PROCEDURE FOR ENVIRONMENTAL AND SOCIAL REVIEW OF TRANSACTIONS

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1 Scope and Review Process

1.1 Overview

This Procedure for environmental and social review of transactions (Procedure) explains how our Policy for Environmental and Social Review of Transactions (Policy) is implemented. It applies to all transactions we assess after commencing our credit assessment and due diligence processes.

The application of the Policy and this Procedure to any National Interest Account transaction is subject to the terms of the relevant Ministerial Direction.

The Policy and this Procedure do not apply to Military Equipment transactions.

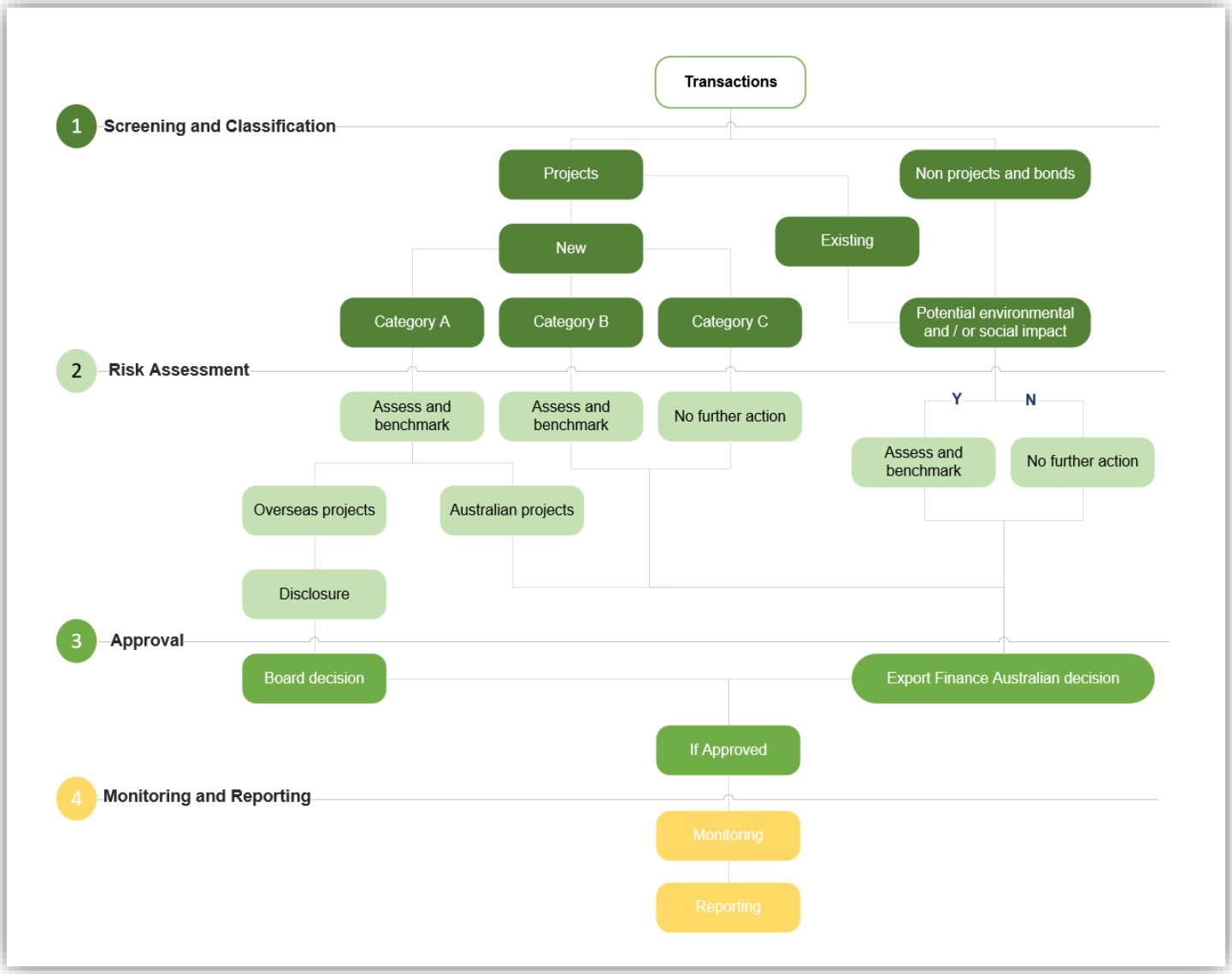
We aim to play an impactful role in financing Australian exports and interests, including overseas infrastructure development. The type of support requested, the nature of the transaction or the project associated with the transaction and the role of our customer in the transaction determines the extent of environmental and social review that we undertake. Some transactions require only a short, desk-top review, while others require a detailed risk assessment involving benchmarking and public disclosure.

The steps in the review process are:

1. Screening and Classification
2. Risk assessment
3. Approval
4. Monitoring and Reporting

The chart below summarises our environmental and social review process.

We use a checklist to record our screening, classification, and risk assessment process to ensure a consistent review approach. The checklist template is available on our website.


Transactions
1 Screening and Classification
Projects
Non projects and bonds
New
Existing
Category A
Category B
Category C
Potential environmental and / or social impact
2 Risk Assessment
Assess and benchmark
Assess and benchmark
No further action
Y
N
Assess and benchmark
No further action
Overseas projects
Australian projects
Disclosure
3 Approval
Board decision
Export Finance Australian decision
If Approved
4 Monitoring and Reporting
Monitoring
Reporting

1.2 Global Approaches

We commit to apply best-practice environmental and social standards in our risk assessment of the transactions we support. To meet that commitment, we apply two globally recognised approaches in our environmental and social risk assessment of projects and project related transactions.

We are bound by the *Organisation for Economic Co-operation and Development (OECD) Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence* (the Common Approaches).

We are a signatory of The Equator Principles (Equator Principles), a globally recognised risk management framework used by member financial institutions to manage environmental and social risks in projects within scope.

The OECD Common Approaches and Equator Principles are global approaches that help ensure that projects are developed in a manner that is socially responsible and reflects sound environmental management practices. In this regard, when financing projects under our Global Approaches:

- we fulfill our responsibility to protect human rights and fundamental freedoms as required by our *Statement of Human Rights*, the *United Nations Guiding Principles on Business and Human Rights* and the *OECD Guidelines for Multinational Enterprises* by carrying out human rights due diligence;
- we support the objectives of the *2015 Paris Agreement* and acknowledge the role that we can play in improving the availability of climate-related information, including through the assessment of the potential physical and transition risks of climate change of projects in alignment with the *Recommendations of the Task Force on Climate-related Financial Disclosures*;
- we seek to support projects that reduce emissions and implement best available technology, where appropriate, and have an appropriate climate change transition plan;
- we support conservation including the aim of enhancing the evidence base for research and decisions relating to biodiversity;
- we take into account social impacts, including impacts related to gender, indigenous persons and disadvantaged and vulnerable groups; and
- we seek to identify and support projects that are environmentally beneficial, including clean, alternative and renewable energy projects, and can offer more flexible terms and conditions to encourage their development.

Our approach for environmental and social risk assessment is conducted alongside other complementary areas of due diligence outside of the Policy and this Procedure. These include:

- risk management incorporating relevant and appropriate climate-related scenarios for the physical and transition risks of climate change to stress-testing and scenario-analysis of financial exposures;
- compliance with our anti-bribery and corruption procedures, including the *OECD Council Recommendation on Bribery and Officially Supported Export Credits*;
- ensuring we conduct sustainable lending consistent with the *OECD Principles and Guidelines to Promote Sustainable Lending in the Provision of Official Export Credit to Low Income Countries;*
- financial and technical due diligence to consider if a project's purpose is appropriate, including in relation to overseas infrastructure where we consider the project's alignment with host country objectives, Australian Government programs and priorities, and the sustainability and quality of the project (in consultation with the Department of Foreign Affairs and Trade).

The OECD Common Approaches and Equator Principles were developed by the OECD and the Equator Principles Financial Institutions respectively for their roles. As a result, the scope of these Global Approaches applies to only some of the transactions that we are asked to consider.

In our due diligence, we choose to extend the principles these frameworks embody to all transactions, excluding military equipment. In practice, this means that all transactions that we consider are subject to screening, classification (where required) and risk assessment of the potential for environmental and social impacts, monitoring and reporting.

Table 1 provides some examples of our business solutions and indicates whether the Common Approaches or the Equator Principles are relevant. Appendix 1 contains further detail on how the Common Approaches and the Equator Principles are incorporated into this Procedure.

Table 1: Export Finance Australia's solutions and the Common Approaches and Equator Principles

Export Finance Australia solution[1]	Do the Common Approaches apply?[2]	Do the Equator Principles apply?[2]
Medium-long term finance		
Direct loan (project finance)	Yes	Yes
Direct loan (corporate)	Possibly	Possibly
Direct loan (financial intermediary)	No	No
Export finance guarantee	Yes	Possibly
Documentary credit guarantee	Possibly	No
Insurance		
Export payments insurance	Yes	No
Bond insurance	No	No
Political risk insurance (any type)	No	No
Other		
Advance payment bond, performance bond or warranty bond	No	No
Working capital guarantee	No	No
Equity	No	No

1 For more details of our solutions refer to our website: www.exportfinance.gov.au

2 Monetary limits and scope requirements apply to the Common Approaches and Equator Principles.

2 Screening and Classification

In line with these Global Approaches, we screen and, where relevant, classify all transactions, excluding military equipment, to identify the type and degree of environmental and social risk assessment necessary. This process considers:

- an exporter or investor's role in a transaction, which can determine their responsibility and authority/ability to manage environmental and/or social impacts;
- the industry sector, location and other information available relating to potential for environmental and social risks and impacts associated with a transaction;
- the potential for a high likelihood of modern slavery issues or human rights impacts occurring;
- Australia's obligations under international agreements, including the Paris Agreement; and
- Australia's greenhouse gas emissions reduction targets.[1]

The transactions we consider vary widely in size and complexity. Small value transactions that are identified by a screening to be Category C or have low potential for adverse environmental or social impact will not require further risk assessment under Section 3.

2.1 Screening

Screening identifies the following types of transactions:

- **Projects**, which are further divided into:
  - **New Projects**, which involve a transaction at a new commercial, industrial or infrastructure undertaking at an identified location. They include transactions involved in an expansion or upgrade of an existing operation that results in a Material Change in output or function, which may result in changes to the operation's environmental and/or social impacts, and
  - **Existing Projects** at an identifiable existing operation where the transaction does not result in a Material Change in output or function or change in the operation's environmental and/or social impacts.
- **Non-projects**, where a transaction is not associated with an identified location or operation. An example is a loan to an equipment manufacturer where the equipment could have many different end purchasers or users.

For the purpose of this Procedure, transactions involving bonds (e.g. performance bonds, advance payment bonds or warranty bonds) are considered **Non-projects,** because:

- We generally have no direct link with the project associated with a bond.
- Our customer (and therefore Export Finance Australia) may be unable to access environmental and social information on a project associated with a bond.
- Our customer (and therefore Export Finance Australia) generally has no influence on, and no authority for, the environmental and/or social management of the project for which the export is destined.
- Bonds vary in duration from a few weeks to several years.

2.2 Classification of New Projects

We classify each New Project associated with a potential transaction as Category A, B or C, depending on the significance of its potential environmental and social impacts.

Our classification is consistent with both the Common Approaches and the Equator Principles (see Appendix 2).

Our classification is:

- **Category A –** Projects with potential significant adverse environmental and social risks and/or impacts that are diverse, irreversible or unprecedented[2].
- **Category B**: Projects with potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures.
- **Category C**: Projects with minimal or no adverse environmental and/or social impacts.

We classify a New Project early in our involvement in a transaction. Classification has two purposes:

- it indicates the potential level of environmental and social impact and the type of risk assessment necessary, and
- it determines whether our potential involvement will require public disclosure (see section 4).

The categorisation of a project may change during the review process, depending on the results of the risk assessment.

2.3 Screening for potential environmental and social impacts in transactions other than New Projects

We undertake screening for potential environmental and social risks for transactions associated with Existing Projects, Non-projects and Bonds. Our information requirements for these transactions depends on the type of support requested

[1] The terms 'Paris Agreement' and 'Australia's greenhouse gas emissions reduction targets' are as per the definitions provided in the EFIC Act.

[2] Our Policy and Procedure is focused on identifying and mitigating significant potential adverse environmental and social impacts. It is noted that transactions can also have positive impacts. References in this procedure to "potential impacts" are to "potential adverse impacts".

and the role of our customer and are discussed with a customer early in the due diligence for a transaction.

The screening considers:

- information from our customer, including their role in the transaction and their environmental and social management arrangements
- potential environmental and social issues associated with the industry sector and, where relevant, location of the transaction
- where relevant and available, information on the environmental and social assessment and management of the project associated with the transaction, including stakeholder engagement, and
- information from other sources, including others involved in the transaction or associated project and internet searches.

Our screening results in either of two conclusions:

- has low potential, in which case a checklist is used to determine low potential and no further review is required and
- has potential for environmental and/or social impact, in which case further review is required (see section 3.3).

2.4 Low Value Transactions

For online applications and other low value transactions, we use an environmental and social screen as our risk assessment tool. The screen identifies transactions that are consistent with or associated with Category C projects or that are Non-projects or bonds with low potential for environmental and/or social impact. If the transaction does not meet the screening tool criteria, it is referred to the E&T team for further assessment. The value threshold(s) applying to the screening of low value transactions are subject to annual review in accordance with Board-delegated credit authorities. If further assessment is required, it will be carried out in accordance with section 3.

2.5 General facility reviews

Certain transactions are supported by us in partnership with other financial institutions in accordance with pre-agreed criteria[3]. Risk assessment for these transactions is conducted through a general facility review rather than through preparation of a separate checklist. Provided the transaction is consistent with the environmental and social criteria identified in the general facility review, they are screened as low potential and no further environmental and social review is required.

3 Risk Assessment

3.1 Introduction

Two types of risk assessment are undertaken, risk assessment for transactions involving New Projects (see section 3.2) and risk assessment for other transactions (see section 3.3).

When our screening and classification process identifies potential for environmental or social impacts, we benchmark the project associated with the transaction, typically for compliance against the relevant Performance Standards on Environmental and Social Sustainability of the International Finance Corporation (IFC), a member of the World Bank Group.

The IFC Performance Standards *inter alia* relate to labour standards, land acquisition and involuntary resettlement, biodiversity conservation and natural resources, and protection of indigenous peoples. The IFC Performance Standards are supported by the *World Bank Group Environmental, Health and Safety Guidelines* (EHS Guidelines), a technical framework providing standards in relation to emissions, waste management, and occupational and community health and safety, and specific industry sectors.

The IFC Performance Standards are our benchmark as they are a globally recognised and understood standard for environmental and social risk assessment. Both the Common Approaches and Equator Principles identify the IFC Performance Standards as an appropriate benchmark for projects.

Our approach to risk assessment also requires that transactions other than New Projects that have potential for environmental and/or social impact are also benchmarked to the relevant IFC Performance Standards.

The Australian environmental regulatory system is robust. The Equator Principles considers Australia a designated country and that legislation in Australia captures compliance with the relevant IFC Performance Standards through the application of its regulatory approvals process. For this reason, where a transaction supports a project located within Australia and all relevant Australian government approvals have been obtained, we generally consider that our environmental and social benchmark has been met.[4] We also apply this approach to transactions other than New Projects.

[3] These partnership programs with financial institutions include risk participation agreements and export guarantee schemes.

[4] We will evaluate the specific risks of the Project to determine whether one or more of the IFC Performance Standards could be used as guidance to address those risks, in addition to host country laws, consistent with Principle 3 of the Equator Principles.

3.2 New Projects

We complete an environmental and social risk assessment commensurate with the nature, scale and stage of transactions involving New Projects other than those Classified as Category C (as it has already been determined through screening that there is minimal or no adverse environmental or social impact).

In our assessment we consider:

- information provided by the customer, including their role and their environmental and social management arrangements
- where relevant, information available on a project's environmental and social assessment and management, including engagement with project stakeholders (such as the host country government and affected communities)
- potential environmental and social issues associated with the industry sector and location of the project and
- information from other sources, including others involved in the project and our other stakeholders (such as the Australian public and civil society organisations).

3.2.1 Category A and B project benchmarking

We benchmark all new Category A and B projects against:

- relevant International Finance Corporation (IFC) Performance Standards and
- host country laws, regulations, permits and standards.

Where the IFC Performance Standards and host country requirements differ, we apply the more stringent standard. However, for a limited range of transactions, we may use as our benchmark other internationally recognised standards:

- when other internationally recognised standards are more relevant to our transaction and are at least equivalent to the IFC Performance Standards and/or
- when the project is in a country where the environmental and social assessment and management requirements are at least equivalent to the IFC Performance Standards (for example a project in a Designated Country) and/or
- where a project involves a multi-lateral financial institution (MFI) other than the IFC, we may apply the MFI's benchmark standards.

3.2.2 Information requirements

For Category A and B projects, we require customers to provide sufficient information to enable us to undertake a reasonable evaluation of environmental and social impacts and corresponding mitigation measures. The documentation expected from a customer depends on the nature and scale of the project. The IFC Performance Standards provide that an assessment may comprise a full-scale environmental and social impact assessment, a limited or focused environmental or social assessment, or a straightforward application of pollution standards, design criteria or construction standards.

A Category A project requires a comprehensive environmental and social impact assessment consistent with both the requirements of the host country and the IFC Performance Standards (or other relevant benchmark).

A Category A project requires an Independent Environmental and Social Consultant (IESC) report showing compliance with the relevant benchmarks or an agreed Environmental and Social Action Plan (ESAP) where gaps in compliance exist due to the development stage of Project or identified gaps against the relevant benchmarks.

A Category B project generally requires a narrower scope of assessment to a Category A project. We will determine the level of assessment required based on the nature and scale of the project as well as the industry sector and location.

For a Category C project, the information provided by a customer must be sufficient to demonstrate that there is minimal or no potential adverse environmental and/or social impact.

For certain transactions, particularly equity and overseas infrastructure development financing, the required information to complete the risk assessment may, in limited circumstances, become available after the approval and signing of a transaction. Notwithstanding, the transaction would still be required to be compliant with the IFC Performance Standards (or equivalent), in accordance with our Policy, prior to substantial commencement of works.

Information provided by a prospective customer in support of a transaction is commercial-in-confidence information and we do not disclose this information to any third party except with the consent of the customer and otherwise in accordance with our statutory confidentiality obligations.

One such exception applies to an environmental and social impact assessment for a Category A project to which our public disclosure obligations apply (see section 4). We obtain the customer's consent for this disclosure.

3.3 Transactions other than New Projects

For transactions associated with Existing Projects, Non-projects and Bonds, where the screening process identified that there is potential for environmental and/or social impact, we undertake further risk assessment.

The risk assessment considers the type of support requested and the information provided by the customer for the screening process identified in Section 2.3 above.

This further risk assessment can result in either of two levels of potential environmental and/or social impact for the

transaction:

- low potential, in which case no benchmarking is required and
- potential for environmental and/or social impact, in which case benchmarking is generally required to the relevant IFC Performance Standards. However, we may also use:
    - other internationally recognised standards
    - host country standards and/or
    - good international industry practice.

4 Disclosure

We publicly disclose, in line with the OECD Common Approaches, our potential involvement in a transaction associated with a New Project that:

- has potential for significant adverse environmental and/or social impacts (known as a Category A project);
- is located outside Australia;
- has a repayment term or policy length of two years or more; and
- has a value of Special Drawing Rights (SDR) 10 million or more. The monetary limit does not apply to projects in "sensitive areas" as defined in our Global Approaches.

Disclosure involves publishing:

- the project name and description
- the country and location of the project
- the industry sector
- the facility requested
- an outline of the reasons for the categorisation
- links to an environmental assessment of the project associated with the transaction that has been provided to Export Finance Australia and
- the disclosure period.

Disclosure is for at least 30 calendar days before we make a Final Commitment to provide support. A register of disclosed transactions is maintained on our website. Our website also includes an archive of all Category A projects disclosed.

We notify interested parties whenever we update this register, and anyone can register to receive email notification of updates to the register.

Anyone can comment on our potential involvement in a transaction associated with a Category A project located outside Australia using the methods shown on the website. We will acknowledge receipt of submissions and consider them in our due diligence for a transaction. We will include in the register the name of each organisation or individual that provides a submission unless asked to consider the submission confidential.

We do not disclose or invite comment on our potential involvement in a transaction associated with a Category A project located in Australia. This is to avoid potential confusion with the disclosure requirements of the various levels of Australian governments who have assessed the Project.

5 Approval of transactions

5.1 Approval process

We consider the findings of the environmental and social risk assessment in deciding whether to support or decline a transaction.

We decline a transaction if we determine that the environmental and/or social impact does not satisfy relevant benchmarks.

The approval of the Board is required to support a transaction associated with a Category A project located outside Australia on our Commercial Account. However, the Board may choose to delegate approval authority to the Managing Director & Chief Executive Officer to finalise approval of the environmental and social risk assessment after the disclosure period has ended.

The Commonwealth Minister for Trade and Tourism and Minister for Finance are responsible for decisions to support transactions undertaken on the Australian Government's National Interest Account, and we then manage the exposure. However, the Screening, Classification, Risk Assessment and disclosure process for these transactions is the same as for transactions on the Commercial Account.

Decisions on support for all other transactions are made in accordance with Board-delegated credit authorities. These authorities are subject to annual review by the Board.

5.2 Contractual terms / Terms of Agreement

The contractual terms of our support for a transaction may include conditions covering environmental and social issues. The nature of these conditions will vary depending on the role of our customer, the type of support they request and the outcome of our risk assessment.

Conditions may include:

- requirements for additional work
- compliance with environmental and social benchmarks
- monitoring and reporting requirements and
- where applicable, requirements for monitoring by independent environmental and/or social experts.

Contractual terms are agreed on a case-by-case basis for each transaction. The terms of the contract are confidential between Export Finance Australia and our customer.

Our ability to impose conditions on a project associated with a transaction or on the purchaser of an export depends on the role of our customer and the type of support they request. For

example:

- If our customer has the ability and authority to directly manage the environmental and social impact of a project (e.g. the customer is undertaking the project and seeking funding through project finance), we are generally well placed to impose conditions on our support.
- If our customer has no ability or authority to directly manage the environmental and social impact of a project (e.g. where we provide a performance bond to an exporter providing a small piece of specialist equipment to a project), we are generally not able to impose conditions on the project.

The situations described above represent the extremes of our influence and many transactions fall between these extremes.

In the case of equity transactions, the terms and conditions may be established, for example, via the terms of the Shareholder Agreement.

6 Monitoring of transactions

We monitor compliance with contractual conditions during the transaction.

For a Category A project, this monitoring will include site visits and reporting by an IESC.

The Board receives annual reports (or as otherwise required) on our transactions associated with Category A projects.

For all other transactions we will monitor according to the nature of the potential risks identified.

Occasionally a transaction may fail to comply with the terms of the contract regarding environmental or social issues. In these cases, we will work with the customer to make the transaction compliant once again. We may also exercise our contractual remedies as we consider appropriate.

7 Reporting

We publicly report on:

- the types of transactions supported
- the implementation of the Common Approaches and
- the implementation of the Equator Principles.

7.1 Transaction reporting

Potential transactions associated with Category A projects that are currently being evaluated are disclosed on the Category A register in accordance with section 4. Details of transactions associated with Category A projects disclosed by Export Finance Australia since 2000 are published in the Category A archive on our website.

We maintain an online register of transactions we support during each financial year on our website.

We update our transaction register within 8 weeks of signing a new transaction and it contains the following information:

- the name of the exporter, investor or customer supported
- the goods/services or overseas infrastructure involved
- the country the type of transaction
- The value of the transaction and
- the result of a transaction's Screening and Classification (excluding Military Equipment transactions).

We may omit some details if they, or the fact of our support, are commercially sensitive for a customer.

7.2 Global approaches reporting

We report transactions involving officially supported export credits to the OECD. The OECD periodically makes publicly available information on Category A and B projects supported by its member ECAs.

We report annually on our website according to the requirements of Principle 10 of the Equator Principles.

8 Review

8.1 Independent review

We periodically undertake an independent review to examine our application of the Policy and this Procedure. The reviewer's report is provided to our Board and to the public.

8.2 Internal review

We review and amend this Procedure as and when necessary. Details of past amendments are in Appendix 3.

Glossary

Classification

The process of categorising New Projects according to their potential for significant environmental and/or social impacts.

Common Approaches

Organisation for Economic Co-operation and Development (OECD) Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence (available on the OECD website www.oecd.org).

Equator Principles

A financial industry framework for determining, assessing and managing environmental and social risk in projects (see www.equator-principles.com). The implementation of the requirements contained in the Equator Principles are supported by guidance notes (e.g. Guidance Note on Climate Change Risk Assessment).

Existing Project

A project at an identifiable existing operation where the transaction does not result in a Material Change in output or function and no change to the operation's environmental and/or social impacts.

Final Commitment

For the purposes of disclosure, the final commitment is the last Export Finance Australia Board decision (or equivalent decision made in accordance with Board-delegated powers and delegated authorities) in relation to the relevant transaction or project.

IFC Performance Standards

A set of standards developed by the International Finance Corporation (IFC) for the management of social and environmental risks and impacts in projects. The Standards are available on the IFC's website, www.ifc.org

Leverage

The ability of a business enterprise to effect changes in the wrongful practices of the party that is causing or contributing to adverse impacts.

Material Change

Material Change in a project is difficult to define. Factors we consider in determining whether a Material Change occurs include:

- increases in production or capacity and their magnitude
- increases and/or alterations in pollutants discharged and their magnitude and
- any extensions into areas beyond existing boundaries.

Military Equipment

Transactions involving military items (both offensive military goods and non-offensive military goods) and dual-use goods*. Dual-use goods comprise equipment and technologies developed to meet commercial needs, but which may be used either as military components, or for the development or production of military systems or weapons of mass destruction. A listing of such goods is maintained under the Defence and Strategic Goods List.

New Project

A transaction for a new commercial, industrial or infrastructure undertaking at an identified location. Includes a transaction involved in an expansion or upgrade of an existing operation that results in a Material Change in output or function.

We are focused on supporting small to medium enterprises (SMEs). Where our customer is an SME, whose export is a minor component of a new undertaking, we consider that the "New Project" is the export rather than the undertaking.

Non-project

A transaction that is not associated with an identified location or operation. An example is a loan to an equipment manufacturer where the equipment will have many different purchasers.

Screening

The process of determining if the transaction is a New Project or an Existing Project or a Non-project or Bond, and for transactions other than New Projects, whether the transaction has potential for environmental and/or social impact.

SDR

Special Drawing Right. An international monetary unit against which the Australian dollar fluctuates.

Sensitive Area

Includes national parks and other protected areas identified by national or international law and other locations of international, national, or regional importance, such as wetlands, forests with high biodiversity value, areas of archaeological or cultural significance and areas of importance for indigenous peoples or other vulnerable groups.

* Note the Common Approaches exclude exports of military equipment.

Appendix 1: Common Approaches and Equator Principles Frameworks

Our application of this Procedure automatically includes consideration of the Common Approaches and the Equator Principles.

The following tables indicate how the Procedure, Policy and our actions align with these global approaches.

Alignment of Common Approaches and this Procedure:

Common Approaches requirement*	Section of Procedure or other reference
II General principles	The general principles contain no specific requirements
III & IV Screening and Classification	Section 2, Screening and Classification
V Environmental and Social Review	Section 3, Risk Assessment
VI Evaluation, Decision and Monitoring	Section 5, Approval of transactions
VII Exchange and Disclosure of Information	• Publication of Export Finance Australia's Policy and Procedure • Section 4, Disclosure • Section 7, Reporting
VIII Reporting and Monitoring of the Recommendation	• Section 7, Reporting • Section 8, Review • Participation in the OECD, in particular the OECD's Working Party on Export Credit and Credit Guarantees and its environmental practitioner forums

* Requirements are defined by the seven main sections of the Common Approaches

Alignment of Equator Principles and this Procedure:

Equator Principles	Section of Procedure or other reference
Principle 1: Review and Categorisation	Section 2, Screening and Classification
Principle 2: Environmental and Social Assessment	Section 3, Risk Assessment
Principle 3: Applicable Environmental and Social Standards	• Policy section 3 • Section 3, Risk Assessment
Principle 4: Environmental and Social Management System and Equator Principles Action Plan	Section 3, Risk Assessment. These requirements are detailed in the IFC Performance Standards.
Principle 5: Stakeholder Engagement	Section 3, Risk Assessment. These requirements are detailed in the IFC Performance Standards.
Principle 6: Grievance Mechanism	Section 3, Risk Assessment. These requirements are detailed in the IFC Performance Standards.
Principle 7: Independent Review	Section 3, Risk Assessment. For all Category A projects, an Independent Environmental and Social Consultant will complete a review of compliance.
Principle 8: Covenants	Section 5.2, Contractual terms
Principle 9: Independent Monitoring and Reporting	Section 5.2, Contractual terms
Principle 10: Reporting and Transparency	Section 7, Reporting

Appendix 2: Classification

The Common Approaches and the Equator Principles both provide definitions, set out below, for Category A, B and C projects.

Export Finance Australia considers that the two definitions are similar in intent and, in applying the Policy and this Procedure, Export Finance Australia does not distinguish between the two.

Category	Common Approaches	Equator Principles
Category A projects	A project is classified as Category A, if it has the potential to have significant adverse environmental and/or social impacts, which are diverse, irreversible and/or unprecedented. These impacts may affect an area broader than the sites or facilities subject to physical works. Category A, in principle, includes projects in sensitive sectors or located in or near sensitive areas. An illustrative list of Category A projects is set out in Common Approaches Annex I.	Projects with potential significant adverse environmental and social risks and/or impacts that are diverse, irreversible or unprecedented.
Category B projects	A project is classified as Category B, if its potential environmental and/or social impacts are less adverse than those of Category A projects. Typically, these impacts are few in number, site-specific, few if any are irreversible, and mitigation measures are more readily available.	Projects with potential limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.
Category C projects	A project is classified as Category C, if it has minimal or no potentially adverse environmental and/or social impacts.	Projects with minimal or no environmental and social risks and/or impacts.

Appendix 3: Amendments to the Procedure

Procedure version	Date and details
A 10 March 2011	Implementation following Policy approval
B 29 August 2011	Section 4.1 amended: addition of RPA associated with multilateral institutions to list of transactions not reported in the online register of transactions
C 30 August 2012	Amendments following internal review and revisions to the Common Approaches.
D 27 June 2013	Amendments following the release of Equator Principles 3 (June 4 2013) and a decision to disclose Export Finance Australia's potential involvement in Category A projects located in Australia.
E 10 August 2015	Amendment of the definition of "New Project" and general housekeeping edits.
F 23 February 2017	New section 2.4 and amendments to Section 5 following a Policy review by the Export Finance Australia Board.
G 31 October 2018	Amendments to Section 3 following a Policy review by the Export Finance Australia Board.
H 13 June 2019	Name Changes from Efic to Export Finance Australia
I 5 December 2019	Amendments to the Procedure to exclude military equipment following a Policy review by the Export Finance Australia Board.
J 24 February 2021	Amendments to Sections 2.2.1 and 2.3 to clarify the rationale for our approach to a transaction supporting a project in Australia.
K 14 June 2022	General amendments following internal review and external stakeholder engagement.
L 20 October 2022	Amendments to reflect legislation changes and consider equity transactions
M 05 February 2024	Amendments to reflect the recommendations from the Assurance Audit
N 22 October 2025	Amendments to the Procedure to reflect recommended amendments to the Policy approved by the Export Finance Australia Board.
O 8 August 2026	Amendments to the Procedure to provide alignment of reporting with our Statement of Expectations and Annual Report.
P 22 October 2026	Amendments following internal review and external stakeholder engagement and to incorporate EFA Board approved Policy updates.