



Australian Government

NAIF

Northern Australia Infrastructure Facility

Environmental and Social Review of Projects Policy

SEPTEMBER 2024

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1. Scope of this Policy

This Policy applies to all requests for financing assessed by NAIF for Investment Decision. This Policy:

- operates alongside the Risk Appetite Statement (RAS) and all other requirements of the NAIF Investment Mandate Direction 2023; and
- supplements related NAIF policies and guidelines, including the Public Benefit Guideline and Indigenous Engagement Strategy Guidelines.

2. Policy Statement

NAIF employees, contractors and consultants must have due regard for the Environmental and Social (E&S) Impacts of proposed Projects. E&S Impacts refers to the environmental and social impacts, positive and negative, that a proposed Project may have on the area(s) and community(ies) in which the Project is located and related to the Project's governance considerations.

For each Project that is presented for Investment Decision:

- E&S Impacts must be considered when conducting due diligence;
- the findings of NAIF's E&S Impacts due diligence must be clearly documented and recorded; and
- the E&S Impacts must be considered when preparing Investment Decision papers, making Investment Decisions and preparing financing documents.

Compliance with this Policy is a Conditions Precedent to Financial Close for NAIF's financing agreements.

3. Due diligence

3.1. Assessment of E&S Impacts

In carrying out due diligence on a Project, NAIF analyses a broad spectrum of risks, including E&S Impacts. The analysis of E&S Impacts overlaps with and helps inform the public benefit assessment, which considers both beneficial and adverse environmental and social impacts of the proposed Project.

In deciding the scope of due diligence to carry out in respect of a proposed Project, NAIF will consider:

- the environmental and social assessment and approvals required under Commonwealth, State or Territory legislation;
- the size and complexity of the Project;
- information provided by the Project Proponent on how it will manage, mitigate, or avoid adverse E&S Impacts; and
- the reasonableness and likely effectiveness of the Project Proponent's intended mitigation of adverse E&S Impacts.

NAIF will request detailed information from the Project Proponent regarding its actual or proposed Project plans and resources (for example, planning and environmental consultants, community consultation plans, biodiversity action plans, native title plans and cultural heritage plans). NAIF's assessment of the information will be carried out using internal resources and expert external advice (as required).

NAIF will also consult as appropriate with government agencies with special expertise relevant to the E&S Impacts of a Project.

3.2. Capacity of a Project Proponent to comply with approvals

NAIF will investigate the Project Proponent's:

- E&S systems, plans, policies, and procedures for compliance with applicable environmental and social approvals (and the conditions of those approvals); and
- record of compliance with E&S regulatory requirements. Historical non-compliance will not necessarily prohibit a favourable Investment Decision, although historic non-compliance and patterns of non-compliance suggesting a lack of regard for E&S Impacts and regulatory requirements will be carefully considered.

Whether officers, affiliates and other entities in the Project Proponent's corporate group have complied with regulatory requirements in respect of E&S Impacts may also be assessed, to the extent NAIF determines it to be relevant.

3.3. Climate Impacts

Where relevant, NAIF will seek information on how Project Proponents have assessed and provided for climate related physical and transition risks.

Considerations may include, for example, the impact of coastal inundation, changes in weather patterns, increased extreme weather events, and relevant climate change transition and stranded asset risks.

NAIF will also assess the degree to which requests for financing have the potential to adapt or mitigate the negative impacts of climate related risks and contribute to the achievement of Australia's greenhouse gas emissions reduction targets.

In assessing climate risk, NAIF may have a high tolerance for factors that are unique to investing in northern Australia's economic infrastructure, including northern Australia's climate. Refer to NAIF's Risk Appetite Statement (RAS) for more detail.

3.4. Social Impacts

Social issues will be assessed as appropriate for each Project in line with governing legislation.

NAIF will look to confirm that the Project Proponent has undertaken appropriate stakeholder consultation, including, where relevant, respecting the principle of Free, Prior and Informed Consent (FPIC). Refer to NAIF Indigenous Engagement Strategy Guidelines.

NAIF will also expect to see appropriate resources and systems allocated to the management of social impacts, including the commitment to ongoing stakeholder consultation and complaints handling during Project construction and operations.

3.5. Ongoing monitoring and reporting

NAIF will monitor compliance with environmental and social obligations during the lifecycle of the Project, according to specific environmental and social contractual provisions, specific environmental and social reporting requirements, and the nature of the potential risks identified.

Should a Project fail to comply with contractual environmental and social obligations, NAIF will endeavour to work with the Project Proponents to make the Project compliant or, as necessary, exercise the Facility's contractual remedies.

4. NAIF Investment Mandate Direction 2023

NAIF’s Investment Mandate allows an Investment Decision to be made prior to the Project Proponent obtaining all necessary regulatory, environmental and other relevant approvals and arrangements for the Project on such conditions as NAIF considers appropriate.

Investment Decisions will be made subject to suitable contractual commitments, including covenants by the Project Proponent to:

- comply with Project approvals and the conditions of those approvals, and to provide NAIF with copies of reports, notices or other information issued by the Project Proponent to applicable regulatory agency(ies); and
- prepare E&S Impact management plans, and to report to NAIF on compliance and incidents.

5. Reporting

All employees are required to use the Risk and Compliance system to report any incidents or near misses. This may include insufficient or incomplete project assessments such as overlooking community relations and stakeholder consultation or non-fulfilment of environmental and social obligations. Employees are encouraged to refer to the incident guideline on NAIF Connect or contact the Risk and Compliance team for any queries or concerns related to reporting procedures.

6. Consequences of non-compliance

Deliberate breaches of this Policy may have serious consequences in accordance with the Code of Conduct, which could result in termination of employment or other engagement at NAIF.

7. Roles and Responsibilities

Role	Responsibility
NAIF Board	<ul style="list-style-type: none"> • Approving material policy changes and any proposed changes after a review and recommendation by the Policy Sponsor. • Tasking management with Policy implementation, exception reporting and for developing procedures to support this Policy. • Complying with the requirements of this Policy.
Chief Executive Officer	<ul style="list-style-type: none"> • Approving immaterial policy and any proposed changes after a review and recommendation by the Policy Sponsor. • Ensuring adequate and appropriate resources are allocated to implement and comply with this Policy. • Ensuring NAIF employees, contractors, and consultants comply with this Policy and make recommendations for continuous improvement. • Complying with the requirements of this Policy and ensuring its regular review.

Chief Sustainability Officer	<ul style="list-style-type: none"> Ensuring this Policy is applied to projects proceeding to Investment Decision. Implementing this Policy at NAIF. Providing advice (working with Legal, as appropriate) to NAIF employees, contractors, and consultants in conducting E&S Impacts due diligence. Adjudicating the requirement to obtain external advice in conducting E&S due diligence.
Director, Risk and Compliance	<ul style="list-style-type: none"> Provide training on this Policy. Ensuring material changes to this Policy are communicated to NAIF employees, contractors, and consultants in a timely manner.
NAIF Employees and Contractors	<ul style="list-style-type: none"> Complying with the requirements of this Policy. Attending relevant training. To raise any queries with the Chief Sustainability Officer, if in doubt.

8. Review and Approval

The Chief Executive Officer reviews and approves this Policy every two years.

This Policy is reviewed annually (or more frequently if required) by the Policy Sponsor to ensure it remains aligned with governing legislation and good practice. If any material amendments occur to the Policy out of the review cycle, it is provided to the NAIF Board for review and approval.

Document Review and Approval

Policy Plan	Plan Approver	Approval date	Next Board Review
Chief Sustainability Officer	Chief Executive Officer	June 2024	June 2025

Related Documentation

<p>NAIF Investment Mandate</p> <p>NAIF Risk Appetite Statement</p> <p>Public Benefit Guideline, Indigenous Engagement Strategy Guideline</p>



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