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ANNUAL REVIEW BY THE COMMISSION

of Member States' Annual Activity Reports on Export Credits in the sense of Regulation (EU) No 1233/2011

1. Introduction:

This annual review for 2019 covers officially supported export credit activities carried out in the European Union in the sense of Regulation (EU) No 1233/2011, i.e. medium- and long-term transactions with a repayment period of 2 years or more. This review covers neither short-term export credit transactions[1] nor activities carried out by certain Export Credit Agencies (ECAs) outside the field of officially supported export credit activities (such as investment insurance).

This annual review is produced by the Commission for the European Parliament on the basis of the information made available by the Member States, as provided by Regulation (EU) No 1233/2011 of the European Parliament and of the Council of 16 November 2011 on the application of certain guidelines in the field of officially supported export credits and repealing Council Decisions 2001/76 EC and 2001/77/EC[2]. This Regulation foresees in its Annex I that Member States shall make available to the Commission an Annual Activity Report in order to increase transparency at Union level. More precisely, Member States shall report on assets and liabilities, claims paid and recoveries, new commitments, exposures, premium charges and contingent liabilities that might arise from officially supported export credit activities, but also on how environmental risks, which can carry other relevant risks, are taken into account in the officially supported export credit activities of their ECAs. In turn, the Commission shall produce an annual review for the European Parliament based on this information, including an evaluation regarding the compliance of ECAs with the European Union objectives and obligations.

The Commission has taken note of the Resolution adopted on 2 July 2013 by the European Parliament on the first reporting exercise under Regulation (EU) No 1233/2011[3] and has drawn the particular attention of Member States to the recommendations contained in this Resolution, such as the recommendation to the Council Working Group on Export Credits and to the Commission to consult with the European External Action Service on further developing the reporting methodology. The Council Working Group on Export Credits and the Commission have been working on an update to the reporting methodology used by the Member States to submit Annual Activity Reports, which is referred to as checklist template. A revised and enhanced reporting methodology has been agreed and will be used in reporting starting from the 2020 calendar year.

2. Annual Activity Reports received for the 2019 calendar year:

Annual Activity Reports for the 2019 calendar year have been received from 22 Member States: Austria, Belgium, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Italy, Luxemburg, the Netherlands, Poland, Portugal, Romania, Slovenia, Slovak Republic, Spain and Sweden and the United Kingdom[4]. The 6 other Member States (Cyprus, Greece, Ireland, Latvia, Lithuania and Malta), did not submit a report as they

[1] To such transactions, the Communication of the Commission pursuant to Article 93(1) of the EC Treaty applying Articles 92 and 93 of the Treaty to short-term export-credit insurance, applies.

[2] OJ L 326, 8.12.2011, p. 45.

[3] European Parliament resolution of 2 July 2013 on the first annual report from the Commission to the European Parliament on the activities of Member States' Export Credit Agencies (2012/2320 (INI).

[4] The United Kingdom left the European Union and became a third country on 31 January 2020 at midnight (CET), when the Withdrawal agreement concluded between the European Union and the United Kingdom entered into force.

did not provide officially supported export credits in the sense of Regulation 1233/2011 during the reporting year.

For 2019, all Annual Activity Reports from the Member States were based on the checklist template (in its previous format; as mentioned above, an updated format will be used starting from the 2020 reporting). Some Member States linked the information they submitted in the checklist template to publically available reports (e.g. annual reports, policies for reviewing the environmental, social and human rights impacts of projects). It is worthwhile noting that ECAs vary in legal status and, in the case of some Member States, officially supported export credits are provided by an insurance company or a financial institution operating under a public mandate. In that case, Annual Activity Reports obviously only cover the public sector activities of such companies, which are separated from private sector activities.

3. Analysis of the Annual Activity Reports:

(a) General information:

The applicable regulatory framework (Regulation (EU) No 1233/2011) sets the general rules for export credit transactions and programmes.

In 2019, 22 EU Member States provided export credit programmes in the sense of Regulation (EU) No 1233/2011, managed by 27 different agencies (see detail in Annex, Table 2) and related government departments. The scope and type of export credit programmes provided, as well as the organisational structure for export credit operations, differ. In some Member States, the ECA is a government department or a public agency. In others, a private company (usually an insurer) acts as ECA under public mandate and government supervision. It is not uncommon for Member States offering different categories of export credit programmes to have more than one ECA e.g. one which provides guarantees and insurance (insurance products) and another one which provides financing (banking products) or to have a separate institution which provides interest make-up schemes.

As regards the types of export credit support offered by EU ECAs in the sense of Regulation (EU) No 1233/2011, the most common form remains pure cover (i.e. export credit insurance or guarantees) which was provided by all 22 Member States during the reporting period. The vast majority of Member States also offered other forms of support covered by Regulation 1233/2011 and within the scope of application of the OECD Arrangement on Officially Supported Export Credits[5], such as direct lending or financing (i.e. financing support for export credit transactions directly provided by ECAs) and re-financing (i.e. re-financing of commercial loans that supported export credit transactions provided by ECAs)[6], but also project financing and different forms of tied aid.

In general, ECAs offer a variety of different programmes to accommodate the specific needs of certain categories, in particular SMEs. It should also be noted that several Member States have developed sector-specific export credit products for example for aircraft manufacturing (including tailored products such as the Airbus unconditional guarantee), shipbuilding and rail infrastructure. This may reflect the separate sector understandings in the Arrangement on

[5] The Arrangement on Officially Supported Export Credits forms an annexe to the Regulation.

[6] Belgium, Czech Republic, Denmark, Finland, France, Germany, Hungary, Italy, Poland, Slovak Republic, Spain, Sweden and the United Kingdom.

Officially Supported Export Credits where some terms and conditions in particular repayment terms or interest rates are adapted to the specific needs of particular industries.

Generally, practices and underwriting standards are becoming increasingly alike among Member States and the Arrangement on Officially Supported Export Credits has come to encompass a growing number of issues. Nonetheless, the following differences should be borne in mind as they make it difficult to provide a fully-fledged comparison. Firstly, Member States have, within the general forms of export credit support mentioned in the previous paragraph, developed a wide variety of export credit programmes. While a particular product may be common to multiple ECAs, the terms and conditions attached to it may not be the same. Secondly, the impact of an export credit programme obviously also depends on the characteristics of the national economy and on the capacity of the private financial markets.

With these reservations in mind, the table below that lists the aggregate nominal risk exposure as of 31 December 2019 provides at least a general idea of the size of the biggest "pure cover" type export credit schemes.

Table 1. Official support in the form of pure cover in 2019 (€ millions) **Largest EU contributors according to aggregate nominal risk exposure**	
Germany	87 914
France	59 174
Italy	58 859
Sweden	27 573
Finland	25 489

As already mentioned above, EU ECAs are active in a broad range of areas beyond the scope of the reporting under the EU Regulation (EU) No 1233/2011. The latter essentially covers medium and long-term export credit activities (as defined by the Arrangement on Officially Supported Export Credits). However, many EU ECAs also offer products such as short-term export credits, letter of credit guarantees, manufacturing risk guarantees and investment insurance products. Detailed information may be found in Sections II and IV of the reporting template used for the Annual Activity Reports, as well as in the general annual reports to which many Member States explicitly refer.

Overall, the Annual Activity Reports provide relevant financial information on the export credit programmes. It should be stressed, however, that according to Regulation (EU) No 1233/2011, this reporting is done in accordance with the respective Member State's national legislative framework. This results in some differences in presentation. The Commission has no specific observations on the financial aspects of the Annual Activity Reports[7].

(b) Treatment of "environmental risks, which can carry other relevant risks":

Pursuant Paragraph 2 of Annex I of Regulation (EU) No 1233/2011 Member States in their Annual Activity Reports describe how environmental risks, which can carry other relevant risks, are taken into account in the officially supported export credit activities of their ECAs. Paragraph 2 of Annex I in Regulation (EU) No 1233/2011 mentions both environmental risks and *"other relevant risks"*. As in previous years, Member States interpret environmental and

[7] According to Annex I, paragraph 1, the present reporting process is without prejudice to the prerogatives of the Member States' institutions exercising the supervision of the national export credit programmes.

associated risks broadly, and include in their assessments not only environmental risks, but also more generally financial and social risks. To take into account such risks, reported due diligence practices include ex ante assessments and evaluation procedures, in the course of which risks are identified and appreciated and may have repercussions on transactions' eligibility for support. Risk assessment procedures are formalised in dedicated policies, which some ECAs chose to publish on their websites. Such assessment procedures usually depend on the type and the category of a given transaction, according to a principle of proportionality (i.e. the riskier and/or larger a transaction, the more intense the assessment). Assessments are in most cases conducted by external independent experts but increasingly managed by dedicated specialists within each ECA. In addition, standard due diligence practices include the design of contractual clauses and conditions, of mitigation measures linked to contractual conditions if necessary, and their monitoring over time to ensure compliance with standards and, if applicable, enforcement of mitigation measures. Member States are, on a continuous basis, re-evaluating and refining their internal processes[8].

All Member States, with one exception (Bulgaria, which is not an OECD member[9]), report compliance with the OECD Recommendation on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence (the "Common Approaches"), which is an accepted and well established assessment tool within the OECD and has a normative impact outside the OECD. Many Member States state that they apply the Common Approaches, in particular its environmental and human rights aspects, beyond the scope defined by the OECD. In addition, all Member States with one exception (Bulgaria[10]) report compliance with the OECD Recommendation on Bribery and Officially Supported Export Credits. They also report compliance with the OECD Principles and Guidelines to Promote Sustainable Lending Practices in the Provision of Official Export Credits to Low Income Countries. The adherence to the latter goes hand in hand with a close adherence to the policies of the World Bank and the International Monetary Fund as regards sustainable lending practices[11].

These three OECD Recommendations – which focus specifically on export credits – play a major but non-exclusive role. Member State policies are also informed by international standards and the broader EU acquis. References to EU objectives, standards and guidelines in the reports demonstrate that soft as well as hard law instruments are taken into account and that the spirit is as important as the letter of the law. Moreover, many Member States report complying with other international benchmarks in order to give enhanced scrutiny to an even greater share of transactions. These include of course the benchmarks referred to in the Common Approaches, namely the International Finance Corporation's Environmental and Social Performance Standards[12] (IFC Performance Standards), the World Bank Group Environmental, Health and Safety Guidelines (EHS Guidelines) and the World Bank Safeguard Policies[13], but also the United Nations (UN) Guiding Principles on Business and Human Rights[14], the OECD Guidelines for Multinational Enterprises for responsible

[8] To give but one example, Finnvera revised its environmental and social risk management policy for financing operations in 2019 and adopted updated anti-bribery and tax haven policies.
[9] Bulgaria reports that BAEZ does not apply the Common Approaches but it would be open to implement them.
[10] Bulgaria reports BAEZ does not apply the OECD Principles and Guidelines to Promote Sustainable Lending Practices in the Provision of Official Export Credits to Low Income Countries but would be open to do so.
[11] Mentioned explicitely by Belgium, Czech Republic, France, Hungary and The Netherlands but generally used.
[12] Mentioned by Finland, France, The Netherlands, Sweden and Slovak Republic, but generally applied.
[13] Mentioned by Slovak Republic and Sweden, but generally applied.
[14] Mentioned by Finland, Germany and Sweden, and more widely used by other ECAs as mentioned in other relevant documentation or websites (e.g. CESCE for Spain, KUKE for Poland).

conduct[15], the UN Convention on the Rights of the Child[16], the International Labour Organisation Declaration on Fundamental Principles and Rights at Work[17] and the Equator Principles[18]. One Member State (Austria) reports having developed an assessment methodology based on the Sustainable Development Goals of the UN and one (Sweden) refers to its adhesion to the Principles of the UN Global Compact. Moreover, some Member States make explicit references to climate change initiatives, such as the UN Framework Convention on Climate Change[19].

The Common Approaches are more and more being seen as a minimum standard. Member States increasingly cite additional policy objectives or considerations, which complement those enshrined in the Common Approaches (e.g. social sustainability and preventing tax evasion). In many areas, Member States apply their own additional measures in order to ensure that export credit support is only available to transactions that meet a strict set of standards, and that can be linked to national legislation. To provide but one example, in the past years, several ECAs have taken specific decisions when it comes to climate protection, that include an explicit end of export credit support to coal-fired power plants[20]. Policy convergence in the EU is demonstrated by the fact that the EU submitted a proposal to the Participants to the OECD Arrangement on Officially Supported Export Credits in April 2021 to immediately end provision of officially supported export credits and tied aid for the coal-fired power sector. Member States also mention their ongoing commitment to improving and developing existing disciplines.

(c) Other information contained in the Annual Activity Reports

The majority of ECAs have a Corporate Social Responsibility policy[21] that typically involves not only internal efforts but also close dialogue with the clients of the ECA. In this context, ECAs are increasingly evaluating their own practices and developing plans to reduce their own environmental impact (travel policies etc.[22]). When the ECA is a private company, it usually has a single policy throughout its activities (public and private) and these are not distinguished in the sustainability reports or in the policies published.

Transparency is a vital issue: Member States are careful to ensure that ECAs operate as transparently as possible while respecting the confidentiality that may be necessary for commercial transactions. Pursuant to the Common Approaches[23], the harmonised procedure across EU ECAs is the public disclosure of detailed information (including Environmental and Social Impact Assessment reports) for projects that could have the potential to have

[15] Mentioned by Finland, The Netherlands and Sweden, and more widely used by other ECAs as mentioned in other relevant documentation or websites (e.g. CESCE for Spain, KUKE for Poland).
[16] Mentioned by Sweden.
[17] Mentioned by Finland and The Netherlands
[18] Mentioned by Sweden and The United Kingdom.
[19] Mentioned by Finland.
[20] In 2019, France and the Netherlands had already such policy in place. Other EU countries took similar steps.
[21] This is stressed in the reports by Belgium, Denmark, Estonia, Italy, The Netherlands and Slovenia.
[22] Among others, Credendo, Finnvera and SACE estimate their own carbon footprint and have some plan to reduce it.
[23] As defined by Annex III of the Common Approaches, projects are classified in different categories: Category A and B projects have the potential to have adverse environmental and/or social impacts. For Category A projects, pursuant the Common Approaches, ECAs can commit to support them only after a 30 days period of ex ante publication of relevant information. In addition, information is published ex post for all supported Category A and B projects. Note that disclosure of information may be waived for exceptional reasons. Member States also report on the supported Category A and B projects in their Annual Activity Reports.

adverse environmental or social impacts because of their characteristics. Member States may go further by disclosing further information on specific transactions or on their assessment procedures (with some exceptions, in general, EU ECAs publish a great amount of information translated in English on their websites).

(d) Compliance of ECAs with Union objectives and obligations:

In order to ensure transparency at the EU level, Member States are obliged under Regulation (EU) No 1233/2011 to make available to the Commission an Annual Activity Report, reporting in line with their national legislative framework certain financial and operational information on their export credit activities, which also includes information on how environmental risks are addressed.

According to Paragraph 3 of Annex I *"the Commission shall produce an annual review for the European Parliament based on this information, including an evaluation regarding the compliance of ECAs with Union objectives and obligations"*.

The Treaty on the European Union (TEU) enumerates the general objectives of the Union in its Article 3[24] and the principles and objectives of the Union's External Action in its Article 21.

As regards the EU's common commercial policy, reference to the principles and objectives of the Union's external action is made in Article 206 and in the first paragraph of Article 207 of the Treaty on the Functioning of the European Union.

All reporting Member States provide evidence of having established policies to accompany the management of their export credit programmes that are in line with the EU's objectives. The export credit-specific policy recommendations developed in the OECD – the only international organisation to have developed specialised rules for this policy area so far – are in common use, and in most cases the activities of Member States go beyond this level.

In order to deepen the ability of the Commission to further assess Member States' activities, the Commission, in collaboration with the European External Action Service and in consultation with several stakeholders, has proposed to Member States to extend the scope and the level of detail of the information to be included in the Annual Activity Reports. A revised and extended template for the reporting exercise has been developed and will be used by the Member States starting from the 2020 calendar year.

The European Parliament has called upon the Commission for a statement on whether Member States comply with Union objectives and obligations; the European Commission has performed its annual review in accordance with Annex I. As such the Commission's review is based on the Annual Activity Reports submitted by Member States, and cannot be considered exhaustive. Nonetheless, the Commission considers that the available information provides strong evidence that ECAs are in compliance with Articles 3 and 21 TEU and does not provide evidence of non-compliance by any Member State. Of course, the European

[24]Inter alia according to Article 3 paragraph 5 TEU, in its relations with the wider world the *Union "shall contribute to […] the sustainable development of the Earth, solidarity and mutual respect among peoples, free and fair trade, eradication of poverty and the protection of human rights, in particular the rights of the child, as well as to the strict observance and the development of international law, including respect for the principles of the United Nations Charter"*.

institutions may wish to set themselves jointly more ambitious political targets. The Commission stands ready to facilitate and promote an inter-institutional dialogue in this regard but must in the meantime perform its evaluation in accordance with Paragraph 3 of Annex I.

As regards compliance with international obligations and obligations under EU competition law, there have been no disputes at WTO level involving European export credit programmes during the reporting period. No complaints concerning potential infringements of EU law involving ECAs were received by the European Commission in 2019.