



Australian Government



Northern Australia Infrastructure Facility

Environmental and Social Review of Projects Policy

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Document Review and Approval

Policy Sponsor	Policy Approver	Approval date	Next Board Review
General Counsel	NAIF Board	June 2018	June 2020
General Counsel	NAIF Board	August 2019	August 2021
Chief of Legal	NAIF Board	March 2021	March 2023

Related Documentation

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

Document purpose

This Environmental and Social Review of Projects Policy (**Policy**) provides a framework to:

- guide NAIF Personnel in reviewing the E&S Impacts of proposed Projects, with the purpose of preparing an Environmental and Social Review Report (or **ESRR**); and
- assist the Board in making Investment Decisions having regard to the ESRR.

1. Scope of this Policy

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

- operates alongside the Risk Appetite Statement and requirements of the Investment Mandate; and
- supplements related NAIF policies, including the Public Benefit Guideline and Indigenous Engagement Strategy Guideline.

2. Policy Statement

NAIF Personnel must have due regard for the E&S Impacts¹ of proposed Projects. For each Project that is presented for Investment Decision:

- E&S Impacts must be considered when conducting due diligence;
- the findings of NAIF's due diligence are set out in the Environmental and Social Review Report (ESRR)²; and
- the ESRR must be considered when preparing investment papers, making the Investment Decision, and preparing finance documents.

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 laws;
- 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, native title plan and cultural heritage plan). NAIF's assessment of the information will be carried out using internal resources and expert external advice (as

¹ **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 it is located, and to related project governance considerations.

² **ESRR** means an Environmental and Social Review Report (ESRR) describing the E&S Impacts of a Project, prepared by the person or consultant responsible for the environmental and social review of Projects for NAIF. Currently, ESRRs are prepared by the Director, Environmental & Technical Review a role provided by Export Finance Australia under a Service Level Agreement with NAIF. The report could also be prepared by external experts. NAIF will regularly review the resourcing for this role and function.

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 rule out a favourable Investment Decision, although a pattern of non-compliance suggesting a lack of regard for regulatory requirements will be carefully considered.

Whether 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 related E&S 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.

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

3.4 Social impacts

Social issues will be assessed as appropriate for each Project.

NAIF will look to confirm that the Project Proponent has undertaken reasonable stakeholder consultation.

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

4. Investment Mandate

NAIF's Investment Mandate:

- allows an Investment Decision to be made conditional on the Project Proponent obtaining all relevant regulatory, environmental and Native Title approvals;
- stipulates that NAIF must not provide financial assistance to a Project unless all relevant regulatory, environmental and Native Title approvals have been obtained.

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. Review and Approval

The NAIF Board reviews and approves the Policy every two years.

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

6. Roles and Responsibilities

Role	Responsibility
Board Board Audit & Risk Committee (BARC)	Responsible for approving changes to this Policy. The BARC is responsible for reviewing changes to the Policy and endorsing it for Board approval.
CEO	Responsible for: <ul style="list-style-type: none"> • overseeing the implementation of this Policy; • ensuring adequate and appropriate resources are allocated to implement and comply with this Policy; and • annual review of the Policy.
Manager, Risk & Compliance	Responsible for: <ul style="list-style-type: none"> • arranging training on this Policy for NAIF Personnel; • providing advice (working with Legal, as appropriate) to NAIF Personnel on compliance with this Policy; and • ensuring material changes to the Policy are communicated to NAIF Personnel in a timely manner.
Director, Environmental & Technical Review	For Projects proceeding to an Investment Decision, responsible for: <ul style="list-style-type: none"> • preparing an ESRR, based on due diligence conducted by NAIF; and • recommending ESRR related conditions precedent for inclusion in the finance documents.
All NAIF Personnel	Responsible for complying with this Policy including by attending relevant training and understanding their obligations.