, who was made responsible for executing the policy. The overall impression of the RVO was positive: the project Partners seemed to strive hard to achieve sustainability. They had also made this drive part of their daily practice. Having reviewed the policies, RVO turned to an assessment of the potential adverse impacts of the project and potential mitigating measures for dealing with them. Regarding health and safety, RVO concluded that the Applicant had set-up strict protocols to prevent accidents and illnesses. Regarding the living wage, RVO found that employees made 35% more than minimum national wage. Moreover, the employees received additional benefits, not required by the national laws, such as pensions, health care, transport to and from work, a hot meal a day, extra holidays, recreational facilities at work, and a grant for educational opportunities.

II.5.5.3 Step 2 (DGGF-1 Advisory Committee)

At a meeting, the DGGF-1 Advisory Committee advised to invest in the project.

II.5.5.4. Step 3 (Decision to Award the Subsidy)

RVO's decision was to award the subsidy. An RBC-Covenant and RBCAP were included in the conditions the Applicant had to meet.

II.5.5.5 Step 4 (Responsible Business Conduct (RBC) Covenant and RBC Action Plan (RBCAP))

The RBC-Covenant contained a clause, which obliged the Applicant to ensure compliance by itself, its foreign subsidiary and all related parties, with the OECD Guidelines. The RBCAP was

made mandatory. This RBCAP contained several deliverables, divided into annual monitoring conditions and financing conditions

II.5.5.6. Step 5 (Monitoring and Evaluation)

The Applicant reported to RVO that it employed several people. The Applicant aimed to create seven new positions in 2019, as a consequence of its new activities. The Applicant in an RBCMR reported that no complaints had been received regarding the Applicant’s activities in relation to environmental, social or land issues. Some minor injuries were reported. The Applicant had dealt with these incidents by providing a self-care training. RVO found that the following documents were received in accordance with the RBCAP: a yearly RBCMR, which contained no further action points, according to RVO; and a payroll which proved that the Applicant and the related company employed 39 workers; No HRM policy had been developed, no HACCP certificate had been awarded and the Applicant did not comply with a certain local national decree. RVO thereupon extended the Applicant’s deadline for meeting these conditions with 6 months.

II.5.5.7. Conclusion of the project

RVO followed the DGGF-1 RBC framework in this project. The RBC criteria were monitored via a number of ‘revisie’ documents, including an RBCMR, and in e-mails exchanged between RVO and the Applicant. The outcomes of the application of the RBC framework were that RVO required the Applicant to acquire HACCP and ISO certificates and to comply with a certain local national decree. Furthermore, the Applicant had to obtain a certificate for its whole production chain. Finally, the Applicant had to check whether the wages it paid deviated from the living wage in the area. If the wages were below the living wage, the Applicant had to eliminate this gap.

Table II.8 – Project’s compliance with the DGGF-1 RBC framework

5 Steps	Project 10
Application	Assessment Form
DGGF-1 Advisory Committee Advice	Positive
Decision to Award the Subsidy	Examined
RBC Covenant and RBCAP	Examined
Monitoring and evaluation	E-mails

II.6. RVO Concluding remarks

In all the examined projects, RVO followed the RBC frameworks developed for the PSI and DGGF-1 PS instruments. The RBC criteria were monitored via progress, annual and final reports submitted to RVO. In one project, RVO’s involvement changed the working practices of the local company, by imposing the requirement to formulate a formal RBC policy. In another project, the application of the framework led to several outcomes for the Applicant,

i.e. the conduct of an EIA (Environmental Impact Assessment) and the development of an engineering plan. Furthermore, RVO required this Applicant to hire several female employees, of its proposed many new workers. Salaries had to be 60% above minimum wage. These employees also had to be trained in line with the training programme. This Applicant also had to train ten other companies in the sector. Finally, an independent validation company had to agree to award a certification to the Applicant. In another project, the Applicant had to submit a formal company RBC policy to RVO. Furthermore, RVO demanded that the Applicant make use of certain machine. RVO also required the Applicant to take preventive measures for work-related potential adverse impacts. The outcomes of the application of the RBC framework were among others that RVO required the Applicant to acquire HACCP certificates (Hazard Analysis and Critical Control Point) and ISO certificates and to comply with a certain national local decree. Furthermore, this Applicant had to obtain a certificate for its whole production chain. Finally, the Applicant had to check whether the wages it paid deviated from the living wage in the area. If the wages were below the living wage, the Applicant had to eliminate this gap.

Annex III. ATRADIUS DSB

III.1. ATRADIUS DSB's – RBC framework & policies

ATRADIUS DSB adheres to the Atradius Group's Corporate Responsibility policy. In addition, ATRADIUS DSB's RBC policy statement specifically addresses ATRADIUS DSB's mission. According to its policy statement, ATRADIUS DSB supports the ten principles laid down in the United Nations Global Compact (UNGC) regarding human rights, working conditions, the environment and corruption. ATRADIUS DSB annually reports to the UNGC about its progress. Moreover, in its RBC policy statement, ATRADIUS DSB commits itself to the OECD Guidelines and the Dutch government's general IRBC policy. ATRADIUS DSB also has a specific policy statement regarding human rights. ATRADIUS DSB's RBC policy document consists of two parts.⁷⁶ Part one contains ATRADIUS DSB's general RBC framework, whereas part two outlines its social and environmental DD procedure, which is followed to implement the framework. ATRADIUS DSB's DD-procedures have been laid down in the document: 'Policy Document Corporate Social Responsibility of Export Credit Insurance'. This document stipulates that ATRADIUS DSB has to use the IFCPS to evaluate a potential client's environmental and social performance. With this policy document, ATRADIUS DSB contributes to executing the OECD Common Approaches on Environmental and Social Due Diligence for Officially Supported Export Credits (Common Approaches) and to operationalising the UNGP.⁷⁷ The Common Approaches provide a minimum harmonisation of RBC standards followed by state credit insurance agencies and hence create a level playing field among the state credit insurance agencies of OECD Member States.

Every application for a credit insurance is initially screened to determine whether an RBC evaluation is necessary. If so, the subsequent DD procedure is a continuous process of identifying, evaluating, addressing and monitoring potential E&S risks. The applicant has to provide this information to ATRADIUS DSB. As the applicant is often organised as a cooperative enterprise, which can include third parties, the relevant information also needs to concern those parties. Information available in the public domain is also used by ATRADIUS DSB. Furthermore, cooperating and communicating with all affected parties also forms part of the DD procedure.

The precise DD steps are detailed in part two of the ATRADIUS DSB RBC policy document, as mentioned, which refers to the Common Approaches. The latter stipulate how the DD is supposed to be done, which standards have to be used and what social and environmental information is required. The Common Approaches are applicable to all credit transactions with a repayment term exceeding two years. The evaluation criteria are taken from the IFCPS and the World Bank EHS Guidelines. In addition, a number of non-binding reference documents can be used, when relevant, to ask more specific questions. Sometimes, an RBC-aspect relevant to the project is hard to assess via the IFCPS. For example, animal welfare, according to ATRADIUS DSB. Although the Common Approaches refer to World Animal Protection (WAP)

⁷⁶ ATRADIUS DSB, MVO Beleidsdocument Exportkredietverzekering, 2018.

⁷⁷ The 'Common Approaches' set common approaches for undertaking environmental and social due diligence to identify, consider and address the potential environmental and social impacts and risks relating to applications for officially supported export credits. See in OECD, Environmental and social DD, available online at: www.oecd.org/trade/topics/export-credits/environmental-and-social-due-dilligence/.

standards and there exist an IFC Good Practice Note on Improving Animal Welfare in Livestock Operations, in the case of animal welfare, according to ATRADIUS DSB, a specific standard is missing. When a standard seems to be incomplete, ATRADIUS DSB tries to find other standards to use during DD. For example, EU regulations. This possibility is also accepted by the Common Approaches in relation to other subjects.

Sometimes, transactions proposed by applicants can potentially have negative social and environmental effects but fall outside the Common Approaches' scope. In such cases, ATRADIUS DSB goes beyond the Common Approaches to assess such transactions. This approach concerns transactions which last fewer than two years, transactions that are paid in cash (so not financed) and transactions without a specific location (such as those involving ships). In regard of such types of transactions, the Dutch national policy on 'sensitive sectors' will be followed by ATRADIUS DSB. This policy ensures that transactions involving sensitive industries, like mining, will always be subject to a social and environmental DD. This national policy also goes beyond the OECD Guidelines. However, since the social and environmental DD is conducted from a risk-based perspective, it fits well within the state duties under the UNGP's 'duty to protect' and 'responsibility to respect'. It is noted by ATRADIUS DSB that applying such a broader scope for applying DD, could lead to a competitive disadvantage for Dutch companies, compared to foreign companies to which only the Common Approaches' standards are applied.⁷⁸ For some projects, these competitive disadvantages will be considered in the application procedure. However, this can never lead to a situation in which ATRADIUS DSB would be involved in financing a transaction with unacceptable social and environmental impacts.

When an application for support from ATRADIUS DSB is assessed in the DD process, ATRADIUS DSB determines all project-related environmental and social effects. The standards discussed above are used to evaluate the project. Furthermore, since 2016, human rights have played a more substantial role in the Common Approaches. The evaluation framework for social and environmental DD now includes the UNGP. For every application, ATRADIUS DSB will determine if there is a risk for human rights violations. If so, it will determine what those risks are and what measures can and should be taken to prevent or mitigate such risks. If a potential violation could have a severe impact, the transaction will be considered unacceptable and the insurance will not be awarded. Examples of such material violations are issues of child and forced labour and human trafficking.

III.2. ATRADIUS DSB's – Applicants' commitment to OECD Guidelines

Another part of the evaluation process of an application is that all applicants are required to sign their commitment to the OECD Guidelines. This commitment obliges them to implement the OECD Guidelines as far as possible.⁷⁹ Several national RBC standards are also considered by ATRADIUS DSB, but they are not part of the evaluation standards for the credit insurance. For example, the Dutch Corporate Governance Code (DCGC) and the 'Nationaal Actieplan Bedrijfsleven en Mensenrechten'.

⁷⁸ See OECD Common Approaches, www.oecd.org/trade/topics/export-credits/environmental-and-social-due-diligence/.

⁷⁹ The meaning of "as far as possible" is unspecified.

III.3. ATRADIUS DSB’s – Implementing ATRADIUS DSB’s RBC framework

ATRADIUS DSB also discusses its influence in the policy document. In general, an applicant’s proximity to a project and any adverse impacts caused by the parties involved in such a project, determines its level of responsibility. A distinction is made between causing, contributing to, or being (in)directly linked to a project’s potential impacts. When an applicant causes or contributes to a negative impact, ATRADIUS DSB can require that the applicant stop its activities immediately and take mitigating measures. However, ATRADIUS DSB explains that it is usually linked to the project via an applicant that only exports certain assets to a project rather than executes the project itself. That means that ATRADIUS DSB is in an indirect relationship to the parties that actually cause or contribute to the adverse impacts of a project. In such a situation, ATRADIUS DSB can only encourage the applicant to stop the occurrence of the negative impact or to take mitigating measures. The applicant can influence the parties causing or contributing to the negative impact, such as the project owner, contractors, and sub-contractors.

The level of proximity between ATRADIUS DSB, the applicant and the project will differ from project to project. Therefore, in its role as insurer of the exporter, ATRADIUS DSB can exercise the most influence before awarding the insurance (the ex-ante phase). Consequently, the emphasis of the DD lies on the ex-ante phase. Nevertheless, ATRADIUS DSB strives to maximise its influence and requires that the insured parties support ATRADIUS DSB and take their responsibility. For example, by talking to a project owner about necessary improvements in the working conditions of a project. After the insurance is awarded, there are still two ways to influence a project. Firstly, social and environmental conditions can be attached to the award of the insurance. Secondly, a project can be monitored or tracked regarding its RBC performance. How that is done in practice is outlined in section two of the document, which outlines the DD procedure. The aim of ATRADIUS DSB’s DD procedure is to exclude export transactions with negative social and environmental (including human rights) impacts from receiving ATRADIUS DSB’s services.

The implementation of ATRADIUS DSB’s RBC framework comprises the six steps presented in Table III.1. These steps are elaborated below and applied in the examined projects to assess whether ATRADIUS DSB applies its RBC framework onto projects.

Table III.1 – ATRADIUS DSB’s six steps

Step 1 – Application Form
Step 2 – Screening
Step 3 – Project Definition and Classification
Step 4 – Due Diligence
Step 5 – Decision
Step 6 – Tracking or Monitoring

III.3.1. Step 1 Application Form

As soon as an Application Form⁸⁰ is received by ATRADIUS DSB, the application procedure starts. ATRADIUS DSB then has to determine whether to accept the application. If an application passes that test (which is not specified in the document), the Application Form reaches the RBC-desk. It is the responsibility of the applicant to fill out the Application Form, including the RBC paragraph, correctly and completely.

III.3.2. Step 2 Screening

All applications received by ATRADIUS DSB are then screened to determine whether a social and environmental DD is necessary. The aim of the screening is to determine whether there are potential environmental and social effects, including an increased risk of project-related human rights violations, involved in the transaction which is proposed to be insured. Environmental and social effects can be caused by the project; or caused by the exporter, its clients or the company using the project's goods and services. If negative environmental and social effects are expected, ATRADIUS DSB will conduct a social and environmental DD. The screening is conducted based on the information provided in the Application Form. Sometimes ATRADIUS DSB has to request additional information from the applicant, in order to conduct the screening properly. Publicly available information is also used. ATRADIUS DSB tries to identify 'sensitivities' related to the exporter, its clients and the project. The applicant's reputation, and that of its project partners, is checked via an internet search. Whether or not a DD is required is determined by the Common Approaches and the Dutch government's supplementary policy.

Transactions of capital goods and credit services with a repayment term of two years or longer fall within the scope of the Common Approaches. Transactions involving defence material and agricultural products are excluded from this scope. The Dutch government has insisted since 2003, when the Common Approaches came into effect, that more transactions have to be subject to a DD procedure. As a consequence, short-term (less than two years) export credit and insurance applications, 'cash' transactions (without financing) and transactions involving ships also fall within the scope of the Dutch policy. This working practice is the result of ATRADIUS DSB's choice to be aware of the social and environmental effects of the projects with which it accepts a relationship. ATRADIUS DSB maps the effects of the project and its supply chain and makes their direct business partners (exporters and banks involved in the transaction) aware of their responsibilities. These parties contribute to the project and are therefore in a position to cause negative social and environmental impacts in the project (direct) and/or its supply chain (indirect). Using the Common Approaches screening criteria, the following applications are subjected to a DD procedure by ATRADIUS DSB:

- All export credit and investment applications with a transaction value of €10 mln or more;

⁸⁰ See applications in ATRADIUS DSB. Available at: <https://atradiusdutchstatebusiness.nl/en/article/application-forms.html>

- All export credit and investment applications involving a delivery to or near a “sensitive area”,⁸¹ regardless of the transaction value; and
- All export credit and investment applications involving a delivery with an increased risk of serious project related human rights violations, regardless of the transaction value.

Based on the Dutch government’s additional national policy, the following transactions are also subjected to a DD procedure:

- All export credit and investment applications that involve a delivery to a “sensitive sector”, regardless of the transaction value.

According to these screening criteria, it follows that transactions with a value lower than €10 mln are subjected to a DD procedure only if they involve sensitive areas, sensitive sectors or an increased risk of human rights violations. The project’s physical location can also be a reason for conducting a DD investigation. Examples are those projects that can possibly cause adverse impacts on areas with high nature values (e.g. national parks, rain forests, coral reefs and wetlands), projects that imply exerting undue pressure on the population (e.g. projects with an increased risk of land expropriation and relocation), projects that relate to important areas for indigenous peoples or other vulnerable groups, border areas, conflict areas, post-conflict areas and historically or architecturally valuable areas (e.g. those on the UNESCO’s World Heritage List). Furthermore, several sectors are classified as ‘sensitive’ according to Dutch policy and projects involving such sectors are also to be subjected to a DD procedure. These include deliveries to or work in:

- The oil and gas industry;
- The dredging industry;
- Major construction projects;
- The chemical industry;
- The paper and pulp industry;
- Large-scale agriculture and horticulture;
- Large-scale intensive livestock farming;
- The textile industry;
- The mining industry; and
- Nuclear projects.

Moreover, all applications that are to be subjected to a DD procedure are screened for increased risks of project-related human rights violations. If these are expected, ATRADIUS DSB decides to perform a DD investigation of the project. Such risks can relate to potential relocation, disadvantages for indigenous peoples, and the use of child or forced labour. The human rights involved include: the right to adequate means of existence, in case of forced relocation; the right to a safe working environment, if there are doubts about the way the

⁸¹ “Sensitive areas” are defined in the document as areas with high nature value (e.g. national parks, rain forests, coral reefs and wet lands), areas with a high population pressure (e.g. involving projects with a high-risk of land acquisition and relocation), important areas for indigenous peoples or other vulnerable groups, border areas, conflict areas, post-conflict areas and areas with a high historical or architectural value (e.g. areas included in the UNESCO’s World Heritage list).

company treats its employees; the right to water, if a project threatens the availability of clean drinking water; the right to privacy, if the project involves products that have a negative effect on the spread of sensitive personal information; and the rights of indigenous peoples and children's rights, if children are employed for a project.

III.3.3 Step 3 Project Definition and Classification

The next step is the definition and classification of the project. ATRADIUS DSB determines out of what parts a project is made up (transaction, project and project environment). In addition, the business relations involved in the project are mapped as well as an estimation of the project's potential adverse impacts. A transaction is often part of a bigger project. The DD procedure involves the effects of the entire project. Activities related to the project (e.g. an access road or energy supply) are also evaluated. These activities can be related to the project via timing, location or function. Overall, three levels are distinguished:

- The transaction concerns the delivery of goods or services or an investment that has been applied for. The transaction's social and environmental potential effects are evaluated as a matter of course;
- The project concerns an initiative of which the transaction is a part; the scope of the project has to be defined per application. When evaluating the project's social and environmental potential effects, the project as described in the project definition is evaluated, not just the transaction; and
- The project's context. All relevant aspects that are indirectly linked to the project but fall outside of the substantive evaluation based on international RBC standards, are part of the project's context. The exporter or its clients' control over or influence on these matters depends on their business relationships in this context. Therefore, these business relationships are mapped by ATRADIUS DSB. The outlines of the project's context will be looked into by ATRADIUS DSB and the risks involved will be addressed.

In general, the severity of the potential impacts in combination with the likelihood of its occurrence determine the risk category. ATRADIUS DSB uses five risk categories. Three of those (A, B and C) are based on international agreements,⁸² two are the outcome of national policy (M and E). The distinction is as follows:

- A project is classified as category A if it involves severe adverse environmental and social effects caused by the project and extending beyond it. The effects are various, irreversible and/or unprecedented. If a project is classified as A, the applicant has to supply an Environmental and Social Impact Assessment (ESIA) or similar documentation;
- A project is classified as B when it involves potentially substantial negative social and environmental effects. These effects are less severe than those involved in a category A project. They do not extend beyond the project's boundaries. Only some of the potential effects are irreversible and mitigation or compensation is easier. If a project is classified as B, ATRADIUS DSB would preferably require an ESIA or similar documentation;

⁸² Unspecified in document.

- A project is classified as C, when few or no negative social and environmental effects are expected. For such projects, answering the RBC questions on the Application Form and delivering additional information if requested suffices;
- A project is classified as M, when it involves activities that do not require social and environmental DD according to the Common Approaches, such as transactions without a clear location (like ships), transactions regarding an existing operation that does not change significantly in output or function and applications for refinancing and re-insuring. For the evaluation of an M project, ATRADIUS DSB first assesses the exporter and its clients' commitment to social and environmental policies. If there are grounds for doing so, ATRADIUS DSB will also look at the other project partners, the project itself and its supply chain; and
- The E category is used for tool coverage and small DGGF-3 projects in relation to which no negative environmental and social effects are expected. In that case, only the Dutch exporter's reputation is checked.

III.3.4. Step 4 Due Diligence (DD)

The fourth step involves the substantive social and environmental DD evaluation. The evaluation considers the severity, nature and scale of the potential negative social and environmental effects and their potential impact on the local population, living environment, biodiversity and animal welfare. The more severe effects are prioritised and receive more attention. A social and environmental DD evaluation consists of three parts:

- The social and environmental reputation of the Dutch exporter;
- The social and environmental reputation of the foreign client; and
- The social and environmental effects of the project.

The reputation of the Dutch exporter is evaluated based on its standing in public opinion, but more importantly based on their working practice regarding RBC. ATRADIUS DSB evaluates their policies and management systems regarding health, security and the environment. The supply chain is also part of this reputation test. The Application Form requires information about the exporter's familiarity with ATRADIUS DSB's RBC policy and the implementation of RBC and supply chain responsibility within the company. The reputation of a foreign client is also evaluated based on the way in which it implements an RBC policy and its management systems for preventing negative effects. The supply chain also is considered, if relevant.

The project itself is first evaluated according to the applicable local laws and regulations. The project will have to meet those first of all. It is then usually evaluated according to international RBC standards. ATRADIUS DSB uses the IFCPS for evaluating the potential social and environmental effects of a given project. For ATRADIUS DSB projects, the IFCPS cover the issues presented in Table III.2.

Table III.2 – ATRADIUS DSB's IFCPS focus

<ul style="list-style-type: none"> • Evaluation and management of environmental and social risks and effects • Labour and working conditions • Resource efficiency and pollution prevention • Community health, safety and security

- Land acquisition and involuntary resettlement
- Biodiversity conservation and the sustainable management of natural resources
- Indigenous peoples
- Cultural heritage

The IFC EHS Guidelines are used as well. Furthermore, the evaluation is based on three factors: sector, location and applied technology. Regarding the sector, ATRADIUS DSB determines what norms are usually applied in it and how they are related to the exporter's or its clients' working practice. ATRADIUS DSB uses the IFC EHS Guidelines for its determination. Regarding location, ATRADIUS DSB determines whether a project is conducted in a sensitive environment and what the effects of the project on that environment are. There are clear guidelines for affecting sensitive nature and how to deal with that. There are also guidelines that describe how to deal with a project involving indigenous people. These guidelines are not further specified. Regarding applied technology, ATRADIUS DSB evaluates whether the technology meets the prevailing industry standards. The severity of the potential effects of a project can be determined during the DD procedure by looking at its scope, scale and the degree to which negative effects can be mitigated. If ATRADIUS DSB identifies potential problems in the supply chain of a project, an additional DD investigation will be conducted.

Identified effects that might cause significant damage to human beings, animals or the environment, have to be prevented or mitigated as far as possible. In addition to taking mitigating measures, the project partners also have to communicate with those affected, in order to identify the effects as soon as possible, to understand criticism concerning a (proposed) project and to use this criticism effectively to improve projects. Both local and international standards require companies to identify the risks involved with their activities and to determine the potential effects of their actions. Sometimes this is conducted by applying a general risk management system, at other times via the application of an ESIA. The steps that have to be taken in both situations are:

- Preventing negative effects;
- Mitigating negative effects;
- Offering compensation for expected negative effects up-front; and
- Reparation and the award of damages for unforeseen negative effects.

Checking the proposed mitigating and compensating measures is part of the DD. Another important part is checking whether the project owners have involved those affected by the project in a meaningful way. Consultation with the local population has to be embedded in the project development. Furthermore, ATRADIUS DSB determines whether the project owner has set-up a grievance mechanism for those affected.

III.3.5. Step 5 Decision

The DD procedure results in an advice to the Dutch state in those cases that require a decision of the Dutch state; in other cases, ATRADIUS DSB decides itself. The potential social and environmental effects of the project are addressed, and the strong and weak points of the reputation and project evaluation are outlined. This advice contains ATRADIUS DSB's

conclusion regarding the acceptability of awarding the insurance based on the project's social and environmental effects. The project is evaluated according to national and international RBC standards. If the national standards applicable to the project are lower than the international ones, the international standards have to be followed. In case a project employs a lower standard than what is acceptable according to international standards, ATRADIUS DSB will require a plan to close the gap. In case ATRADIUS DSB expects that the project will not succeed in meeting the international standards, and the reputation of, e.g., the client is bad, and the identified adverse effects can be severe and cannot be mitigated, and ATRADIUS DSB's influence is small, ATRADIUS DSB will reject an application on RBC grounds or give a negative advice to the state. When the financial DD has been concluded, but the social and environmental DD hasn't, ATRADIUS DSB can offer a conditional insurance, with the condition being a positive outcome of the social and environmental DD. The Dutch state decides whether the social and environmental effects are acceptable or not, unless the project is low-risk and falls within ATRADIUS DSB's mandate.

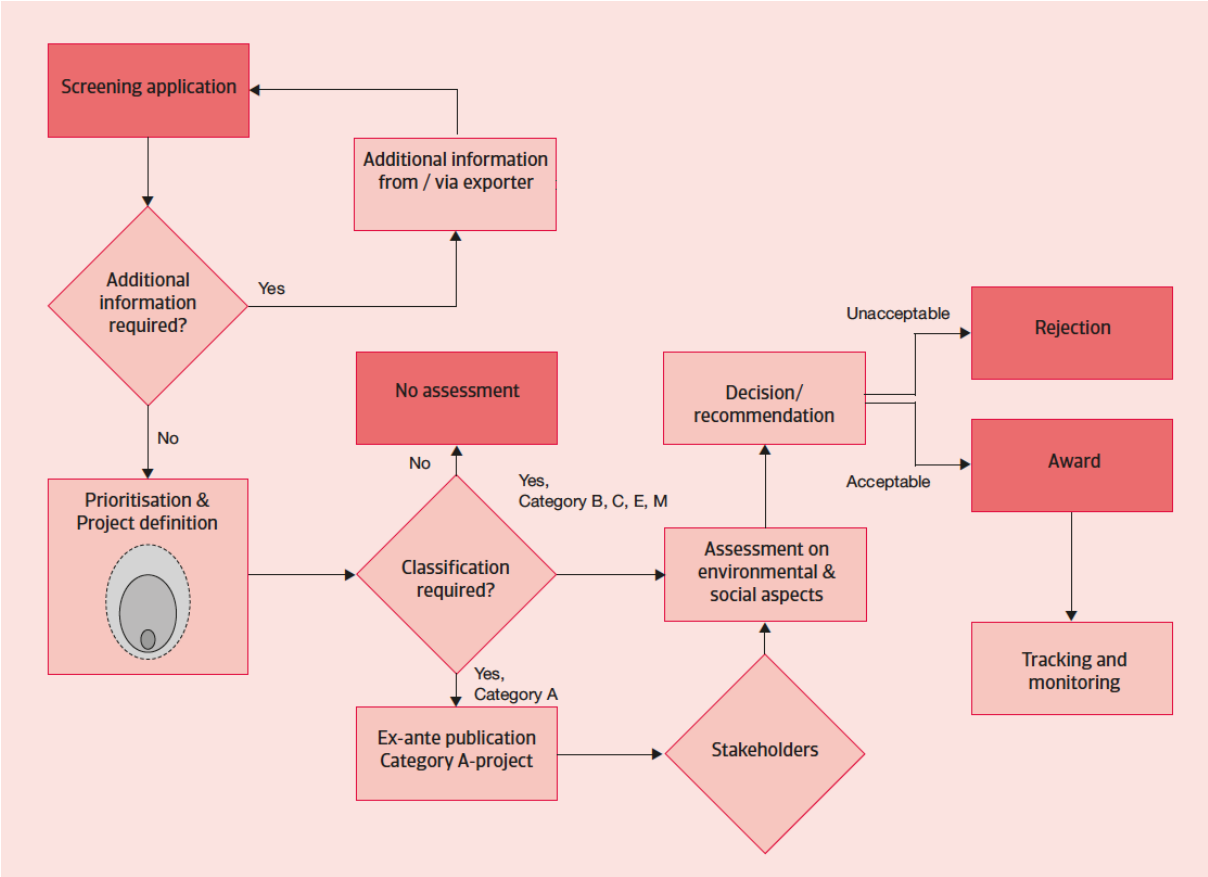
III.3.6. Step 6 Tracking or Monitoring

The final step concerns the tracking or monitoring of a project. As mentioned before, ATRADIUS DSB argues that it can best influence a project and the mitigating measures that have to be taken during the evaluation process, i.e. before the insurance is awarded. In regard of ordinary transactions, ATRADIUS DSB has some influence after the insurance is awarded, but it has to determine how to wield it in advance, because its formal influence is minimal. Grounds for tracking a risky project are, e.g., a party's bad performance in the past or the fact that a project did not meet international RBC standards at the time when the insurance was awarded but expected to meet them soon after. The Dutch state aims to ensure that the proposed measures for meeting the RBC standards are implemented. This will be done by following-up with the client, a bank involved in the transaction, or by requiring the client to report on its progress. Extraordinary situations or changes in the information supplied to ATRADIUS DSB always have to be reported by the client to ATRADIUS DSB. This requirement is part of the general conditions attached to the insurance policy. Another opportunity for tracking projects, exporters and clients is presented by new applications. When ATRADIUS DSB receives such a follow-up application for a project, it can determine whether potential effects have indeed occurred in the previous project and how the parties have dealt with them. Signals received via third parties, such as NGOs, courts, the media, and the National Contact Point (NCP), can also be a ground for following up on a project and requesting clarification, additional information or to conduct a new reputation check. In accordance with the Common Approaches, ATRADIUS DSB monitors category A projects for the duration of the insurance policy. The client must report annually on its progress regarding the prevention or mitigation of the social and environmental effects of the project. This monitoring activity can take different forms, such as annual reports submitted by the client, site visits by ATRADIUS DSB, or a report by an external consultant. When it turns out that a client has provided ATRADIUS DSB with false or incomplete information, or if it fails to deliver on its promises, the right to the insurance expires.

Figure II.1 shows how ATRADIUS DSB's RBC framework works in practice.

Four of the projects evaluated in the next section against ATRADIUS DSB’s RBC framework were financed out of the DGGF-3 and one out of the DTIF-2. ATRADIUS DSB uses the RBC framework to evaluate those projects as well.

Figure III.1 – ATRADIUS DSB’s RBC framework in practice



III.4. ATRADIUS DSB – Projects

III.4.1. Project 11

III.4.1.1. Background

The first project evaluated against ATRADIUS DSB’s RBC framework was in the waste management sector. This project was under DGGF-3.

III.4.1.2. Step 1 (Application Form)

The Application Form stated, as an answer to standard questions, that the Applicant was not aware of any corruption, such as bribery, involved in the project. The Applicant confirmed that it was not listed on the ELs of the World Bank, African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development or the Inter-American Development Bank. Furthermore, it was not involved at the time, nor had it been involved in the five previous years, in court proceedings on corruption charges or aware of supply chain responsibility under a certain national government’s RBC policy. The Applicant explained that 80% of its production activities were situated in the certain country and that it complied with

all applicable national environmental and labour laws. Its suppliers were all situated in this country as well, so they also complied with these national laws. The Applicant also said that an ESIA had been conducted for the project. However, no Environmental and Social Management Plan (ESMP) had been made for preventing or mitigating potential negative social and environmental effects caused by the project. According to the Applicant, no relocation of people would be involved in the project. To the Applicant's knowledge, the client did not use child or forced labour, nor did it limit its employees' workers' rights, nor did it discriminate. The Applicant admitted that it did not work according to ISO 14001, Veiligheid, Gezondheid en Milieu Checklist Aannemers (VCA) or Occupational Health and Safety Assessment Series (OSHAS) 18000 environmental and social protocols and management systems. The applied technique involved in the transaction did meet the 'Machinerichtlijn'. The Applicant applied for a 'Dekkingstoezegging' (DT), not an insurance policy, because the transaction had not been verified.

III.4.1.3. Step 2 (Screening)

According to the DD Application Form the outcome of the screening process was that a DD was required for this transaction, because the transaction value was more than the DGGF-3 threshold of €1 mln.

III.4.1.4. Step 3 (Project Definition and Classification)

According to the Application Form, the transaction was classified as B. Consequently, the DMFTDC had to approve the transaction.

III.4.1.5. Step 4 (Due Diligence (DD))

The Application Form contains a description of the DD procedure and its outcome. Regarding the Applicant's reputation, ATRADIUS DSB concluded that it had no hits in 'reprise', i.e. the programme which ATRADIUS DSB uses to check a company's reputation. Regarding the substantive DD test, ATRADIUS DSB determined that IFCPS's principles 1, 2, 3, 4, 5 and 6 were applicable. The project complied with the IFC EHS Guidelines. Regarding the IFCPS's, ATRADIUS DSB made the following findings.

- Evaluation and management of social and environmental risks and effects: The Applicant had, according to ATRADIUS DSB, a robust HSE policy and handbook. Therefore, their management system looked good. The Applicant was also well prepared for emergencies;
- Working conditions: The Applicant's activities inevitably expose its employees to health and safety risks. To mitigate these risks, the Applicant conducted an extensive risk analysis. Based on that analysis, mitigating measures were laid down in the ESIA, the HSE policy and the HSE Handbook. These also include paragraphs on equal treatment and gender discrimination;
- Efficient use of resources and preventing pollution: The foundation of the Applicant's business is improving the environment by recycling waste and turning it into new resources. The risk that the waste disposal site will pollute the water is mitigated by also recycling the waste streams;

- **Public health and safety:** The main public health and safety risks are a fire and the handling of dangerous substances. Measures to prevent or mitigate these risks are included in the ESIA and the HSE Handbook. In case of problems, the Applicant has a grievance mechanism and a whistle blower hotline;
- **Land acquisition and forced relocation:** No new land has been acquired and there is no risk of forced relocation; and
- **Conservation of biodiversity and sustainable management of natural resources:** No extra negative effects are expected. The documentation describing these effects and the mitigating measures was in order. No new land had to be acquired and no impact on sensitive areas was expected. The Applicant was, according to ATRADIUS DSB, an experience company which would conduct the transaction in a professional manner. The Applicant had a good EHS management system. By taking specific measures and monitoring potential negative effects, the Applicant has adequately responded to the risks involved in the project. Based on the information contained in the Application Form, the ESIA, and additional information provided by the Applicant and other sources, ATRADIUS DSB concluded that no unacceptable environmental and social effects were expected for this project. Furthermore, the project has a number of positive effects, such as job creation and an increase in recycling. Therefore, ATRADIUS DSB adjudged the risks involved in the project to be acceptable. They advised the state to act accordingly and award the DT.

III.4.1.6. Step 5 (Decision)

A DT was awarded.

III.4.1.7. Step 6 (Tracking or monitoring)

No tracking or monitoring documents were available because the DT was only awarded a couple of months ago before this report is developed.

III.4.1.8. Conclusion of the project

ATRADIUS DSB followed its RBC framework for the Applicant’s project. The monitoring phase has only just started, and no reports had been filed with ATRADIUS DSB. No tensions between a desire to proceed with the project and the RBC criteria were observed. The current status of the project is: ongoing.

Table III.3 – Project’s compliance with ATRADIUS DSB’s RBC framework

<u>6 Steps</u>	<u>Project 11</u>
Application	Application Form
Screening	Due diligence required
Project definition and classification	B

Due diligence	Acceptable risks
Decision	Insurance awarded
Tracking or monitoring	Unknown

III.4.2. Project 12

III.4.2.1. Background

The second project evaluated against ATRADIUS DSB's RBC framework involved farming activities. This project was under DGGF-3.

III.4.2.2. Step 1 (Application Form)

In the Application Form about corruption, the Applicant answered in the negative, stating that it was not aware of any corruption, such as bribery, involved in the project. The Applicant affirmed that it was not on any black list or EL. No ESMP had been made for the project. The Applicant affirmed that, to the best of their knowledge, the Partner did not use child or forced labour, nor did it limit worker's rights, nor did it engage in discrimination. The project complied with the prevailing environmental and social protocols and management systems.

III.4.2.3. Step 2 (Screening)

The outcome of the screening was that a social and environmental DD was required, because the transaction value is €3 mln, which is above the DGGF-3 threshold.

III.4.2.4. Step 3 (Project Definition and Classification)

The project was classified as a category B project. The transaction and the project did not involve activities included on FMO's EL, ATRADIUS DSB found. Negative environmental and social effects were expected. However, these effects would be contained within the boundaries of the project and not spill over into the project area. Furthermore, these effects could reasonably be mitigated or compensated, and ATRADIUS DSB was confident that this would be done. Because no vulnerable natural areas were affected and hardly any people lived near enough to the project to notice the anticipated effects, ATRADIUS DSB classified the transaction and the project it was a part of as B, which meant that, in this case, the DMFA had to take the final decision.

III.4.2.5. Step 4 (Due Diligence (DD))

ATRADIUS DSB concluded that both the Applicant and the Partner had a good reputation. Regarding the Partner, ATRADIUS DSB found, after a site visit, that it guarantees worker rights, but that a formal RBC policy and a management system were missing. The project would comply with national law in due course. All the necessary steps were being taken. ATRADIUS DSB had received all the required certificates. IFCPS's principles 1, 2, 3 and 6 were deemed applicable by ATRADIUS DSB. ATRADIUS DSB also evaluated the project according to the general IFC EGH Guidelines. The Partner strove comply with international standards and accepted DGGF-3 Technical Assistance (TA) via an external consultant to achieve this.

ATRADIUS DSB made the following findings during the DD procedure. The project would have a positive effect on employment. The most important social risks caused by the project were related to working conditions. Regarding working conditions, ATRADIUS DSB found that no H&S management system was operational. The Partner did not have a formal HRM policy. ATRADIUS DSB insisted they make one, which had to include working hours, payment for overtime, holidays, etc. This was made part of the TA. The same applied to an emergency plan, which the Partner also did not have. The Partner also did not have formal procedures and rules for hygiene and food safety. They said they wanted to qualify for HACCP certification, but they would need TA here as well, according to ATRADIUS DSB.

III.4.2.6. Step 5 (Decision)

Based on the findings during the DD, ATRADIUS DSB decided to split up the policy.

III.4.2.7. Step 6 (Tracking or Monitoring)

A mid-term review report was prepared.

III.4.2.8. Conclusion of the project

ATRADIUS DSB followed its RBC framework in this project. The current status of the project is: ongoing. The external consultant will re-assess the Partner’s compliance with international RBC standards in the summer of 2019. So far, the outcomes of the project are that ATRADIUS DSB required the Applicant to accept TA in accordance with the ATRADIUS DSB RBC standards. ATRADIUS DSB required that the Applicant adopt a formal HRM policy, including provisions concerning working hours, payment for overtime and holidays. The TA also involves drafting and adopting an emergency plan, which the Applicant does not yet have. Furthermore, the TA also includes adopting measures for waste disposal. The Applicant does not have formal procedures and rules for hygiene and food safety. It said it wanted to qualify for HACCP certification. Applying for this certification was made part of the TA as well.

Table III.4 – Project’s compliance with ATRADIUS DSB’s RBC framework

6 Steps	Project 12
Application	Application Form
Screening	Due Diligence required
Project definition and classification	B
Due diligence	Acceptable risks, with Technical Assistance
Decision	Insurance awarded
Tracking or monitoring	E-mails and report of external consultant

III.4.3. Project 13

III.4.3.1. Background

The exporter, an internationally operating company, applied to ATRADIUS DSB for insurance for a delivery of goods. This project was under DGGF-3.

III.4.3.2. Step 1 (Application Form)

The Application Form stated that the Applicant was not aware of any corruption involved in the project. The Applicant was also not on the WBBL or any other black or EL. The Applicant was familiar with the Dutch government's RBC policy and its supply chain responsibility. No ESIA for the project was required under the national law of the country in which the project will take place. No ESMP had been made for the project either. The project would not involve relocation, and as far as the Applicant was aware, the Partner did not use child or forced labour, violate worker's rights, or discriminate. The project was, according to the Applicant, conducted in accordance with ISO 9001 and SHE (Safety, Health and the Environment) Checklist Contractors (SCC) environmental and social protocols and management systems.

III.4.3.3. Step 2 (Screening)

Although the transaction was under the DGGF-3 threshold of €1 mln, a social and environmental DD was required.

III.4.3.4. Step 3 (Project Definition and Classification)

ATRADIUS DSB classified the project as category C.

III.4.3.5. Step 4 (Due Diligence (DD))

The reputation of the Applicant and the Partner was good, according to ATRADIUS DSB. Based on several findings, ATRADIUS DSB adjudged the social and environmental effects of the project to be acceptable.

III.4.3.6. Step 5 (Decision)

The application for insurance was ultimately turned down by ATRADIUS DSB, because of a lack of relevant information.

III.4.3.7. Step 6 (Tracking or Monitoring)

No tracking or monitoring was required ultimately, because the application was rejected.

III.4.3.8. Conclusion of the project

ATRADIUS DSB followed its RBC framework during this project. The application for an insurance policy was rejected, but not, given the low-risk category, because of RBC issues.

Table III.5 – Project's compliance with ATRADIUS DSB's RBC framework

<u>6 Steps</u>	<u>Project 13</u>
<u>Application</u>	Application Form

Screening	Due diligence required
Project definition and classification	C
Due diligence	Acceptable risks
Decision	Insurance rejected
Tracking or monitoring	Unknown

III.4.4. Project 14

III.4.4.1. Background

The Applicant applied for an insurance policy for the delivery of a factory. This project was under DGGF-3.

III.4.4.2. Step 1 (Application Form)

In the Application Form, the Applicant affirmed that the project did not involve any corruption. The Applicant also stated that itself was not on any black list or EL, such as the WBBL. The Applicant said that it was familiar with the Dutch government's RBC policy and its supply chain responsibility. An ESIA was made for the project. However, no ESMP was set-up. The project would not involve relocation. To the best of the Applicant's knowledge, the Partner did not use child or forced labour, violate worker's rights or discriminate.

III.4.4.3. Step 2 (Screening)

Although the transaction value did not meet the €1 mln DGGF-3 threshold, a social and environmental DD was conducted.

III.4.4.4. Step 3 (Project Definition and Classification)

ATRADIUS DSB classified the project as C, because its effects were limited to the project site.

III.4.4.5. Step 4 (Due Diligence (DD))

The reputations of the Applicant and the Partner was found to be good by ATRADIUS DSB.

III.4.4.6. Step 5 (Decision)

The insurance policy was awarded.

III.4.4.7. Step 6 (Tracking or monitoring)

No tracking or monitoring documents were acknowledged.

III.4.4.8. Conclusion of the project

ATRADIUS DSB followed its RBC framework during this project.

Table III.6 – Project's compliance with ATRADIUS DSB's RBC framework

6 Steps	Project 14
Application	Application Form
Screening	Due diligence required
Project definition and classification	C
Due diligence	Acceptable risks
Decision	Insurance awarded
Tracking or monitoring	Unknown

III.4.5. Project 15

III.4.5.1. Background

This project was funded out of the DTIF-2 fund.

III.4.5.2. Step 1 (Application Form)

The Applicant affirmed that no corruption was involved in the project. The Applicant stated that it was not on any black list or EL, such as the WBBL. The Applicant was familiar with the Dutch government's RBC policy and its supply chain responsibility. The Applicant did not mention whether an ESIA or an ESMP had been conducted or made for the project. No relocation would be involved in the project. The project would be executed in accordance with ISO 14001, VCA and OSHAS 18000 certification or higher.

III.4.5.3. Step 2 (Screening)

Although the transaction value did not meet the DTIF-2 threshold of €10 mln, a social and environmental DD was required.

III.4.5.4. Step 3 (Project Definition and Classification)

ATRADIUS DSB classified the project as category C, because it expected no or few social and environmental negative impacts.

III.4.5.5. Step 4 (Due Diligence (DD))

ATRADIUS DSB found that the Applicant's RBC reputation was good. The Partner had a good reputation as well.

III.4.5.6. Step 5 (Decision)

The insurance was awarded.

III.4.5.7. Step 6 (Tracking or Monitoring)

No tracking or monitoring documents were acknowledged.

III.4.5.8. Conclusion of the project

ATRADIUS DSB's RBC framework was followed during this project.

Table III.7 –Project's compliance with ATRADIUS DSB's RBC framework

<u>6 Steps</u>	<u>Project 15</u>
Application	Application Form
Screening	Due diligence required
Project definition and classification	C
Due diligence	Acceptable risks
Decision	Insurance awarded
Tracking or monitoring	Unknown

III.5. ATRADIUS DSB Concluding remarks

ATRADIUS DSB followed its RBC framework in the reviewed projects. As part of applying the RBC framework, ATRADIUS DSB encouraged some applicants to change the parameters of their projects. E.g. in regard of one application for an insurance, it was noted that the Applicant's activities inevitably could expose its employees to health and safety risks. To mitigate these risks, the Applicant agreed to take mitigating measures by adopting in various new policies and handbooks, which also included paragraphs on equal treatment and gender discrimination. In another project, the Applicant agreed to have an external consultant re-assess the Applicant's compliance with international RBC standards. Also the Applicant accepted Technical Assistance in accordance with the ATRADIUS DSB RBC standards covering many health and safety issues.

Annex IV. Supporting evidence from additional PS instruments managed by RVO

IV.1. DRIVE

To be eligible for a DRIVE⁸³ subsidy or DRIVE financing, the application must – among others – be accompanied by an ESIA in accordance with the IFPCS, in the case of A or B projects as referred to in these standards. Furthermore, the applicant should not be mentioned in the WBBL or should not contain any activities that are listed in the FMO EL. DRIVE does not fund activities listed in the FMO EL. The procedure comprises a quick scan form, to be filled out by the applicant, an intake conversation and the submission by the applicant of its application form.

The RBC assessment is an integral part of the grant application. Applicants must comply with the OECD Guidelines. Under the OECD Guidelines, companies are required to take their chain responsibility seriously. To this end, they have to perform a risk analysis in accordance with the OECD Guidelines with regard to tendering and purchasing services and products of the activity to be financed, i.e. an analysis of the chains of services and products required for the manufacture of the end product. Applicants must also have a good reputation in the field of RBC. This should be apparent from an established RBC policy by the applicant. The RBC policy must be based on the OECD Guidelines, and possibly certified according to ISO 26000 or another provider of sustainable reporting methods. The application should indicate how the RBC policy is put into practice and who is responsible for it.

With regard to the project, the information provided for the RBC assessment is assessed in accordance with the laws and regulations applicable in the relevant DRIVE country and according to the IFPCS.

Based on the risk analysis, a plan must be drawn up for high-risk projects in order to prevent or mitigate possible negative effects and to optimise positive effects. Agreed RBC measures are part of the subsidy grant. The applicant will implement the measures proposed in this plan and report on this to the implementing organisation, i.e. RVO.

DRIVE Project proposals are also assessed based on whether the project is sustainable in the broadest sense of the word, meaning that the project is technically, institutionally, financially, legally, socially and ecologically sustainable and resistant to the effects of climate change. Attention is also paid to local content and the sustainable transfer of knowledge and skills, whereby there must be sufficient commitment and capacity from the parties involved, or a plan of action to bring this up to level. The use of fossil fuels is excluded if less polluting alternatives are also available in the local situation.

⁸³ Besluit vaststelling beleidsregels subsidieverlening (financiering ontwikkelingsrelevante infrastructuurprojecten in ontwikkelingslanden (DRIVE)) [Decision of the Minister for Foreign Trade and Development Cooperation of 3 June 2015, no. MINBUZA-2015.284090, establishing policy rules for granting subsidies with a view to financing development-relevant infrastructure projects in developing countries (DRIVE)] available online at: <https://wetten.overheid.nl/BWBR0036675/2017-09-13>. The PS instrument ORIO is not included in the analysis because it was replaced by DRIVE. The same applies for PSOM because it was replaced by the PSI. These are old and replaced instruments.

A special notification obligation is linked to the award of contract and ultimately financing. The recipient of the financing must ensure that the project partners and the first substantial supplier do not use child labour and/or forced labour, neither for the project to which the application relates nor for other activities. The recipient must immediately report any facts or circumstances that indicate child or forced labour in these companies to the implementing organisation, i.e. RVO.

Qualitative monitoring of project compliance is also undertaken. Supervision in this context includes: supervision of the implementation, quality control of the implementation and progress control of the implementation of the project, including environmental and social requirements. The applicant must therefore demonstrate that there is qualitative supervision of compliance with the project. Supervision is preferably carried out by an independent third party.

IV.2. FDOV

FDOV⁸⁴ applicants are given the opportunity to be informed about RBC at various times. First, a kick off meeting is organised in which developments in the field of RBC are explained and the importance of RBC is underlined to the applicants. In addition, applicants have the possibility to have an intake interview with a PA. During this interview, applicants will be informed and advised about RBC themes. During an intake interview, it is indicated that RBC conditions should be incorporated in the project and that the OECD Guidelines serve as a basis. Finally, before entering the next phase, applicants will be given the opportunity to attend a workshop in which new developments relating to RBC are discussed.

In the first phase of the project assessment, the applicant and local partner should declare that they are familiar with the OECD Guidelines, the ILO Declaration and the CBD and that they will act accordingly. Furthermore, the applicant and partners also declare that they have read the FMO EL and do not undertake any activities that are appointed herein. If one of the partners does not sign in, the application will be disqualified. If the proposal is a sector which is mentioned in the FMO EL, this will lead automatically to rejection. The applicant and partners are tested on RBC reputation. If one of the partners has no good reputation in RBC, this will be investigated further. Any project is assessed based on the following criteria:

Intervention strategy:

- The extent to which the project is driven and focused on provision in local basic needs.
- The extent to which the project proposal makes clear how, in concrete terms and measures, attention is given to vulnerable groups in society. In the selection of technology, a balanced choice has been made of various options, considering the interests of the environment and in consultation with the target group, also specifically women.

⁸⁴ IMVO kader FDOV, available online at: <https://english.rvo.nl/file/imvo-kader-fdovpdf>.

- The extent to which the project guarantees good working conditions, environmental measures, work for women (including female entrepreneurs).
- The extent to which the project pays attention to the structural embedding of training/capacity building of, among others, the local private sector, such that the service/product can continue to exist after the end of the project period.

Environment and Climate:

- The extent to which the project proposal contains an analysis of the impact of the project on the environment (in particular water and soil) and the direct environment of the target group (e.g. by means of an EIA). The project has a positive impact on the environment, but it should certainly not have a negative impact on this.
- The extent to which the project uses sustainable techniques.

Durability:

- The extent to which the project proposal makes clear how in concrete terms and measures attention is given to vulnerable groups in society. In the selection of technology, a balanced choice has been made of various options, considering the interests of the environment and in consultation with the target group, also specifically women.
- The extent to which the project guarantees good working conditions, environmental measures, work for women (including female entrepreneurs).

In the second phase of project assessment, the FDOV proposals are assessed against the OECD Guidelines, and more specific following RBC review criteria in two assessment phases. The RBC reputation of the applicant and partners is reviewed at this stage. The RBC reputation of the applicant and partners is reviewed at this stage. The applicant is asked to: (i) indicate whether the companies in the partnership have adopted a formal RBC policy. If a company in the partnership does not have adopted a formal RBC policy, it is asked to explain how this company implements RBC requirements, including within the project. Part of the application is a description of the initiatives undertaken to integrate RBC considerations into the intended project (such as product certification); (ii) whether the companies within the partnership, the project and the suppliers in the chain make use of child labour and/or forced labour. In this assessment phase, the following specific RBC assessment criteria are assessed within FDOV:

- The project proposal should include a realistic analysis of the risks and mitigating measures. RBC aspects must be considered in the risk analysis.

The risk analysis is part of the application. This describes the social and environmental risks, mitigating measures and management of these. This RBC risk analysis is monitored for the project and the chain. If the project has a high or average risk, additional conditions may be imposed. These conditions are then recorded in the results (e.g. the execution of an EIA). If the project has a high risk, an external agency may be enabled to assess the RBC aspects. At low risk of both project and chain, no additional RBC requirements will be made in case of

project approval. In the event that the risk analysis is not complete or not all risks have been mitigated or managed, this will be attended during the verification/screening (with location visits).

- Durability is tested according to the F.I.E.T.S. principle.⁸⁵ Hence, the project must be financially, institutionally, ecologically, technically and socially sustainable. Sustainability must be reflected in the results.
- The participating company will submit an RBC policy (in accordance with OECD Guidelines) to the grant application or will prepare it in the short term.

If the assessment leads to a positive outcome, a positive decision will be made with general requirements and tangible means of verification, including RBC aspects. An obligation is included in the decision as regards the special notification obligation of the grant recipient to report facts or circumstances indicating child or forced labour in the companies of the project partners or at the first substantial supplier in the chain without delay to the implementing organisation, i.e. RVO.

In addition, an obligation is included in the decision to implement the project according to the OECD Guidelines, the ILO Declaration and the CBD.

In the monitoring and evaluation phase:

- The PA monitors the project according to the agreed results and the corresponding means of verification. In case of failure to comply with the decision or to the additional RBC requirements of FDOV, a project may be discontinued or paid in lower.
- During the project implementation, applicants will report to the implementing organisation in each annual progress report on the measures they have taken regarding their RBC risks, mitigating measures and management.
- On a regular project visit, RVO will monitor the recorded RBC requirements in the decision on the implementation of RBC aspects.
- Internal reporting and recording of project visits and RBC results.
- These choices are justified by which RVO can report on this to the DMFA. Upon observed violations RVO will inform the DMFA.
- In addition, this can be used as input for the external evaluators.

IV.3. FDW

FDW⁸⁶ applicants are given the opportunity to be informed about RBC within FDW at various times. At the start, a kick off meeting is organised in which developments in the field of RBC

⁸⁵ The F.I.E.T.S. principles in Appendix II available online at: <https://english.rvo.nl/sites/default/files/2016/05/IMVO%20kader%20FDOV.pdf>.

⁸⁶ IMVO kader Fonds Duurzaam Water (FDW), available online at: www.rvo.nl/sites/default/files/2015/08/IMVO-kader%20Fonds%20Duurzaam%20Water_0-1.pdf.

are explained and the importance of RBC is underlined to the applicants. In addition, applicants have the ability to participate in an intake interview with a PA. During this interview, applicants will be informed and advised about RBC themes. During an intake interview it is indicated that an RBC policy should be incorporated in the project according to the OECD Guidelines. Finally, applicants are given the opportunity to attend a workshop in which new developments in the field of RBC are discussed.

Applicant projects must comply at least with the rules on international corporate social responsibility (IRBC) according to the OECD Guidelines. Both the evaluation of the proposals and their implementation are assessed. The participating companies in the consortium have to submit in the application their RBC policies (in accordance with the OECD Guidelines) or show that this will be drawn up during the term of the subsidy.

Specifically, the following assessment criteria have been established in FDW with respect to RBC:

- Policy relevance: the degree to which the project contributes to sustainable and inclusive growth by improving water security and water safety in partner countries
- Durability: the degree to which the project is sustainable, including RBC requirements. Durability is tested according to the F.I.E.T.S principle: the project must be financially, institutionally, ecologically, technically and socially sustainable. This includes attention to the cross-cutting themes of gender (women), climate and environment.
- Risk, monitoring and evaluation: the project proposal should include a sound monitoring and evaluation system, including attention to sustainability. It is also necessary to specify the extent to which RBC risks are mitigated in the project. For projects with a high-risk profile, a chain analysis must also be provided.

The applicant and partners are tested on RBC reputation. If one of the partners has no good reputation in RBC, this will be investigated further. If the proposal is a sector mentioned on the FMO EL, this will lead to rejection. In the assessment phase, the applicant is asked:

- to provide a project description with attention to sustainability (F.I.E.T.S principle and requirements) and RBC in the problem analysis, intervention strategy and output/outcomes;
- give a description of how RBC is included in the project activities, including a risk assessment and mitigating measures;
- to explain the chain responsibility for 'high-risk' projects (i.e. IFCPS Risk categories A or B)

All RBC aspects that are still unclear on the basis of the application are included in the screening visits (site visits within the framework) of the project. If there is insufficient score on the sustainability component, the proposal is rejected. If the assessment leads to a positive outcome, a positive decision will be made with general requirements and tangible means of

verification, including RBC aspects. Awarding terms and conditions include the identified risks, the measures to be taken and the reporting obligation to RVO.

An obligation is included in the decision as regards the special notification of the grant recipient to report facts or circumstances indicating child or forced labour in the companies of the project partners or at the first substantial supplier in the chain without delay to RVO. In addition, an obligation is included in the decision to implement the projects according to the OECD Guidelines, the ILO Declaration and the CBD.

The PA monitors the project according to the agreed results and the corresponding means of verification. In the failure to comply with the decision, including the additional RBC requirements of FDW, a project can be halted. During the project implementation, applicants in each annual report will report to RVO on the measures they have taken regarding their RBC risks, mitigating measures and management. During the term of the subsidy, the project must be required to build periodic checks in their monitoring system and will report to RVO. In regular project visits by RVO, the RBC requirements are monitored concerning their implementation.

IV.4. DHK

Companies can express their interest in the DHK⁸⁷ scheme by telephone contact or by completing and submitting an intake form. After receiving an intake form, RVO has to contact the interested parties. In both cases, basic information on the scheme has to be provided and an appointment for an intake meeting is planned, which identifies if there are sufficient connecting points. During an intake interview the project idea is discussed in detail, an explanation is given about the arrangement and the frameworks and whether there is a match between RVO and interested parties.

During the above discussions, potential applicants should be informed by RVO about RBC. Where relevant, the OECD Guidelines and the ILO Declaration are highlighted. Applicants should be alerted to the obligation to pay good remuneration and to ensure good working conditions. The above should be discussed during intake interviews. If an intake interview indicates sufficient connecting points, the interested party has to be provided with the application forms. This allows the application to be drawn up and formally submitted. Between the time of submission of the application forms and the formal filing of the application, there will be an intensified dialogue between the applicant and RVO. During this phase, applicants have to be informed of the RBC aspects. Applicants have to be informed that these aspects form part of the assessment framework for applications. Applicants will be asked to declare that they agree with the OECD Guidelines and with the ILO Declaration. This must be done in the formal application. If an application gives reason to assume that the content is not in compliance with the OECD Guidelines, this application will be rejected.

Depending on a number of factors, an intermediate report can be requested. In some cases, the projects will be visited by RVO. An evaluation will be carried out. Projects have to be

⁸⁷ IMVO-kader Subsidieregeling voor demonstratieprojecten, haalbaarheidsstudies en kennisverwerving (DHK), available online at: www.rvo.nl/sites/default/files/2013/09/IMVO%20kader%20DHK%20def2_20130919.pdf.

monitored for appointments made concerning the RBC aspects of the agreed project. In the case of non-fulfilment of these agreements, appropriate measures may be taken, and the client will be informed of these arrangements.

IV.5 DTIF-1

The RBC assessment is an integral part of the DTIF-1⁸⁸ financing application. Applicants must comply with the OECD Guidelines. In the OECD Guidelines, companies are required to take their supply chain responsibility seriously. To this end, they will carry out a risk analysis in accordance with the OECD Guidelines, where necessary supported by RVO, with regard to the most important supply chains of the activity to be financed. This concerns an analysis of the supply chains of the most basic raw materials and semi-finished products required for the manufacture of the end product.

For the applicant's assessment, the information provided is assessed in accordance with the laws and regulations in force in the relevant DTIF-1 country. The international guidelines used for this are the IFCPS.

Based on the risk analysis, a plan must be drawn up for high-risk projects to prevent or mitigate any negative effects. Agreed RBC measures are part of the financing agreement. The applicant has to implement the measures proposed in this plan and communicate on this.

Applicants must also have a good reputation in the field of RBC. This should be apparent from a set of RBC policy established by the applicant. The RBC policy must be based on the OECD Guidelines, and possibly certified according to ISO 26000. The plan should indicate how the RBC policy is put into practice and who is responsible for it.

The extent to which the counterparty itself must be able to conduct the required DD investigations and to monitor and report on aspects relevant to development objectives and RBC also depends on the involvement of multiple parties and how the financing is structured: if a loan or guarantee is provided to a financier with a view to financing a third party, DD and monitoring can be carried out by the implementing organisation if it acts as co-financier of the same company. If RVO does not act as co-financier, the financier can perform DD, monitoring and reporting. On a case by case basis, it is assessed which party will be in charged with this responsibility

The DTIF-1 will not fund any activities that are mentioned in the FMO EL. In addition, a special notification obligation is linked to the financing. The recipient of the financing must ensure that the project partners and the first substantial supplier do not make use of child labour and/or forced labour, nor for the project to which the application relates, nor for any other activities. The recipient must immediately report any facts or circumstances that indicate child or forced labour in these companies to RVO. If that reporting obligation is not followed the DMFA can impose a fine.

⁸⁸ Besluit vaststelling beleidsregels verstrekken subsidie (onderdeel 1 Dutch Trade and Investment Fund), available online at: <https://wetten.overheid.nl/BWBR0038451/2016-09-01>.

IV.6. TF

Potential subsidy applicants have the obligation to request for a (non-binding) RBC advice (Quick Scan) prior to applying for a TF subsidy.⁸⁹ In this way, it can be prevented that unsuitable applications are worked out and submitted or intended applications can be adjusted. The advice given is not legally binding. If, despite a negative advice, the applicant nevertheless wishes to apply, there is no obstacle to this. If no Quick Scan has been submitted prior to an application, the application will be rejected. After receiving the application, a PA communicates with the interested party to discuss the results of the Quick Scan and advise on this.

In the case of a joint venture, the application is accompanied by a statement of all parties involved in the joint venture/partnership that are aware of the OECD Guidelines and the ILO Declaration, and that they will act accordingly to these guidelines.

Applicant/participants in the partnership should demonstrate in the application that:

1. The project proposal is a logical consequence of the current activities (core business) and strategy of the applicant and, in the case of a partnership, also of the other participants.
2. In the case of a partnership, this is logical and balanced, considering the relevant expertise and experience of the participants, including agreements on tasks and responsibilities and the extent to which the partners have already cooperated in the past.

The project proposal should demonstrate among other things that it has no negative implications for the environment or social conditions. The project objectives and approach should be clearly described in a project plan and in an operational plan. The project proposal should also contain a realistic risk analysis and should describe how risks are addressed. An RBC risk analysis shall make it clear in the application that the implementation of the project, will be conducted in accordance with: (i) the OECD Guidelines; (ii) The ILO Declaration; (iii) the CBD; (iv) the FMO EL. If the RBC risk analysis shows that there are risks that need to be mitigated simultaneously with the approval of the project, agreements will be made about the measures to be taken. The risks are classified in high, medium and low. With a low risk, no additional measures are required.

If the project comprises investment activities, the applicant must submit a copy of an RBC policy together with the application. If the applicant does not have adopted yet an RBC policy by the time of application, there will be an opportunity to develop one and deliver it together with the first project results. If necessary, for the assessment, the implementing organisation can independently contact the applicant and/or the other participants in the partnership and can ask them for a further explanation or visit the parties involved in the country. If the

⁸⁹ Besluit van de minister voor Buitenlandse Handel en Ontwikkelingssamenwerking van 13 juni 2013, nr. DDE-315/2013, tot vaststelling van beleidsregels en een subsidieplafond voor subsidieverlening op grond van de Subsidieregeling Ministerie van Buitenlandse Zaken 2006 in het kader van de Transitiefaciliteit, available online at: <https://zoek.officielebekendmakingen.nl/stcrt-2013-16772.html>.

implementing organisation encounters a situation that differs from the one stated in the application, it will give the applicant the opportunity to make these views known.

The implementing organisation will take a decision on the application within thirteen weeks of receiving the grant application. If the implementing organisation requests additional information, this period is suspended.

IV.7. FBK

With respect to FBK,⁹⁰ interested parties request a non-binding interview with an RVO adviser about a possible request. After the interview, a mandatory Quick Scan should be completed, and advice should be received by the RVO adviser.

In the next phase, a risk assessment is required, i.e. an analysis of the risks of the presence of child labour in the commercial chain should be performed including an analysis of internal company processes that may contribute to child labour. This can be done by interested companies or together with RVO experts in the field of child labour. At the end of this phase, an application can be submitted for a subsidy for 'Local impact research (project A) and/or Implementation (project B)'. During the 'Local impact study (project A)' and after the risk assessment, an in-depth investigation into child labour on location and in the company(s) should be started. This also includes stakeholder analysis which is conducted together with local experts and investigates which vulnerable groups are affected and which other parties and stakeholders are involved. The in-depth study also includes local field research during which it is examined if there is child labour in the production chain. Next, an investigation of the deeper causes of child labour should be conducted together with an analysis of internal business processes, which determines to what extent child labour is prevented. After completing the Local impact study (project A) activities on location should start by the interested party to tackle child labour, i.e. the 'Implementation' phase. DD processes should be adopted by the beneficiary company. These measures contain: local implementation, during which it is ensured that local measures are implemented to prevent and prevent child labour; internal implementation, internal measures within the beneficiary company are implemented to prevent and prevent child labour; local monitoring: impact of the local measures is followed and adjusted if necessary; internal monitoring, impact of the measures in the company is followed and adjusted if necessary; customers and stakeholders are informed about how company reduces the risks of child labour. At the end of this phase, a final report should be delivered in which it is indicated what it was achieved with the FBK project and how it is ensured that the measures remain effective, even after the end of the project.

⁹⁰ Stappenplan Fonds Bestrijding Kinderarbeid (FBK), available online at: www.rvo.nl/subsidies-regelingen/fonds-bestrijding-kinderarbeid/stappenplan-fonds-bestrijding-kinderarbeid-fbk#1-orientatie.

IV.8. Trade missions

Trade missions⁹¹ constitutes a well-known non-ODA-funded PS instrument. Entrepreneurs with international ambitions can participate in a trade mission conducted by the MFA and organised by RVO in collaboration with the Dutch embassy.⁹² The RBC framework for trade missions is different from the other non-ODA-funded PS instruments. Candidate companies are informed about the OECD Guidelines. The Dutch government expects candidate companies to adhere to these guidelines. The aim is to give these companies action perspective or to enter into dialogue, so that companies can actively work on improvements in their chain. In addition, the government also enters into discussions with companies that score 0 points on the Transparency Benchmark.

There are 4 phases to the preparation and execution of economic missions with regards to RBC requirements:

- **Preparation:** The preparation of an economic mission entails the drafting of a ToR for an economic mission which is submitted to RVO. Discussions are held in advance between RVO and the candidates during which it is agreed how the aspect of RBC has to be implemented. The preconditions are specified, such as the budget, co-stakeholders, milestones, etc. The desired end result and deliverables (including the RBC aspects) and a risk analysis are also included in the ToR.
- **Performance in the Netherlands:** The recruitment for the mission starts. The target groups are defined in the ToR. During this recruitment, the subject of RBC is also brought to the attention by including RBC information, for example a link to the RBC toolkit on the website. This is carried out by RVO. Sometimes a recruitment letter is sent by third parties. Then the subject of RBC will also be mentioned. Registration is always conducted by RVO. RVO sends to participating companies a start mail/letter to inform about the mission, including the RBC aspects. RVO then checks this list of participants for the score of the companies in the Transparency Benchmark. If RVO signals a 0 score at the companies, the DMEAC will act. Contact is made with the company to ask for an explanation. If appropriate, the company is offered an action perspective to act. RVO also conducts (telephone) intake interviews with participating companies on the basis of a checklist/questionnaire in preparation for matchmaking. Sometimes this is also done by third parties. RBC is part of this questionnaire to get a picture of the RBC challenge at companies. A meeting is organised to inform participating companies about the country and the mission. Specialist speakers are sought who are well-informed about the country in question and about the RBC circumstances in the country. The participants receive an information package on RBC considerations that includes a fact sheet about the OECD Guidelines and a fact sheet

⁹¹ IMVO-kader handelsmissie met bewindspersoon, available online at: www.rvo.nl/onderwerpen/internationaal-ondernemen/wegwijzer-internationaal-zakendoen/handelsmissie/soorten-handelsmissies/uitgaande-handelsmissies/voorwaarden-0.

⁹² See RVO. Available online at: www.rvo.nl/onderwerpen/internationaal-ondernemen/netwerken-en-contacten/handelsmissie/soorten-handelsmissies/uitgaande-handelsmissies.

about supply chain responsibility that occurs when a company starts doing business in the country concerned. This supply chain responsibility in the OECD Guidelines deserves explicit attention. In addition, specific RBC information is prepared by RVO for a number of countries. During the mission to one of these countries, a (digital) factsheet on RBC aspects will be sent. The candidate can delve into this in advance. The participants are also informed about the importance of RBC via a personal message. Registration for participation requires from candidate companies to declare that they agree with and will act in accordance with the OECD Guidelines. Specific attention is requested for risk analysis with regard to human rights. A week before the start of the mission, RVO publishes an overview of participating companies, knowledge institutions and organisations on the website.

- Performance abroad: RBC is part of the briefing that the embassy gives to the participants of the mission. RBC is given a relevant place in the mission programme, for example through a seminar, company or field visit.
- Evaluation: A report is drawn up after each mission and sent to the Dutch Parliament. RBC aspects are included in the report.

Table IV.1. A juxtaposition and a comparison of nine additional PS instruments concerning goals, activities and RBC steps

	RVO - ORIO	RVO - DRIVE	RVO - FDW	RVO - FDOV	RVO - TF	RVO – DHK	RVO – DTIF-1	RVO - FBK
General information: Goals	Infrastructure development	Infrastructure development	<p>Inclusive green growth by improving water safety and security</p> <p>Improving the living conditions of vulnerable groups</p> <p>Integration the theme of gender</p> <p>Initiatives are based on adequate equity and gender analysis</p>	<p>FDOV encourages public-private partnerships in the field of food security and private sector development in developing countries.</p> <p>The objectives are to improve the food security situation and to strengthen the private sector in developing countries, in the best interests of the overall population</p>	Improving the business climate in Columbia, Vietnam and South-Africa and increasing the volume of trade, investment and services by Dutch companies	Supporting demonstration studies or feasibility studies	<p>Supporting Dutch companies who want to invest in or export to foreign markets</p> <p>The fund was established to stimulate the globalisation of Dutch companies</p>	The Fund's mission is to assist those entrepreneurs who have the objective to ensure that no child labour is being used in their supply chain

<p>General information: Activities</p>	<p>Grants for public infrastructure development in developing countries</p>	<p>Subsidies and guarantees and loans</p>	<p>Subsidy (PPPs)</p>	<p>Subsidies (PPPs)</p>	<p>Subsidies for: (1) SME investments and job creation (2) New companies run by women (3) Improving environmental protection (4) Conduction an environmental study (5) Advise to SMEs (6) Research and development projects (7) Technical feasibility studies (8) Costs for industrial ownership rights (9) Research and development in the agriculture and fisheries sectors</p>	<p>Subsidies</p>	<p>Loans, guarantees and export financing</p>	<p>The Fund can support Dutch companies that intend to research the underlying causes of child labour in their production chain at the local level and to take measures locally or to take measures in their own company</p> <p>The Dutch companies have to cooperate with a local company and an NGO. The Dutch company or the NGO has to apply for the subsidy</p> <p>The subsidised research has to be</p>
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					(10) Educational support			undertaken within four years

General information: Steps	<p>Appraisal of the Application: Assessment against formal, substantive requirements</p> <p>Appraisal of the Application: Check on Criteria: Impact & Sustainability</p> <p>Development phase: Selection Letter and Round-table discussion</p> <p>Development phase: Input & output plan and declaration of IRBC</p> <p>Appraisal of the Project Plan</p> <p>Implementation phase: Implementation of the procurement plan & awarding the contract</p>	<p>Quick Scan</p> <p>Intake</p> <p>Application</p> <p>Appraisal of the Application: Assessment against formal, substantive requirements</p> <p>Appraisal of the Application: Check on Criteria: Impact & Sustainability</p> <p>Development phase: Selection Letter and Round-table discussion</p> <p>Development phase: Input & output plan and declaration of IRBC</p> <p>Appraisal of the Project Plan: E&S DD, conditions and ESAP</p>	<p>Phase 1 – Project Development Phase</p> <p>Phase 2 – Implementation</p>	<p>Project assessment phase 1</p> <p>Project assessment phase 2</p> <p>Project assessment phase 3</p> <p>Issuing decision</p> <p>Project monitoring</p> <p>Project evaluation</p>	<p>Quick Scan</p> <p>Application</p>	<p>Information</p> <p>Development and application</p> <p>Assessment and decision</p> <p>Implementation</p>	<p>Quick Scan</p> <p>Deep Scan</p> <p>Risk assessment</p> <p>DD</p> <p>RBCAP and RBC Covenant as part of contract</p> <p>Project monitoring</p> <p>Evaluation</p>	<p>Preliminary conversation after applicant submitted 'Quick Scan' of project to RVO; RVO PA will advise applicant, followed by formal application</p> <p>Evaluation of application and decision</p> <p>After the subsidy is awarded, the applicant conducts its research</p> <p>After concluding research, findings have to be implemented by the applicant</p>
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	Procurement	Implementation phase: Implementation of the procurement plan & awarding the contract, monitoring Procurement monitoring						
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