

**Economics Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
Industry, Innovation and Science Portfolio  
2016 - 2017 Additional Estimates  
2 March 2017

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**AGENCY:** NORTHERN AUSTRALIA INFRASTRUCTURE FACILITY

**TOPIC:** Environmental and Social Review of Transaction Policy

**REFERENCE:** Written Question – Senator Waters

**QUESTION No.:** AI-79

The policy states: The Board considers its regulatory, environmental, social and Native Title requirements are met when expert regulatory, environmental, social and Native Title due diligence reviews on which NAIF has reliance confirms (or otherwise) that all relevant approvals have been obtained.

1. What are the nature of the due diligence reviews referred to in this statement?
2. My understanding of the policy is that if the project has government sign off and appropriate regulatory approvals, NAIF is not able to apply its own environmental and social review, is that correct?
3. Is that consistent with “best practice corporate governance for commercial financiers” as outlined in the investment mandate?
  - a. What did you use to determine the policy was in line with this best practice corporate governance? Did you seek external advice?
  - b. Are you able to provide the advice you did receive on formulating this policy?
4. The policy says NAIF policy is consistent with the equator principles but NAIF isn’t listed as a signatory on the equator principles website, is NAIF planning to become a formal signatory?
5. Are you familiar with the Task Force on Climate Related Financial Disclosures which was set up through the G20 to enhance climate transparency and data? Is NAIF considering using any of their frameworks for carbon reporting?
6. In a speech in August last year the Chairman of NAIF Sharon Warbuton flagged a range of policies for considering the public benefit and indigenous participation, procurement and employment opportunities for projects, are these policies in place and publicly available?

**ANSWER**

1. Information regarding the nature of due diligence analysis to be undertaken for NAIF’s investments is outlined in NAIF’s Application and Approval Procedure investment process, which is available at <http://www.naif.gov.au/application-process/investment-proposal-process/>.
2. Under Section 15 of the Investment Mandate NAIF must not lend to projects that have not received all relevant regulatory, environmental and native title approvals. Under the NAIF’s Environmental and Social Review of Transaction Policy (available at <http://www.naif.gov.au/about-us/naif-governance/>) NAIF does not duplicate the role of regulators or approval bodies.

Under NAIF’s Application and Approval Procedure (available at <http://www.naif.gov.au/application-process/investment-proposal-process/>) due diligence includes the preparation of a detailed environmental and social impact assessment and project risk allocation analysis. NAIF is required to partner with ‘Commercial Financiers’ (as defined in its Investment Mandate) including in the preparation of due diligence reports on those

matters. These reports would cover matters that are relevant considerations for NAIF to make a decision to provide finance including where relevant considerations not covered by any approvals referred to in Section 15 of the Investment Mandate.

3. Yes.
  - a. Yes. NAIF drew on its expertise of its Board and Executive and advice was also sought from Export Finance and Insurance Corporation (Efic) (in its capacity as NAIF's service provider).
  - b. No.
4. No.
5.
  - a. Yes.
  - b. No. Their carbon reporting frameworks are not applicable to NAIF.
6. NAIF has well developed draft policies for considering public benefit and Indigenous participation, procurement and employment opportunities for projects. Final consultation with stakeholders in northern Australia is underway and once complete the policies will be published on the NAIF website.