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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 the year 2022 on officially supported export credit activities is produced pursuant to 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. It covers officially supported export credit activities carried out by the export credit agencies (ECAs) of the Member States and it is based on the information provided by the Member States in the Annual Activity Reports they make available to the Commission, also pursuant to the Regulation. The reports follow a standardised template (also referred to as "checklist template") which has been reviewed and enriched over time. The template Member States used for their reports for 2022 was applicable since the reporting year 2020, and included additional detail with regard to human rights, climate and environmental protection relative to the previous version. A new version of the template is applicable starting from the 2023 reporting year, and will allow for a sector-by-sector climate-oriented review of officially supported export credits activities.

2. Annual Activity Reports received for the 2022 calendar year:

Twenty Member States provided officially supported export credits in 2022 within the scope of application of the Arrangement on Officially Supported Export Credits: Austria, Belgium, Croatia, Czechia, Denmark, Estonia, Finland, France, Germany, Hungary, Italy, Luxemburg, the Netherlands, Poland, Portugal, Romania, Slovenia, Slovakia, Spain and Sweden. All submitted an Annual Activity Report for the year 2022.

The remaining Member States - Bulgaria, Cyprus, Greece, Ireland, Latvia, Lithuania and Malta – confirmed that they did not provide officially supported export credits during the reporting year.

3. Analysis of the Annual Activity Reports:

(a) General information:

In 2022, the twenty Member States that provided officially supported export credits all provided pure cover, meaning export credits in the form of guarantees and/or insurance products. Of these, thirteen Member States (Belgium, Croatia, Czechia, Denmark, Finland, France, Germany, Hungary, Italy, Poland, Slovakia, Spain and Sweden) were also providers of official financing support, meaning direct financing, re-financing of commercial loans for export transactions or interest rate support. A small number of Member States (Austria, Hungary, Portugal, Poland, Spain) report being providers of tied aid, a form of export credits with a concessional element, regulated in the context of the OECD Arrangement.

The Arrangement on Officially Supported Export Credits and the OECD Recommendations on how to address risks associated with officially supported export credits ensure harmonisation of practices throughout the EU. Within this framework, however, governments design their own policies. Most ECAs have additional rules to those from the OECD guidelines, such as on national and local content, and stronger standards in place, including to reflect their own national policies and international commitments, in particular on climate protection. Some ECAs choose to offer programmes tailored to particular sectors or particular objectives. This may reflect the specificities of separate sector understandings in the Arrangement, co-insurance structures, or strategic orientations.

The organisational structure of ECAs and the governance for offering coverage differs in the EU. Officially supported export credits are managed by more than twenty-six bodies across the Member States, either public agencies or private companies operating under a public mandate and government supervision. They are listed in Annex 1. Member States providing

both cover and finance usually have a separate, dedicated institution dealing with the latter, sometimes called an EXIM (for export-import) bank.

(b) Volume of official support:

Annual Activity Reports provide relevant financial information on official support provided by ECAs, in accordance with Member States' respective national legislative frameworks and organisational structure. The Commission has no observations on the financial aspects of the 2022 Annual Activity Reports.

For official support in the form of pure cover, the table below lists reported aggregate nominal risk exposure as of 31 December 2022 for the largest providers in the EU:

Table 1. Official support in the form of pure cover in 2022 (EUR billion) **Largest EU contributors according to aggregate nominal risk exposure**	
Total pure cover exposure in the EU	*350*
Germany	83
Italy	72
France	66
Sweden	38
Netherlands	28

For official financing support, the table below lists the reported nominal value of the officially supported loan portfolio as of 31 December 2022 for the larger providers in the EU:

Table 2. Official support in the form of official financing support in 2022 (EUR billion) **Largest EU contributors according to nominal value of officially supported loan portfolio**	
Total loan portfolio in the EU	*92*
Italy	38
Germany	16
France	15
Sweden	8
Finland	8

Note: The figures in Tables 1 and 2, those should not be cumulated. Not only is the nature of the instrument different, the same Member State may support the same export transaction with both direct financing and pure cover.

(c) Treatment of environmental risks:

The OECD Recommendation on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence sets common principles for undertaking environmental and social due diligence. All EU Member States adhere to the Recommendation, under which they identify and address the potential impacts and risks associated with applications for official support. This recommendation relies on well-established standards such as the International Finance Corporation’s Environmental and Social Performance Standards, the World Bank Group’s Environmental, Health and Safety Guidelines, the World Bank Safeguard Policies and the World Bank Environmental and Social Standards. The Recommendation covers key environmental issues, such as air emissions, including greenhouse gas emissions, resource efficiency, waste management, noise and vibrations, hazardous material management, impacts on ecosystems, protection of biodiversity, and the significant use of natural resources. It also includes requirements for

emergency preparedness and response, so that project owners are able to respond to accidents and emergency situations in an appropriate manner to prevent and mitigate environmental impacts.

EU ECAs due diligence policies and risk assessment procedures are, to a large extent, based on the Recommendation, even if it plays a non-exclusive role and policies are informed by other standards and the EU acquis. All Member States providing officially supported export credits report compliance with the environmental dimension of the Recommendation, and that it is an integral part of their due diligence and risk management systems and of their decision-making process. Ex ante assessment procedures depend on the type, the size and the category of a given application for officially supported export credit. Risks are identified, classified and evaluated, and may have repercussions on eligibility for support. All EU ECAs confirmed they screened all applications for officially supported export credits with the aim to identify whether an environmental review should be carried out.

Pursuant to the Recommendation, ECAs are required to classify those applications, depending on the potential negative environmental impact, into three risk categories: high (Category A), medium (Category B) or low (Category C). Many Member States report that they apply the Recommendation more broadly than its scope of application. This includes classifying all transactions, including those in which they support a share with a value below SDR 10 million, which would in principle not be captured in the screening phase. Member States report that an Environmental and Social Impact Assessment (ESIA) was carried out in accordance with Article 18 of the Recommendation for all Category A applications for which an ECA made a final commitment. For Category B applications, Member States report that applicants always provided sufficient information on the relevant environmental impacts of the project in accordance with Article 19 of the Recommendation. Before taking a decision to provide support for Category A or B projects, ECAs reported that they always evaluated the information resulting from the screening and review of the transactions. Relevant information was received through ESIA reports, but also gathered thanks to ECAs' application forms and questionnaires, desk research, site visits, research carried out by external consultants and direct contacts with the applicants.

Member States did not report situations of permanent non-compliance, though minor non-compliance can occur, such as missed deadlines to submit information or reports. Situations of non-compliance are resolved in coordination with projects' sponsors, by designing correcting actions and mitigation measures monitored over time, or by withdrawing support or refuse indemnification. One ECA reported having faced situations of deviations from agreed actions and international standards during the monitoring phase of certain transactions and how it put in place measures on a case-by-case basis.

(d) Consideration of climate change objectives:

In 2022, most Member States had adopted a specific climate policy applying to their ECA, in addition to applying the sectoral climate-related rules from the OECD Arrangement.

The Council of the European Union expressed on 15 March 2022 in its conclusions on export credits the intention by the Member States to determine by the end of 2023 in their national policies their own science-based deadlines for ending officially supported export credits to fossil fuel energy sector projects, unless in limited and clearly defined circumstances that are consistent with a 1.5°C warming limit and the goals of the Paris Agreement. As such, all Member States have or are considering adopting new or updated climate-related policies for their officially supported export credits activities. A new reporting template for Annual Activity Reports, applicable starting for the 2023 reporting year, will allow the Commission to collect detailed information on the national climate-related policies applying to EU ECAs

and to report on those policies in the context of the next Commission annual review, which will cover the 2023 reporting year.

(e) Social and human rights due diligence:

In addition to its environmental dimension, the OECD Recommendation on Common Approaches has, since 2012, set out principles for undertaking social due diligence. It covers key potential project-related social impacts including on labour and working conditions (e.g. fair treatment, discrimination, freedom of association, collective bargaining, workers' accommodation), community health, safety and security (e.g. community exposure to disease, use of security personnel), land acquisition and involuntary resettlement (e.g. physical displacement, economic displacement), adequate engagement with affected communities (e.g. informed consultation and participation process, grievance mechanism), indigenous peoples (e.g. free, prior and informed consent process), cultural heritage. It also covers key project-related human rights impacts, including forced labour, child labour, gender issues and life-threatening occupational health and safety situations. Particular attention is paid to vulnerable groups.

The reported due diligence practices of EU ECAs are similar to those for environmental risks. All twenty reporting Member States providing official support indicate compliance with the social and human rights dimension of the OECD Recommendation on Common Approaches, and that it forms an integral part of their decision-making, due diligence, and risk management systems. All confirmed they have screened all applications with the aim to identify whether a social and human rights review should be carried out. They reported that an ESIA was carried out for all Category A applications. For Category B applications, they reported that applicants always provided sufficient information to address the relevant impacts of the project. Before taking a decision to provide official support for Category A or B projects having a potential adverse social and human rights impact, Member States report that their ECAs always evaluated the information resulting from screening and review, similarly as for environmental risks.

Member States did not report situations of permanent non-compliance in 2022 in their social and human rights due diligence processes. One ECA reported having faced situations of deviations from agreed actions and international standards during the monitoring phase of certain transactions and having put in place measures on a case-by-case basis.

Not all EU ECAs yet had a participative consultation process or a grievance mechanism for affected communities, though most have one in place. This does not mean no consultation exists, as project sponsors can be requested to put mechanisms in place regardless of ECA involvement, but it is an area for improvement. The Member States that have a grievance mechanism in place at the level of their ECA did not report to the Commission any complaint in their Annual Activity Reports for 2022.

(f) Anti-bribery measures:

All Member States providing officially supported export credits report compliance with the OECD Recommendation on Bribery and Officially Supported Export Credits. This recommendation contains measures for screening, carrying out due diligence, evaluating and deciding on eligibility for support with the aim of deterring bribery in officially supported export credits. In particular, this means verifying that parties involved in transactions are not listed in the debarment lists of the Multilateral Financial Institutions.

(g) Sustainable lending practices:

All Member States providing officially supported export credits report compliance with the OECD Recommendation on Sustainable Lending Practices and Officially Supported Export Credits. The Recommendation seeks to ensure that financing of development needs of lower income countries is mobilised without those countries building-up excessive debt in the future. The adherence to the Recommendation goes hand in hand with a close adherence to the policies of the World Bank and the International Monetary Fund (IMF) on debt limits conditionality for non-concessional borrowing, and as regards sustainable lending. Under the Recommendation, adherents have also agreed to important transparency measures that include information to the World Bank and the IMF. In most cases, debt sustainability assessments are part of overall country risk assessments that affect ECAs country cover policies.

(h) Other information contained in the Annual Activity Reports:

Member States report taking care to ensure that ECAs operate as transparently as possible while respecting confidentiality for business sensitive information. Pursuant to the OECD Recommendation on Common Approaches, the harmonised procedure across the EU is public disclosure of detailed information for projects that have potential for adverse environmental or social impacts. ECAs always disclosed all information required pursuant Articles 39 and 41 of the Recommendation, that is to say relevant ex ante information for Category A projects, including ESIAs, and ex post information for all supported Category A and B projects, through dedicated pages on their websites referenced in Annex 2.

Many EU ECAs have a corporate social responsibility policy 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 including estimations of carbon footprint.

4. Compliance of ECAs with Union objectives and obligations:

Article 3 of the Treaty on the European Union (TEU) enumerates the general objectives of the European Union; Article 21 sets out the principles and objectives of the Union's External Action. According to Article 3 paragraph 5 TEU, in its relations with the wider world the European 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". 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.

The European Parliament has called upon the Commission for a statement on whether Member States, when providing officially supported export credits, comply with EU objectives and obligations. The Commission has performed its annual review in accordance with Regulation (EU) No 1233/2011. As such the Commission's review is based on Annual Activity Reports submitted by Member States and cannot be considered exhaustive.

The Commission considers that the available information provides evidence that officially supported export credits activities in the EU comply with Articles 3 and 21 TEU. The OECD recommendations provide a framework for the management of Member States' export credit programmes. Member States also establish their own policies based on those recommendations and in line with EU objectives. As regards compliance with international obligations and those under EU competition law, there have been no disputes at the World Trade Organisation regarding the export credit activities of an EU Member State for 2022 and

the Commission has not received any complaint concerning potential infringements of EU regulation involving EU ECAs.