

Berne Union

Guiding Principles and Operational Guidelines



October 2021

Introduction

The Berne Union is the leading international organisation of public and private sector providers of export credit and investment insurance. Founded in 1934, it is an international, non-profit organisation dedicated to facilitating world-wide cross-border trade and investments by fostering international acceptance of sound principles in export credits and investments insurance, and by providing a forum for professional exchanges among its members.

The Berne Union brings together the key players in the export credit and investment insurance business with extensive experience in a variety of markets and products. These include public agencies (ECAs), multilateral institutions and private insurers, with various objectives and mandates, providing insurance or guarantees to protect exporting companies, investors and financial institutions against political and/or commercial risks. Some Members also offer direct financing and additional solutions.

In an increasingly integrated market for goods, services and financial transactions, Members are progressively interacting with each other in rendering support, fostering cooperation, working in partnership, and even providing alternative solutions to complex issues facing the industry. In doing this, Members apply the most advanced techniques and practices.

The Berne Union Members' role as trade and investment facilitators provides us with opportunities to promote behaviours and practices that contribute to sustainable growth in global trade for the benefits of our customers, the transactions and projects we facilitate, the countries where these transactions and projects are located, and our various stakeholders. As also stipulated in the Statutes, Berne Union shall "work for the international acceptance of sound principles of export credit insurance and the establishment and maintenance of discipline in the terms of credit for international trade".

It is an important objective of the Berne Union, as noted in its Statutes, to "provide for the exchange of information, assistance, expertise and advice in relation both to the commercial and political risks involved in export credit insurance, to the political risks involved in foreign investment insurance and to the range of associated matters relating thereto".

As expressed by their Value Statement, Berne Union Members "are committed to operate in a professional manner that is financially responsible, respectful of the environment and which demonstrates high ethical values - all in the best interest of the long-term success of our industry".

In the framework set by its Statutes and Value Statement, the Berne Union identifies the following Guiding Principles for its Members in three lines of business: short term export credit insurance (ST), medium/long term export credit insurance/lending (MLT), and political risk insurance (PRI). The Guiding Principles are further elaborated through the respective underlying Operational Guidelines.

These Guiding Principles and Operational Guidelines reflect the Berne Union Members' collective views on how we conduct our business and pursue the purpose of the Berne Union. They are not legally binding obligations and are not representations of behaviours which would create any rights for, or obligations to, any parties.

Guiding Principle 1

We conduct our business in a manner that contributes to the stability and expansion of global trade and investment on a sound basis, that is in accordance with applicable laws and relevant international agreements.

- Members are respectful of national and international laws and agreements that affect specific elements of their programmes.
- Members adhere to the stipulations of the WTO Agreement on Subsidies and Countervailing Measures which restricts the usage of subsidies in officially supported export credits and credit guarantees. *(ECAs only)*
- Members act within the specific mandate received from their respective governments and under the auspices of their guardian authorities. *(ECAs only)*
- ECA Members from OECD countries follow the disciplines of the OECD Arrangement. The non-OECD Berne Union ECA Members, by their acceptance of the Berne Union Guiding Principles, strive to follow the same best practices concerning down payments, starting points of credit, lengths of credit, instalments, and local costs.

Guiding Principle 2

We carefully review and manage the risks we undertake.

- Members review and manage risks starting with careful underwriting, using the best available information (e.g. on the buyers/borrowers/guarantors/countries), and appropriate risk assessment techniques (i.e. scoring and rating systems).
- Members actively monitor and manage risks in their portfolio through increasingly sophisticated monitoring systems and, at times, by means of reinsurance and/or other market protection tools. They may also maintain special reserves to cover potential losses and contingent liabilities.
- Members, through their underwriting policies, aim at attaining sustainable debt and sustainable economic development in borrowing countries. *(ECAs only)*

Guiding Principle 3

We promote export credit and investment insurance terms that reflect sound business practices.

- Members apply terms and conditions that reflect best market practices and are conducive to sound underwriting.
- Members support credit terms coherent with the contract amount, the nature of the goods and the unit value of the goods, as well as conditions and practices normally accepted in the respective market; and introduce and use covenants to ensure the enforcement of their rights and conditions.

Guiding Principle 4 (ECAs only)

We aim to generate adequate revenues to sustain long-term operations reflective of the risks we undertake.

- Members are committed to run a financially sustainable business.
- Members underwrite sound business with different counterparts, in circumstances where they are versed with the different financial structures that can be engineered in today's market transactions (i.e. presence of collateral and/or other forms of security).
- Members establish premium rates that cover long term operating costs and losses and assure a level playing field in the industry.
- Some Members have introduced increasingly sophisticated pricing systems, including those based on advanced financial concepts such as estimated losses, recoveries given default, and operating costs.

Guiding Principle 5

We manage claims and recoveries in a professional manner, while at all times recognising the insureds' and obligors' rights.

- Members maintain open relations with their policyholders on claim and recovery matters and meet all contractual obligations in a prompt and satisfactory manner.
- Members, subject to any confidentiality restrictions, share information with each other on exposure, payment delays, defaults, and recovery plans. They may coordinate their recovery efforts through institutional settings like the Paris Club or London Club or on specific transactions.
- Members cooperate in sharing information, experiences and best practices in claims handling and recoveries.

Guiding Principle 6

We are sensitive about environmental issues and take such issues into account in the conduct of our business.

- Members encourage preventing and/or mitigating adverse environmental or social impacts from their projects through enhanced assessment of social and environmental issues and follow up through an appropriate monitoring process.
- Members promote knowledge transfer, learning and best practice through cooperation and learning on broader environmental policy application and specific methodologies.
- Members foster transparency, consistency and responsibility in decision-making, by encouraging disclosure of relevant environmental information (subject to any confidentiality restrictions that may apply).
- ECA Members from OECD countries apply the guidelines and criteria defined by the OECD Common Approaches on Environmental and Social Due Diligence. Non-OECD Members strive to follow the same best practices.

Guiding Principle 7

We support international efforts to combat corruption and money laundering.

- Members conduct their business in an ethical manner and in a way that is intended to deter and discourage unlawful behaviour.
- Members require clients seeking their support to comply with all applicable international and/or national regulations that might be instrumental in reducing or eliminating corrupt practices or money laundering. *(ECAs only)*
- Members are strengthening their efforts and are implementing additional measures to combat bribery of foreign public officials in transactions benefiting from official export credit support. *(ECAs only)*
- Members foster collaboration in seeking the required pertinent information when handling a transaction, and they commit to inform law enforcement authorities whenever there is credible evidence that bribery was involved in the awarding of the export contract.
- ECA Members from OECD countries apply the guidelines and criteria defined by the OECD Recommendation on Bribery and Officially Supported Export Credits. Non-OECD Members strive to follow the same best practices.

Guiding Principle 8

We promote best practices through exchange of information on our activities, policies and procedures, and through the development of relevant agreements and standards, where these are deemed necessary to govern the provision of export credit and investment insurance.

- Members promote the development and implementation of best practices in the field of export credit and investment insurance in several ways which support and reinforce each other as set out under the Guiding Principle.
- Modalities for promoting best practices include:
 - (i) holding physical meetings and online webinars for Members to explore and exchange information, experiences and views on the full range of professional issues in the business field, establishing an Intranet for the same purposes as well as educating members with external speakers providing relevant insight into global trends or best practises;
 - (ii) developing agreements and standards such as the Value Statement, the Guiding Principles and the Operational Guidelines and reviewing their application and validity over time;
 - (iii) if asked, give appropriate technical input and advice to regulatory authorities etc. when exercising their role in the field of export credit insurance.
- As an association, the Berne Union strives to maintain and further develop its close relations with those institutions which are relevant for all Members or a large group of Members, such as WTO, the OECD as well as regional institution such as the EU.

Guiding Principle 9

We are committed to furthering transparency amongst Members and in the reporting of our overall business activities, reflective of international practices and respectful of the confidentiality of third party information.

- Members, subject to any confidentiality restrictions, provide information as agreed between them, taking all reasonable steps to ensure that all information given is truthful and complete and supplied in a timely manner.
- Information exchanged within the Berne Union consists of (i) underwriting information; (ii) business data reporting; (iii) contributions to Berne Union meetings; and (iv) Member schemes and contact details.
- Members respect the confidentiality of information and, subject to their obligations at law, should not divulge it outside the Berne Union without specific prior approval from the Member(s) who provided the information. As a matter of principle, only Members who provide information may have access to corresponding information from other Members.
- All information exchanged is used by Members strictly in the pursuit of their activities.
- Members undertake, individually as well as collectively through the Berne Union, to provide information externally to the extent reasonably possible taking into account obligations of confidentiality. As a basic principle, the Berne Union and individual Members may only publicise information on an aggregated level, i.e. not detailing data for individual Members.
- Members comply with relevant antitrust and competition laws. Information exchange within the Berne Union shall not be used in any way inconsistent with full and fair competition.

Guiding Principle 10

We encourage cooperation and partnerships between Members, commercial financial institutions, and bilateral, multilateral, and other organisations involved in export trade and investment business.

- Members work towards maintaining constructive relations with stakeholders and seek to enter into discussion or cooperation with other parties among the various stakeholder groups.
- Members look towards other ECAs, market players, IFIs and other private and public organisations as partners in their activities and strive to develop – individually and collectively, for specific transactions or more broadly – a framework for enhanced cooperation.
- Members recognise that the need for partnerships becomes even more crucial at times when the global economy is facing difficulties and coordinated efforts are more valuable.
- Among others, the stakeholders of the BU Members include the following:
 - Governments/ministries;
 - Commercial banks and exporting companies;
 - Non-Berne Union Export credit agencies and private insurance companies;
 - IFIs: IMF, the World Bank, regional development banks;
 - Multilateral organisations, e.g. WTO, OECD;
 - Institutional investors;
 - Industry organisations, such as ICISA and IIF;
 - Academic and non profit institutions, NGOs.