



Environmental & Human Rights Due Diligence Procedure

Adopted: August 29th, 2013

This Procedure is divided in two sections:

Section A describes the standard environmental and human rights due diligence procedure

Section B covers special topics that may require considerations that differ somewhat from the standard procedure – such as:

1. Existing operations
2. Mobile units (such as ships with no fixed operational location)
3. “Small transactions”
4. Associated facilities
5. Lines of credit and other long-term transactions with no fixed location
6. Short-term transactions
7. Supply chain

Section A: The Standard Procedure

GIEK’s due diligence process is based on the requirements of the OECD Common Approaches on Environmental and Social Due Diligence (2012)¹, and the UN Guiding Principles on Business and Human Rights², and includes the following elements;

- 1) **Identifying** actual or potential environmental and human rights impacts.³
- 2) **Assessing** actual or potential negative impacts.
- 3) **Acting** to seek to prevent, mitigate and remediate those impacts through the appropriate exercise of leverage.
- 4) **Accounting** for how those impacts are addressed through follow-up and monitoring.
- 5) **Communication with and disclosure** to relevant stakeholders on the management of impacts.

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<http://search.oecd.org/officialdocuments/displaydocumentpdf/?cote=TAD/ECG%282012%295&doclanguage=en>

² http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

³ This Procedure applies to the assessment of environmental and social, including human rights, impacts. While this Procedure pays particular attention to identifying and addressing human rights impacts, the use of the term "human rights impacts" throughout the document is not intended to exclude the need to identify and address other social impacts.

1. Identifying actual or potential environmental and human rights impacts

All applications to GIEK, including applications below 10 million SDR, state-sponsored projects, applications related to mobile units, and applications for deliveries to existing operations undergo a screening, so as to identify actual or potential negative environmental and human rights impacts on the project or transaction level. The screening is based on information collected from the exporter in the form of relevant Environmental and Human Rights Questionnaires. These are required to be submitted by the exporter at the time of application. All applications receive a classification based on the actual or potential impacts. The aim is to identify applications where the actual or potential negative impact(s) on the environment and/or human rights need to be further assessed. The classification is based on the information gathered in the initial risk identification process.

We operate with three risk levels; namely, A, B and C. The level of risk is based on the likelihood and severity of impact(s) on the environment or individuals affected by the project in question; “A” being the highest level of risk or negative impact and “C” the lowest.

Category A applications (high risk): The potential environmental and/or human rights impacts in such a case may extend beyond the geographical area covered by the physical site and may be irreversible in nature. The OECD provides a list of examples of projects that should be classified in risk category A.⁴ It should however be noted that the list is intended to be illustrative and is therefore non exhaustive. In particular, there may be impacts related to serious human rights issues which are not reflected in the types of projects contained in the list.

Category B applications (medium risk): This category covers applications with a lower risk than an A project. The impacts are often limited to the site itself, will be generally few in number, and will generally be reversible.

Category C applications (low risk): Category C covers applications that are expected to entail minimal environmental and human rights risk or impact.

2. Assessing actual or potential negative impacts

As a general rule, further information and documentation will be required for all applications classified as A and B, and in most cases also for C projects, albeit to a lesser degree.

⁴ See: Annex 1;

<http://search.oecd.org/officialdocuments/displaydocumentpdf/?cote=TAD/ECG%282012%295&doclanguage=en>

The applicant is primarily responsible for providing all information regarding actual and potential negative impacts of the project and its associated facilities, however GIEK may provide assistance if this proves challenging to the applicant.⁵

In order to complete its assessment, GIEK may require, inter alia: that an Environmental and Social Impact Assessment (ESIA) be developed, that an existing ESIA be revised or updated, that an appropriate third party consultant conduct a review of management systems or provide views on specific environmental or human rights or labour issues, that GIEKs experts conduct a project specific site visit, or other such actions be taken so as to obtain a sufficient and appropriate level of information to assess the actual or potential impacts of the project.

It should be noted that all category A, (and some category B projects) are required to have an ESIA and a site visit performed by qualified experts. The scope and level of detail of an ESIA should be commensurate with the project's potential impacts and risks. Annex II to the OECD's guidelines contains a summary of the minimum content that is to be included in an ESIA.⁶ The most important aspect of an ESIA is that the data is of sufficient quality to give a clear and accurate description of the actual and potential impacts of a project, and that it assess various alternative solutions or approaches to prevent, mitigate and remediate the identified impacts. An ESIA must make clear recommendations, in the form of an Environmental and Social Management Plan (ESMP), as to how the negative impacts can best be prevented or mitigated and how these measures are to be implemented. The ESIA must be produced by an independent party and conducted through a transparent stakeholder engagement process in which all the affected parties are included.⁷

Where relevant, information related to an assessment of potential risks in the supply chain is also part of the GIEK due diligence process with particular focus on; (1) contractors and sub-contractors carrying out physical works on a project, and (2) conditions at production facilities supplying certain main inputs to be sourced for a product supported by GIEK, such as a hull to a ship. Moreover, Norwegian exporters which source parts or equipment from abroad, or which have production sites abroad, will be requested to demonstrate awareness and management of potential risks with respect to labour and working conditions at these sites. See also Section B, "Supply Chain".

⁵ For examples of business-related human rights impacts, clients can look at: "Human Rights Translated: A Business Reference Guide" published by the UN Office of the High Commissioner for Human Rights and the UN Global Compact:

http://www2.ohchr.org/english/issues/globalization/business/docs/Human_Rights_Translated_web.pdf.

⁶ See;

<http://search.oecd.org/officialdocuments/displaydocumentpdf/?cote=TAD/ECG%282012%295&doclanguage=en>

⁷ For examples of good practices with respect to stakeholder engagement see the IFC's Good Practice Handbook for Companies Doing Business in Emerging Markets;

http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/publications/publications_handbook_stakeholderengagement_wci_1319577185063

International Standards: ESIA's and other documentation will be benchmarked, at a minimum, against the IFC Performance Standards (2012) and the World Bank Group's Environmental Health and Safety Guidelines (EHS Guidelines).

Application of these standards by GIEK will take into account various aspects of a project, such as the size of the project, the context of the operations, and the extent (based on the likelihood and severity) of potential negative impacts. In determining potential action to be taken by GIEK, GIEK's ability to exert leverage, for example as a result of the significance of GIEK's share in the overall project, will be particularly relevant. Regardless of these considerations, it is a minimum requirement for support to any identified project that the application document the existence of management systems in accordance with IFC PS, as well as the acquisition of all relevant domestic permits and approvals. See Section B for further information.

With respect to human rights in particular, it is GIEK's view that robust implementation of the IFC Performance Standards covers in substance the majority of relevant project-related human rights impacts. However, in order to address any potential gaps in practice, GIEK's due diligence process will take into consideration all internationally-recognized human rights⁸, as well as impacts on those rights occurring throughout relevant business relationships, in a manner that is consistent with the UN Guiding Principles on Business and Human Rights.

General geographical considerations: There is an awareness that financial institutions signatory to the Equator Principles make a distinction between projects located in certain "designated countries", such as those that are High Income OECD, and as such do not assess these projects against international standards. This practice does not apply to the OECD rules governing export credit and environmental and human rights due diligence, nor to GIEK. Environmental and human rights impacts can occur anywhere; GIEK therefore treats all applications equally and as such will require the same level of information from a category A and B respectively regardless of geographical location.

It is however recognized that when undertaking a review of a project, the likelihood of impacts occurring may be less in contexts where there exists strong legislation and enforcement, rule of law, public institutions, and open and inclusive decision making processes. As such, practical consideration will be made on a case-by-case level with respect to the robustness of the review for projects located in such contexts, given submission of an appropriate level of information. Requests for additional information may also be made with respect to certain high risk regions or sectors on a case by case nature.

Consultation: Stakeholders, including affected stakeholders, are invited to familiarize themselves with the information published by GIEK about specific applications (see Section 5

⁸ A minimum authoritative list includes the International Bill of Human Rights (which is comprised of the Universal Declaration of Human Rights and the two implementing International Covenants on Civil and Political Rights and on Economic, Social and Cultural Rights) as well as the principles concerning fundamental rights in the eight ILO core conventions as set out in the Declaration on Fundamental Rights and Principles at Work.

below) and the potential impacts the project might have and submit any comments in this respect to GIEK directly, prior to a decision of granting support. Consideration of such submissions will be included in GIEK's assessment of risks and impacts. In cases where there is no publicly available information about project risks and impacts, GIEK will seek to informally consult with expert stakeholders to support its own assessment process.

Assessments by other ECAs and financial institutions:

GIEK will work with other ECAs, Multilateral Financial Institutions (MFIs), European Development Finance Institutions (EDFIs), Equator Principle banks and other lending institutions to coordinate technical work related to the environmental and social assessment of a project. In projects where other ECAs of an OECD country are involved, consideration will be made of the environmental and social review conducted by that agency, particularly in cases where the agency is taking a lead in the transaction or is providing a larger proportion of cover in the project. Although GIEK will consider the ECAs assessment, an independent review, albeit a lighter version of what is otherwise conducted, will be made. The same applies to MFIs, such as the IFC, EIB, ERBD, etc. as well as EDFI's such as Norfund, FMO, DEG, etc. Independent assessments made for Equator Principles banks or other lending institutions will also be considered, however supplementary information and studies may be required if the quality of the submitted material is not deemed satisfactory. This will be determined on a case by case basis.

3. Preventing, mitigating and remediating negative impacts and considerations of leverage

At an early stage in the processing of an application, GIEK will advise relevant parties and provide information on rules and international standards so that projects can conform to the requirements as much as possible. The aim is to have a proactive approach to projects with a possible risk of environmental and/or human rights impacts to ensure that they comply with the international standards prior to granting a guarantee policy.

Under the UN Guiding Principles on Business and Human Rights, businesses are expected to have systems in place to identify, prevent, mitigate and account for how they address their negative impacts, as well as to remediate any negative impacts which they cause or contribute to. In this remainder of this Section, the terms "prevent and mitigate" are used to cover the full range of actions expected of business enterprises under the Guiding Principles.

Additionally required actions: As a result of the assessment and benchmarking against international standards, GIEK will identify specific actions which may be needed in order to further prevent or mitigate negative impacts. The nature of the recommended actions will vary depending on the extent of the gap with relevant international standards, the likelihood and severity of the impact, as well as the leverage that GIEK or its exporter may have over entities responsible for managing the project and impacts in question.

Case specific covenants: In general, GIEK will work with exporters and project developers to cover gaps with international standards and address outstanding issues prior to granting a guarantee policy. In cases where issues cannot be resolved prior to a commitment to support, specific conditions will be included in GIEK's guarantee policy. Conditions can be linked to draw down on the loan, such as actions needed to be completed prior to first disbursement (conditions precedent) or can be of an on-going nature needing to be implemented during the life of the project, such as regular monitoring reports in relation to an ESIA (conditions subsequent). These conditions will be reflected in the loan documentation and thereby made legally enforceable (depending on the nature of the specific condition).

Standard covenants: Irrespective of case-specific covenants, certain standard covenants pertaining to environmental and human rights impacts will be included in all Cat. A and B projects, as well as category C projects where deemed relevant. **Annex 1** of this document provides examples of standard covenants which are included in a guarantee offer, and subsequently in a guarantee policy agreement. Because of the nature of the projects, a distinction is made between standard covenants for land-based projects and maritime projects. Some examples of standard covenants include; compliance with local laws, IFC Performance standards, management systems, ESIA's and other action plans, right to site visits, and requirement to notify GIEK in the event of major claims or grievances raised against the participants in the project.

Leverage: In situations where GIEK, or the applicant, has leverage over the project developer or entities that may be involved with actual or potential negative impacts, measures will be recommended to the applicant and project developer which will need to be addressed in an acceptable manner as a condition for support from GIEK. Issues which cannot be resolved prior to granting support will be incorporated as covenants, as described above. Certain standard conditions will in any case also apply.

Lack of leverage: In situations where GIEK or the applicant does not have, or where it is perceived that GIEK or the applicant does not have leverage, efforts will be made to seek to increase leverage. This can include situations such as the following; applications where the share of the total amount being covered by GIEK is insignificant, where the export delivery is a part of a much larger project, where the export delivery is not central to the project, or where the potential impacts are associated to the sub-contractor or deep supply chain level, or the developer of an associated facility. This can also apply to transactions such as bond guarantees and letters of credit.

Efforts to increase leverage can be achieved in various ways, such as, but not limited to, aligning with other ECAs, financial institutions and investors which may be involved in the project, providing incentives for potential regular clients, or employing other appropriate avenues of state communication. In the event that leverage cannot be gained, for example due to the nature of the transaction, GIEK's assessment of the likelihood and severity of the actual or potential impacts will be used to inform a management decision as to whether to

support the project or not. GIEK may decide to support a project provided sufficient assurances are given. Where it is not possible to include such assurances as covenants in the policy agreement, they may be incorporated into various other forms such as written declarations from the parties in question, or commitment to a longer-term improvement plan or strategy within the company.

Interplay between leverage and prioritization: Understanding that GIEK may not be able to exert or gain significant leverage in all cases, decisions have to be made on a case-by-case basis as to how GIEK should appropriately prioritize its efforts so as to focus limited influence on steps to prevent or mitigate the most severe impacts. Prioritization in such cases will be based on an assessment of the likelihood and severity of actual or potential impacts on the environment and/or affected individuals.

4. Accounting – follow up and monitoring

As described in Section 3 above, certain standard covenants pertaining to environmental and human rights impacts will be included in all Cat. A and B projects (see Section B for exception to this general rule), as well as category C projects where deemed relevant (see Annex 1). Some of these covenants will have relevance throughout the life of the project, such as requirements related to monitoring reports, in accordance with an ESMP (Environmental and Social Management Plan), right to site visits, and informing GIEK of significant claims or grievances against the participants in the project.

GIEK can require monitoring to be carried out by an independent third party, or require that an appropriate international supervisory consultant be involved. It can also carry out its own assessments in the form of field visits and/or through hired expertise. The frequency of monitoring will be determined on a case by case basis. It is however often linked to milestones and reporting requirements that are part of the ESMP. In general, the frequency for monitoring reports is higher during the construction period (ex. quarterly) than in the operational period (ex. bi-annually).

In specific cases where GIEK has leverage, approval of monitoring reports to demonstrate compliance with the agreed ESMP, will be tied to certain milestones. For example, approval of monitoring reports can be required prior to initial disbursements or other draw downs on the loan, as well as prior to commencement of physical works, or works on specific facilities.

Non-compliance: As with all other steps in the process, severity of the impact will be a driving factor in determining the appropriate action for GIEK to take. Policy agreements can include remediation periods for non-compliances to be rectified in an appropriate timeframe. Failure to rectify within the agreed remediation period can lead to stoppage or delay of subsequent loan disbursements when approval of monitoring reports are tied to loan disbursements. If non-compliance is not corrected, it can lead to an event of default.

Non-legally binding commitments: Not all transactions are of such a nature that GIEK is able to incorporate legally binding conditions. Follow-up and monitoring can be based on

commitments expressed in declarations, side letters, or other long-term improvement plans with defined milestones. In such cases, compliance is based more on trust than on legally enforceable mechanisms. GIEK will however take progress related to such commitments into account in further transactions and business with the parties in question. GIEK will also engage with certain key or returning clients to develop robust and sustainable systems over the long-term, rather than taking a "one-off" approach to appropriate solutions for each transaction.

5. **Communication** with and disclosure to stakeholders

As part of requirements under the Norwegian Freedom of information Act, basic information about all transaction that GIEK supports is made publically available on GIEKs website.⁹ This includes information on the buyer, seller, type of policy, type of goods, date policy was issued, country buyer and guarantee liability.

In terms of information about applications submitted to GIEK, for Cat A and B projects, environmental and social information, such as, but not limited to an ESIA, will be made public on GIEKs website at least 30 days prior to GIEK's commitment.¹⁰ In the case of Cat B projects, this also applies for cases where an ESIA exists. In cases where an ESIA does not exist for a category B project, supplementary reports and information will be provided, where available, at least 30 days prior to GIEK commitment.

GIEK aims to raise awareness about all the information it publishes through appropriate channels.

It should be noted that environmental and social information, such as ESIA's or Resettlement Action Plans (RAPs), will be published in the form submitted to GIEK. The gaps and conditions identified by GIEK needing further attention may not be reflected in the documents that are published. In the event that ESIA's are requested to be updated or revised, these too will be made public.

GIEK encourages project developers to communicate externally on how they address impact related to their projects. Information ought to be provided in a manner which is accessible to the intended audiences and of a quality which provides an accurate evaluation of responses to impacts. They are, for example, encouraged to publish ESIA's, or Executive Summaries of ESIA's, in the local language(s) of those impacted by the project. This is however not an absolute requirement in cases where it can be documented that an appropriate consultation process has been conducted with impacted communities and other affected stakeholders.¹¹

Annual Report: GIEK will also provide information annually as part of its public annual report on all category A and B applications that have become policies in the previous year. Information will also be included on other relevant developments, practices and events

⁹ See: http://www.giek.no/en/slik_gjor_vi_det/guarantees_issued

¹⁰ http://www.giek.no/om_giek/samfunnsansvar/prosjekter

¹¹ See footnote 7 above for examples of such processes.

related to environmental and social due diligence within the agency as well as within international fora.

Reporting to OECD: GIEK reports regularly on all category A and B applications to the OECD through the Norwegian Ministry of Trade and Industry. These applications may be discussed by the OECD to ensure that they conform to OECD guidelines. In addition to this, regular reporting is conducted to the OECD on GIEK's work with environmental and social issues in the form of a survey which is made public by the OECD. GIEK will also exchange information and experiences regularly with other ECAs, as well as with other countries not covered by OECD rules where it is natural to do so.

Grievances and stakeholder concerns: GIEK invites any stakeholders, particularly affected stakeholders that may have concerns about any of the projects that GIEK is involved in providing support to, to contact GIEK directly about these concerns, in addition to raising them directly with the relevant private party where appropriate. It is encouraged that such concerns be raised prior to commitment by GIEK. As outlined above, information about Cat. A and B projects will be made public on GIEK's website at least 30 days prior to commitment. Any such concerns can be addressed to Øyvind Ajer, Director of Underwriting and Deputy CEO, (oaj@giek.no) and Kamil Zabielski, Senior Social and Human Rights Specialist (kza@giek.no).

SECTION B: Special Topics

1. Existing operations:

Deliveries to existing projects are normally classified in category C unless they contribute to major changes "in output or function" of the project itself or the buyer's operations. GIEK may, however, classify such transactions in a higher class, or reject the application, if the project in question is involved with severe negative environmental or human rights impacts which cannot be mitigated. In the event that category "A" or "B" classification is determined, the corresponding standard procedure for review of such projects will follow (see: Section A).

2. Mobile units (mainly referring to the maritime and offshore sector):

Mobile units that will have operations in a fixed area for a period of more than two years, and where this specific area is known, will be regarded as units "with an identified location." In such cases, they will be assessed according to the classification the project has received (see the procedures described in Section A). Examples include, but are not limited to, drill platforms, and drilling vessels. For all other ships an assessment will be made with respect to the operational and construction phases.

With respect to the operational phase, the operator and/or ship owner will need to document appropriate management systems for the environment, health and safety, and labour and working conditions. Documentation shall be in compliance with IFC Performance

Standard 1, which in the Norwegian context is equivalent to the internal control regulation for systematic health, environmental and safety activities in enterprises (*Internkontrollforskriften*).¹² With respect to labour and working conditions on board the ship, documentation of compliance with ILO Maritime Labour Convention 2006¹³ will be requested. Relevant certifications, such as ISO 14001, will also be considered. Special attention will be given to operations in environmentally sensitive areas (ex. the arctic, RAMSAR protected areas, known migratory pathways, etc.) or operations performing possibly environmentally or socially sensitive activities (ex. drilling or seismic testing, dredging, fishing, etc.).

With respect to the construction phase, a review will be conducted of the shipyard constructing the ship, as well as the yard sourcing the hull of the ship. Documentation of appropriate management systems with respect to labor and working conditions and health and safety will be required, as well as with regard to the yard's own supply chain relationships. In situations where the yard does not have appropriate documentation or relevant certification, (ex. OHSAS 18001 and SA8000), a third party assessment may be required of the yard's management systems to assess compliance with these standards or the IFC Performance Standards.

Mobile units - geographical considerations: With respect to mobile units and maritime projects, basic information will be collected from yards constructing ships regardless of geographical locations, however focus will be placed on yards that are located in regions where GIEK has little experience or exposure, yards that are new or previously not reviewed by GIEK, and yards that are of significant importance to GIEK. Special attention will also be given to certain country, regional or sector specific issues on a case by case nature. Yards that have been reviewed and deemed acceptable by GIEK will be included in an internal approval list. Future transactions to these specific yards will not be reviewed with the same level of detail; however, the status of yards will be kept under ongoing consideration based on for example periodic reports or input from expert stakeholders, so as to keep the list updated. The list will include both yards constructing ships as well as yards producing hulls for ships.

3. "Small transactions:"

Transactions below 10 million SDR are defined as "small transactions" under the OECD guidelines.¹⁴ GIEK is not required to report on these projects to the OECD, but is required to conduct due diligence in cases where there are particular risks which may warrant this. GIEK classifies all small transactions in the same manner as other projects, but the approach for assessment and implementation of mitigating measures differs for projects considered "sensitive", and those that are not.

¹² English version; <http://www.arbeidstilsynet.no/artikkel.html?tid=78622>

¹³ For more information, see: <http://www.ilo.org/global/standards/maritime-labour-convention/lang--en/index.htm>

¹⁴ <http://search.oecd.org/officialdocuments/displaydocumentpdf/?cote=TAD/ECG%282012%295&doclanguage=en>

The due diligence process for projects defined as “not sensitive”, will be limited to identifying the leading environmental and human rights risks involved (based on their severity) and will require documentation of appropriate management systems for addressing them. The review of small transactions considered as “sensitive” is based on the requirements of the OECD Common Approaches, and will follow the standard procedures as described in Section A of this document. Determination of a sensitive project takes into consideration various factors such as the location of the project, the nature of the activities, the sector, and the potential for negative human rights impacts on particular stakeholder groups.

GIEK’s definition of “sensitive project” is: (1) projects located in or near sensitive areas (such as, but not limited to, National Parks and other protected areas identified by national or international law), sensitive locations or critical habitats of international, national or regional importance (such as the Arctic, wetlands, forests or other areas with high biodiversity value, areas covered by RAMSAR, sites that are critical for rare, vulnerable, migratory, or endangered species as defined by the IUCN Red List of Threatened Animals), areas of archaeological or cultural significance, and areas of importance for indigenous or other vulnerable groups; (2) projects with potentially sensitive activities (such as drilling, seismic testing, dredging, fishing, etc.); (3) projects within potentially sensitive sectors with a particular track-record or reputation warranting caution with respect to environmental or social issues (ex. hydro-power), and (4) projects which cannot demonstrate systems for identifying and addressing negative impacts arising from physical or economic resettlement, including negative human rights impacts on impacted communities and individuals.

4. Associated facilities

As defined by the OECD Common Approaches, associated facilities constitute part of the project. Thus, consideration of potential environmental and human rights impacts of associated facilities is part of GIEK’s assessment. Associated facilities can be defined as facilities that are not funded as part of the project and that would not have been constructed or expanded if the project did not exist and without which the project would not be viable. Examples include, but are not limited to the establishment of; access roads, transmission lines, pipelines, captive power plants, utilities, warehouses, and logistics terminals.

5. Lines of credit and other long-term transactions with no fixed location.

With respect to lines of credit to a particular company or long-term transactions (> 2 years) within no fixed location, the general approach will be to conduct a review on the corporate level of the robustness of the company’s policies and management systems with respect to its environmental and human rights impacts. Efforts will be made to determine the particular deliveries to be utilized under the line of credit, and moreover to identify situations where deliveries will be made to a specific project or fixed location. In these cases, classification and assessment will be conducted as for any other application, as described in Section A. In situations where there is no defined project or fixed location, or where the

destination of the deliveries is unknown, review will be limited to corporate policies and management systems, as well as the identification of any country, regional, or sector specific risks that may need additional attention and follow-up.

6. Short-term transactions (< 2 years)

For short-term products (< 2 years), such as bond guarantees, or letters of credit, a different approach will be taken so as to reflect various challenges related to lack of a defined project to review, the short processing time required for such transaction, and the nature of the transaction. In these cases, GIEK assesses the reputation of the parties involved (ex. the foreign buyers, the exporters, banks), and where possible the potential projects or regions where the support may eventually be used, against information collected from reputable on-line and subscription based sources. This information will be used as the basis for a more streamlined assessment of potential environmental and human rights risks and impacts, resulting in a “go” or “no-go” decision by management.

7. Supply Chain:

Identification and assessment of potential negative impacts in the supply chain is part of the GIEK due diligence process. Particular focus is given to; (1) contractors and sub-contractors carrying out physical works on a project, and (2) conditions at production facilities supplying certain main inputs to be sourced for a product supported by GIEK, such as a hull to a ship.

With respect to contractors and sub-contractors, documentation from the project developer will be required and an assessment against IFC Performance Standard 1 and 2 pertaining to management systems and labour and working conditions may be conducted. Assessment of production facilities sourcing main inputs, such as hulls, will also be based on information related to quality and robustness of management systems. Particular focus will be placed on issues that carry severe human rights risks such as forced labour (as may be de facto be the case with respect to use of migrant workers in some cases), child labour (including hazardous work conducted by those under 18 years), and potentially life-threatening occupational health and safety practices or situations.

Norwegian exporters which source parts or equipment from abroad, or which have production sites abroad, will be requested to demonstrate awareness and management of potential risks with respect to labour and working conditions at these sites.

ANNEX 1: Examples of General Environmental and Social Covenants

NB: The following ANNEX is still under revision.

The Annex is intended as an **illustrative list** of possible standard clauses pertaining to environmental and social issues. The list is based on experience gained by GIEK in the last years, practice by other ECAs and Equator Principle Financial Institutions, and advice from international experts. Consideration will of course need to be made as to whether the clauses are to be included in a **Guarantee OFFER** and/or a **Guarantee POLICY**. Possible modifications of the clauses may be needed to be made on a case-by-case basis, as will the inclusion of more specific clauses in certain cases (particularly in Cat. A projects or projects considered as “sensitive”); this will be conducted by GIEK’s legal department in cooperation with GIEKs Senior Social and Human Rights Adviser. A distinction is also made between “non-shipping/ land-based” and “shipping” cases, as the latter is normally not attributed to a specific identifiable location, thereby not requiring detailed environmental impact studies.

The proposed general clauses will be based on 5 points;

- 1) Compliance with local laws and international standards;
- 2) Substantiation of appropriate management systems;
- 3) Establishment of an Environmental and Social Impact Assessment (ESIA) or other required action plans (where needed);
- 4) Requirement to notify in the event of major accidents, legal claims, etc., and
- 5) Right to site visits by GIEK or appointed third parties;