

EFIC Stands By Its Social and Environmental Policies

This story makes criticisms of EFIC's environmental and social policies which require a closer look. I think it's important to place some facts on the record to balance the discussion.

Before financing any transaction, EFIC makes a commercial judgement on the viability of the transaction, considers the benefits to Australian exporters, and applies a rigorous environmental and social assessment. This is a threshold test. If the deal doesn't meet our environmental and social standards, then EFIC doesn't get involved. EFIC has rejected transactions on environmental grounds.

EFIC's Environment Policy is based on the OECD Recommendation on Common Approaches on the Environment and Officially Supported Export Credits. This is the OECD rule book for export credit agencies which incorporates environmental standards set by the International Finance Corporation - an arm of the World Bank. Not only do we take seriously our obligation to comply with these rules, we are proud of the fact that we have helped shape and advance those standards. And in March this year, EFIC voluntarily adopted the Equator Principles - a complementary set of global standards for environmental and social assessment for project finance.

So what does this mean in practice?

Let's look at just a few projects that EFIC has helped finance in the last six years:

- In 2003, EFIC supported a gas pipeline from Mozambique to South Africa which saw the replacement of gassified coal feedstock resulting in improvements in greenhouse gas and waste emission levels. CO2 emissions, for example, were reduced by 47% or almost 5 million tonnes.
- In 2004, EFIC supported a mineral sands project in Mozambique which just last week won an international award for green mining due to its successful implementation of an extensive social development programme.
- In 2005 and again in 2008, EFIC supported the installation of solar-powered kits for drip irrigation works in Sri Lanka. This allowed the replacement of diesel-powered pumps and replaced the previous reliance on flood irrigation with much more reliable drip-irrigation.
- In 2007, EFIC supported the Lumwana copper mine in Zambia. This project too had a major social development programme including the installation of water pumps in nearby villages as well as construction of a school and medical clinic.

Not only does EFIC apply rigorous standards to ensure that environmental and social considerations are fully assessed before we proceed with a transaction but many of our projects include elements that are *positively* beneficial.

We are proud of our track record. It's a track record that is easily and publicly available. Every year, EFIC publishes an Annual Report which is tabled in Parliament by the Minister for Trade. Although not obliged to do so, we choose to operate on the basis of the ASX Good Corporate Governance and Best Practice Recommendations.

One of our key policy commitments is to make available for public comment details of any transaction we are considering with a potentially significant environmental or social impact - our so-called Category A Disclosure process. Since adopting this process in 2000, we have disclosed details of 15 potential transactions. When listing these projects we proactively email interested

parties to ensure that they are given time to respond (on the one occasion that we missed this step we extended the submission period once we discovered our error).

EFIC has received 3 submissions on these 15 Category A transactions. One project did not proceed on other grounds and a written response to that effect was made. The remaining two projects are still open for evaluation and no financing decision has yet been taken. Our consultations are ongoing – including meetings that have already been held with the respondents.

Far from conducting our activities out of public sight, EFIC's environmental and social assessment is both a thorough and transparent process.

The LNG project in PNG is one that has the potential to bring enormous benefits to the people and economy of Papua New Guinea. Should EFIC provide financing for this project, it will only occur after the full and rigorous environmental and social assessment that our policies and international obligations require.

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