



Australian Government

export
finance
australia

2020-2021

Corporate Plan

No one takes on the world alone

Introduction

As Chairman of Export Finance Australia and on behalf of the Board as the accountable authority, I am pleased to present our 2020–2021 Corporate Plan.

The plan covers the four-year period from 2020–21 to 2023–24, as required under paragraph 35(1)(b) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

It also incorporates the requirements of section 49 of the *Export Finance and Insurance Corporation Act 1991* (EFIC Act).

James M Millar AM

Chairman, Export Finance Australia

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About us



Export Finance Australia

provides financing solutions for Australian exporters and overseas infrastructure development that delivers benefits to Australia.

As the Australian Government's export credit agency (ECA), we are an integral part of Australia's international trade focus – supporting businesses, jobs and the community. We play a critical role for our customers and partners by using our commercial financing capability to support viable exporters and overseas infrastructure development when financing from the private sector is unavailable.

What is an ECA?



Most advanced countries worldwide have government owned ECAs, with a role to support and enable export trade for their country. Generally, these agencies provide various financing solutions to help businesses grow exports.

The types of support provided depends on the mandate from the government and can include providing loans, insurance, guarantees and bonds.



We work closely with banks, other financial institutions and partners such as the Department of Foreign Affairs and Trade (DFAT) and Austrade, to support exporters and our international partners on their growth journey. By doing so, we encourage and catalyse private market financing.



We are a corporate Commonwealth entity with an independent Board that is responsible for managing our affairs. This includes determining our strategy, defining risk appetite and monitoring performance.



Our mandate and capital base enable us to support a wide range of exporters, especially small and medium-sized enterprises (SMEs), assist other Government entities and finance overseas infrastructure development, especially in the Indo-Pacific region.



We are part of the DFAT portfolio of agencies. Our responsible Minister is the Minister for Trade, Tourism and Investment, Senator the Hon Simon Birmingham (Minister).

Supporting exporters in an extraordinary year

Our focus on helping businesses and our partners take on the world remains at the core of what we do – and this year was no exception. Despite the impact of devastating bushfires and the COVID-19 pandemic which followed, the Export Finance Australia team was here to provide financial assistance and support when and where it was most needed.

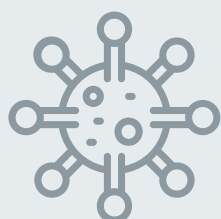
Helping bushfire-affected communities

- › In January 2020, we focused our attention on how we could support Australian exporters impacted by the bushfires.
- › We identified customers who had been directly affected by the bushfires and worked with them to meet their needs.
- › We worked closely with the DFAT, Austrade and Tourism Australia to monitor the impacts on exporters, including international tourism operators.
- › We conducted a targeted outreach campaign in affected communities in New South Wales, Victoria and South Australia to raise awareness about our financial solutions for exporters and international tourism businesses operating in these regions.
- › Our experience during the bushfire crisis highlighted the role that Export Finance Australia can play in supporting business-led recovery efforts through the provision of commercial financial products and services to exporters.

Here to support Australian businesses impacted by the COVID-19 crisis

- › In January 2020 we contacted customers with manufacturing and supply chains to China to understand the impact of disruptions caused by COVID-19.
- › In February 2020 we shared information with our portfolio agencies and developed innovative ways to provide finance.
- › In March 2020 we offered financial relief to all of our existing customers through payment extensions and repayment holidays. We also reached out to our Asian Exim Bank Forum colleagues to share our financing programs.
- › In April 2020 the Government established a new \$500 million COVID-19 Export Capital Facility (COVID-19 Facility) which we administer. We also executed a high-impact national and regional marketing campaign to promote our products and services, reaching out to more Australian businesses than ever before.
- › In May 2020 we hosted a meeting of the Asian Exim Bank Forum to share our COVID-19 response and discuss opportunities to collaborate.
- › By the end of June 2020, we had provided finance to 22 new and existing customers impacted by COVID-19 and provided payment relief to one third of our existing customers.

Export Finance Australia's response to COVID-19



We are living in extraordinary times. Following a devastating bushfire season, the COVID-19 pandemic has rapidly escalated into a global economic crisis unlike anything experienced in recent history.

It has cut demand for a range of Australia's exports, disrupted supply chains and will shrink global capital inflows into Australia and our Indo-Pacific neighbours.

While the impact has been global, COVID-19 has been felt acutely at the individual level: the health impacts of the virus on people in our communities, mounting job losses, increased business distress and the rush to remote working, online learning and e-commerce. These impacts, while quickly realised, will continue to influence the way we live and work as we build momentum for an economic rebound.

Impact of the crisis

Exporters have been hit very hard by the crisis. While the impact of the crisis has been unevenly felt, many exporters were the first to be impacted and will also likely be the last group of businesses to recover. Indo-Pacific infrastructure investment has also been impacted, as regional governments suffer budgetary constraints and investors seek to exit difficult markets and manage losses on existing investments.

The months ahead will be volatile and dynamic. It is against this uncertain background that we have framed our Corporate Plan and our more immediate response to the crisis.

Supporting our customers

It is in times of uncertainty that our purpose and mandate assumes greater relevance and importance. With over 60 years of experience, we are well positioned to respond to the challenges of COVID-19. Our deep understanding of financial markets demonstrates the critical role we play in supporting our customers and providing help when and where it is most needed.

Our purpose

The role of the Government in providing support to business and the broader economy has never been more evident. We are fulfilling our role in partnership with DFAT, Austrade and Tourism Australia.

Our response to the pandemic has been coordinated and disciplined, with a strong emphasis on meeting the needs of our customers, consistent with our purpose and mandate. Most immediately, this centred on the provision of urgent financial support and now involves supporting the future financing needs of our customers to help them rebound. Overlaying this is our longer-term objective to help more exporters and drive more offshore infrastructure investment in the region.

Our strategy

Our strategy remains highly relevant in the current environment.

We continue to apply our three strategic themes of Refine, Evolve and Disrupt to inform our business response. We remain firmly focused on ensuring we have the capabilities to support the immediate and longer-term financing needs of our customers and can efficiently deliver on our mandate.

Our customers

We continue to pro-actively communicate with our customers to offer solutions to help them through the crisis. This has included the provision of payment deferrals and fee waivers. We are also engaging across a range of government forums, using our capabilities and experience to help solve problems.

Our financing is provided through our Commercial Account (CA) and the Government's \$500 million COVID-19 Export Capital Facility (COVID-19 Facility). The COVID-19 Facility, which is operated and administered under our National Interest Account (NIA), provides impacted Australian exporting businesses with a financial lifeline until their revenues return.

We are actively promoting our products and services in metropolitan and regional Australia to ensure export businesses, especially SMEs, are aware of our products, services and capabilities. Our campaign is generating increased awareness of Export Finance Australia and a heightened level of business activity.

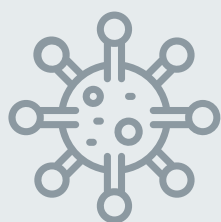
We are discussing partnership opportunities with the major domestic banks and non-bank financiers, to allow us to more effectively deliver financial support to Australian exporting businesses. We are also engaging with our international and regional ECA counterparts to understand and learn from their COVID-19 responses and explore opportunities for collaboration.

Our people

Our people are naturally motivated to deliver on our purpose and mandate and are embracing the opportunity to support more exporters at this time. We are continuing to deliver as Australia's ECA while protecting the health and wellbeing of our employees.

Our past investment in cloud-based technology and training means we can operate remotely and support our customers in ways that we had never imagined. Bringing forward improvements to our internal processes is allowing us to adapt to this new way of working and improve transaction turnaround times.

Other export credit agencies' responses to COVID-19



¹The Berne Union is the leading global association for the export credit and investment insurance industry.

Export credit agencies (ECAs) play a countercyclical role by stabilising trade flows and supporting the real economy in times of crisis.

Berne Union¹ members dramatically increased their activity during the global financial crisis of 2008-2009. ECAs responded to the collapse of private commercial finance by providing direct lending and guaranteeing the availability of financing for exporters, thereby cushioning a slump in exports.

In response to COVID-19, many ECAs have implemented a range of extraordinary measures to alleviate the negative impact of the current crisis on international trade. These measures include:

Increasing capacity

ECAs have increased their capacity by easing restrictions on official support and augmenting private market capacity. As an example, Export Development Canada expanded its Business Credit Availability Program Guarantee to provide working capital to cover operational costs as a result of COVID-19 and support even more Canadian companies, regardless of size, sector or region.

Increasing flexibility

ECAs have relaxed their requirements for new support for exporters, expedited processes and granted concessions, waivers or flexibility on fees and premium payments. ECAs have also facilitated favourable restructuring to minimise defaults on existing loans, either directly, or in conjunction with banks. This includes deferred payment schedules, extended repayment periods, waivers of some interest and fees. For example, Export-Import Bank of the United States extended relief provisions for exporters and financial institutions including waivers, deadline extensions, streamlined processing and flexibility in claims analysis and required documentation.

Providing new facilities

ECAs have helped reduce pressure on business cashflow and supported the supply chain with increased financing indirectly related to exports. Examples include providing official support for working capital, pre-shipment finance, bonds, domestic suppliers to exporters and import guarantees. For instance, Swedish Export Credit Agency EKN introduced a new guarantee for working capital financing for large companies and their suppliers.

Our own experience has clearly mirrored that of other ECAs, with a material increase in enquiries and number of transactions, as we help new and existing customers to manage their liquidity and financing needs in response to COVID-19.

Noting the challenges that businesses face in the current climate, we have worked with Government to make finance available to SME customers through

the COVID-19 Facility, which is delivered through the NIA. The use of the Government's NIA capability to support the SME sector is a new development and a result of the Government's strong desire to ensure that previously profitable businesses, especially in the tourism and education sectors, remain viable while they wait for international markets to re-open.



Case study

Aus Air Charter

Aus Air Charter (trading as GSL Aviation) is an aviation tourism business, operating services in Cairns and the Whitsundays. International tourists usually make up around 80 per cent of its passenger numbers but COVID-19 has seen bookings decline significantly. We provided the business with a loan to help them meet their commitments and retain staff until domestic and international passenger numbers pick up again.

“ COVID-19 presented a huge challenge for our tourism business. Funding obtained through Export Finance Australia has enabled us to support our staff, make improvements within the business and ensure the long-term viability of our operations. ”

Trent Brown
Director, GSL Aviation

Operating environment

In addition to the impacts of COVID-19, four key factors influence our operating environment and the demand for our products and services:

1. Economic environment
2. Mandate requirements
3. Regulatory and prudential settings
4. Australian Government policies and directions.



Economic environment

Global health measures enacted to control the spread of COVID-19 have resulted in an economic shock of unprecedented speed and magnitude. For the first time since the Great Depression, both advanced economies and emerging markets are expected to be in recession. The International Monetary Fund expects income per capita to shrink for over 95 per cent of countries in 2020.

Speed of recovery

Australian exporters have been impacted by falling global demand, widespread supply chain disruptions and tighter financial conditions. The speed of the recovery is highly uncertain and dependent on a range of factors including:

- › the persistence of the health crisis;
- › differences in economic structure (e.g. dependence on severely affected sectors such as tourism and oil; reliance on external financial flows; and pre-crisis growth trends);
- › changes to household incomes and business models; and
- › the success of global policies to prevent widespread bankruptcies, job losses and financial strain.

Economic resilience

The trend towards increased trade protectionism strengthens the headwinds faced by Australian exporters, particularly those involved in globalised production.

Australia's comparative economic resilience to these challenging global economic conditions has been aided by strong demand for our resources exports. The Department of Industry, Science, Energy and Resources forecasts Australia's resource and energy exports will reach a record \$293 billion in 2019-20. In particular, Australia's iron ore export earnings have been exceptionally resilient. We expect these earnings to continue given Asia's nascent economic recovery, infrastructure-led stimulus measures worldwide and supply disruptions in Brazil due to COVID-19-related lockdowns. Gold is also set to be a strong performer, given its status as a safe haven asset. This will help to offset sharp price falls for other commodities, notably liquefied natural gas (LNG) and oil.

Export resource forecast

Overall strength in resources will be particularly important during a sustained period of weak services exports. Australia's services exports are down almost 30% over the first five months of 2020. International travel restrictions have seen travel and transport exports (15 per cent of Australia's total exports in 2019) fall 40 per cent in May 2020 compared to May 2019. Education exports could rise quickly assuming international borders are gradually opened from the start of 2021, but tourism is likely to pick up slowly as a result of continued quarantine requirements and consumer caution. The outlook for manufactured exports is also foreshadowed to be weaker in the near term, due to lower global demand. However, rural exports are expected to benefit from stable global prices and easing drought conditions.

Beyond the crisis

Beyond the COVID-19-induced crisis, as outlined on page 7, Australia's strong fundamentals will remain supportive of exports in the medium term. Strong links into Asia's powerhouse economies, the Government's commitment to an open and trading economy, supply of natural resources and strong institutions and human capital will see Australian exporters continue to perform strongly on the international stage.

2 Mandate requirements

Our commercial operations are subject to legislative and mandate requirements that involve ongoing investment in specialist capability.

Although our mandate continues to evolve, our strong priority is to create economic opportunities for Australian export-related businesses and to support regional infrastructure development.

A summary of our key mandate requirements follows.



Availability of private sector finance

Broader macro-economic conditions and domestic issues can affect credit markets and the private sector's risk appetite. Our mandate indicates that we can only provide financial support where the private market is unable or unwilling to do so – the 'market gap'. Therefore, we do not compete with banks or other financial institutions, but rather complement their activities. However, broader macro-economic conditions and domestic issues can affect credit markets and the private sector's risk appetite.

When credit availability is strong, the need for our support may decrease. Conversely when credit availability is constrained, we step forward with financing support.

Our involvement often acts as a catalyst for the private market to step forward and provide support to businesses. In these cases, we may step away from transactions or reduce our exposures. The financial impact achieved by securing private market involvement can be difficult to quantify, but we disclose it when it occurs.



Focus on SMEs

Support for SMEs is vital for the future growth of Australian exports and the economy. Our Minister has determined that a market gap exists for finance for all SME businesses. We therefore focus our support on a wide range of businesses operating in this important sector.

We do this:

- › through our dedicated SME financing business, whose focus is to identify and finance viable exports in this segment;
- › with continuous improvements to our product offering, to ensure that SMEs can efficiently access overseas markets and expand their business overseas; and
- › by linking Australian SME involvement to our financial support for large projects and transactions.



Australian benefit

Our ability to finance exporters and infrastructure development requires us to identify benefits to the Australian economy flowing from our support. As outlined in our Ministerial Statement of Expectations (Appendix A), such benefits include:

- › Australian content;
- › greater Australian participation in supply chains;
- › access to new markets for Australian businesses;
- › more Australian jobs; and
- › payments, dividends, or other financial proceeds from overseas to Australia.



Multiple Facilities

To ensure we maintain our demonstration role to the private market, we use our judgement to ensure the provision of multiple facilities to the same business over a period of time is not displacing a service that could be provided by the private sector finance.



Domestic or overseas resource projects

We recognise that large projects or firms can help SMEs access global markets through supply chain participation. To ensure a balance in the level of support we provide to large domestic and overseas resource projects (and related infrastructure), our Board must satisfy itself that:

- › there is a market gap in the availability of finance;
- › the transaction does not come at the expense of SME transactions;
- › the project has significant Australian content, including SME supply chain participation and/or benefit; and
- › the project is financially viable.

3 Regulatory and prudential settings

Australian financial services providers continue to respond to the findings of the Hayne Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. The Government's legislative and regulatory response to the Royal Commission's final report was handed down in February 2019.

The availability of private sector finance and the need for our services and support will vary according to the continuing economic and regulatory responses to the Royal Commission.

As a result, the need for financial support may widen if the private finance market reduces its support for businesses in response to tighter regulatory practices. Alternatively, banks could react by prioritising business lending. This will impact the demand for our financing support, which will remain subject to appropriate risk assessment.

The broader impact of new regulatory and prudential settings is even more uncertain given the significant global and domestic economic impacts of COVID-19, which may result in further regulatory and prudential changes and resulting impacts.

4 Australian Government policies and directions

We continue to play an important role in contributing to the Government's policy objectives. This has been reinforced in our call to action during the COVID-19 pandemic and its aftermath. During this period, we have actively engaged with multiple stakeholders to support Australia's broader trade and investment strategy and objectives, which remain critical to Australia's ongoing economic strength.

Our role is much broader than that of other financial institutions and our performance cannot be measured using standard commercial benchmarks or outcomes. Through our own team and through our partnerships with DFAT, Austrade and Tourism Australia, we provide financing solutions and advice in support of Australia's international trade commitments and goals, including the following:

- › Economic Response to the Coronavirus
- › Critical Minerals Strategy
- › Pacific Step-up
- › Trilateral Partnership for Infrastructure Investment in the Indo-Pacific
- › Defence Export Strategy
- › Organisation for Economic Co-operation and Development (OECD), Paris Club, World Trade Organization and International Working Group on Export Credits commitments.



Our impact

In 2019-20, our activities generated a positive impact for Australia.



Supported
9,669
jobs in Australia*



Contributed
A\$1.27b
to Australia's GDP*



Helped
136
customers



Supported
A\$2.45b
in contracts

* Analysis on the value of Export Finance Australia's contribution to the Australian economy is undertaken by the Centre for International Economics.



Case study

Turbid & Bretty

Turbid & Bretty is a wine business, producing Pinot Noir for the William Downie brand with grapes sourced from Gippsland. They needed a working capital solution to cover production costs and maintain sufficient stock levels to keep up with their consistent demand from overseas buyers. Our Small Business Export Loan enabled Turbid & Bretty to produce more wine, maintain inventory and finance their vineyard operation to continue to grow their business in overseas markets.

“ They've been great, really helpful and easy to deal with. Export Finance Australia basically funded our vineyard operation by helping us manage our cashflow. ”

William Downie

Director, Turbid & Bretty

How we provide finance



We help customers with financing solutions, which may involve loans, bonds and guarantees. We deliver our support through our Commercial Account (CA) and/or the National Interest Account (NIA). However, our intent is always to assess a transaction's eligibility for the CA first and only consider the NIA when CA criteria are not met. Typically, transactions on the NIA are outside the risk appetite of the CA as determined by our Board. As a result of COVID-19, the NIA may be used as appropriate for specific transactions.

Commercial Account

Under the CA, we act as a for-profit corporation. We retain all margins and fees and bear all risks and losses.

Decisions under the CA are the responsibility of the Export Finance Australia Board.

National Interest Account

Under the NIA, the Minister can direct us to support transactions that are in the national interest.

We can also refer transactions to the Minister for consideration. This might be due to the transaction's size, tenor, or significant exposure to the country of export.

The Commonwealth receives all income on NIA transactions. It also bears all risks and losses. Decisions under the NIA are the responsibility of the Government. The Defence Export Facility, the Australian Infrastructure Financing Facility for the Pacific (AIFFP) and our new COVID-19 Facility are examples of how innovative financing solutions are delivered through the NIA.

The background of the page is a photograph showing the silhouettes of construction workers on a steel structure, likely a bridge or large building, against a bright sunset sky. The workers are positioned on the left and right sides of the frame, with a dense network of steel beams and rebar structures in the foreground and middle ground. The sky transitions from a deep blue at the top to a bright orange and yellow near the horizon.

Our purpose

To play an impactful role in financing Australian exports and interests, including overseas infrastructure development.

We achieve **our purpose** by fulfilling our mandated functions (see Appendices A and B), which are to:

- › facilitate and encourage Australian export trade and overseas infrastructure development by providing finance;
- › encourage banks and other financial institutions to finance exports and overseas infrastructure development;
- › provide information and advice about finance to help support Australian export trade;
- › assist other Commonwealth entities and businesses in providing finance and financial services; and
- › administer payments in relation to overseas aid projects financed by the Commonwealth.

How we do this

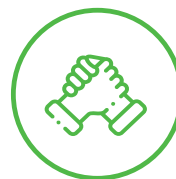


Providing finance to COVID-19 impacted exporters

The Government has introduced a number of COVID-19 support measures to assist:

- › individuals and households – through JobKeeper and JobSeeker payments, income support and temporary early release of superannuation;
- › businesses and employment – providing cashflow support to SMEs and not-for-profit organisations and temporary relief for financially-distressed businesses; and
- › the financial system and flow of credit – supporting immediate cash flow needs for SMEs and reducing the cost of credit.

The Government's COVID-19 Facility, which we administer, complements these other measures, assisting previously profitable Australian exporters whose businesses have been impacted by COVID-19. Exporters are able to access finance from \$250,000 to \$50 million under the facility.



Supporting SMEs, corporates and governments to realise export opportunities

We support SMEs across a range of industries – from advanced manufacturing and defence to tourism and shipbuilding.

Through our online digital platform, *exportonline*, we provide SMEs with access to fast loan options.

Our specialist expertise allows us to help with financing solutions for larger corporate and sovereign projects.

This enables us to 'crowd in' Australian SMEs into a project's supply chain.



Helping finance sustainable infrastructure in the Indo-Pacific region and beyond

The Australian Government's 2017 Foreign Policy White Paper details how Australia's economic and security interests are converging. To meet the challenges of an increasingly contested and competitive region, it sets out an agenda for shaping a regional balance that supports Australian interests.

In support of this agenda, we continue to:

- › actively seek to support infrastructure financing opportunities in the Pacific and the broader Indo-Pacific region;
- › provide operational and technical support to the AIFFP, a \$2 billion development-focused infrastructure financing facility for the Indo-Pacific; and
- › along with DFAT, represent Australia in the Trilateral Partnership for Infrastructure Investment in the Indo-Pacific, with the US International Development Finance Corporation and the Japan Bank for International Cooperation.



Providing defence export finance through the Defence Export Facility

As part of the Government's focus on building Australia's defence export capabilities, we administer the US\$3 billion Defence Export Facility. This amount is an upper limit available under the NIA; it is not a separate pool of funding that has been provided to Export Finance Australia. As directed by the Minister, this facility provides a way for us to finance defence exports where we may not be able to help under our CA.



Case study

Microbric

Microbric develops, manufactures and sells educational robotics, helping educators teach science, technology, engineering, the arts and mathematics (STEAM) through exciting and engaging hardware paired with intuitive software. They secured an export contract with a large public-school district in the US and needed external finance to cover the cost of production associated with the large order. Our loan enabled Microbric to fulfil their US order and has also generated more product interest and enquiries.

“ Andrew [from Export Finance Australia] made a point of understanding our business. He also took a very personal, case-management style approach to working with us, which we valued. ”

Adriana O'Brien

COO and Education Specialist
Microbric

Our purpose



Providing finance in support of the critical minerals sector

The Australian Government has directed us to place a greater focus on critical minerals projects and related infrastructure, to help diversify critical minerals supply chains and support the expansion of downstream processing in Australia.

We are able to provide commercial financing support to critical minerals projects and related infrastructure, or support businesses in the critical minerals export supply chain.

Where critical minerals are important to the defence supply chain, finance may be available through the Defence Export Facility.

Our eligibility criteria as outlined in our Ministerial Statement of Expectations (Appendix A) include that:

- › the mineral is identified in Australia's Critical Minerals Strategy;
- › the extraction or processing of the minerals in Australia are for export;
- › a comprehensive feasibility study has been completed;
- › buyers are committed to purchase the project's production;
- › the project proponents have the necessary financial, technical and commercial capacity; and
- › for access to financing under the Defence Export Facility, projects must be important to a defence end-use.



Enabling broader government objectives by supporting other Commonwealth entities

We provide expertise and support to the following Commonwealth entities as directed by the Minister:



AIFFP which supports infrastructure that encourages prosperity in the Pacific and Timor-Leste.



Australian Government
National Indigenous Australians Agency

Indigenous Entrepreneurs Capital Scheme (IECS) which is designed to provide access to private sector capital for Indigenous businesses.



Australian Government



National Housing Finance and Investment Corporation

National Housing Finance and Investment Corporation (NHFIC) which improves housing outcomes by making loans, investments and grants to encourage investment in social and affordable housing. It also administers the Government's First Home Loan Deposit Scheme (FHLDS).



Australian Government



Northern Australia Infrastructure Facility

Northern Australia Infrastructure Facility (NAIF) which is a lending facility established to provide loans (which may be concessional) to infrastructure projects that benefit northern Australia.



Our strategy

Our three strategic themes help us deliver on our purpose and mandate.

Our strategy helps ensure we deliver on our purpose and mandate. We continue to challenge our business model through our strategic themes of **Refine**, **Evolve** and **Disrupt**.

Our progress on these strategic themes is underpinned by our culture, leadership, reputation and risk and compliance capability.

While we continue to Refine our business model, we are now firmly in the Evolve phase – which emphasises collaboration with the broader export finance ecosystem and provision of support to Government to help meet its broader policy objectives.

Refine Business Model

Commenced July 2018

Make our business more efficient by driving better origination and reducing complexity

Evolve Business Model

Take a more holistic view of our role and how we reach exporters

Disrupt Business Model

Enhance our role in response to local and global shifts



1 Refine | Our business model

We will continue to Refine our business model to make it easier for Australian export-oriented businesses to work with us. Our leadership and culture will enable us to:

- › realise our purpose
- › learn and grow
- › deliver great customer outcomes.

Strategy 1: Continue to refine our current business model

Activities	Outcomes
<ul style="list-style-type: none"> › Simplify our products and use the <i>exportonline</i> platform more effectively › Promote our solutions to small, medium and large businesses 	<ul style="list-style-type: none"> › Improved customer services and transaction turnaround times › Increased business activity › Increased awareness of Export Finance Australia in all export market segments › Increased support for a wider range of exporters

Strategy 2: Balance our demonstration role with long-term profitability

Activities	Outcomes
<ul style="list-style-type: none"> › Continue to work with banks and other financial institutions to help Australian businesses take on export opportunities › Fully leverage our mandate 	<ul style="list-style-type: none"> › Australian export businesses get the financial support they need to take on commercially viable export contracts, either through Export Finance Australia or other financial institutions › Increased financing support for projects that typically have long lead times (including infrastructure and critical minerals projects). This may impact short term profitability while we continue to build our pipeline, but will generate benefits in the longer term as financings are completed

2 Evolve | Our business model

Over the last year, we have evolved to be a more integral part of Australia’s international trade focus. We seek to support more export businesses and infrastructure in the Indo-Pacific region that benefits Australia. We do this through effective strategic partnerships and collaboration across the export ecosystem.

Strategy 1: Collaborate with the broader export finance ecosystem to deliver our mandate

Activities	Outcomes
<ul style="list-style-type: none"> › Partner with Austrade to help Australian exporters access the world › Collaborate with other financial institutions and government agencies › Work with other ECAs and multilateral agencies to support our infrastructure financing mandate 	<ul style="list-style-type: none"> › Creation of opportunities to reach exporters at scale and through more efficient channels › Engagement with other ECAs and multilateral agencies to deliver on infrastructure projects in the Pacific and the broader Indo-Pacific region

Strategy 2: Help the Government meet its broader policy objectives

Activities	Outcomes
<ul style="list-style-type: none"> › Use our infrastructure mandate to support the AIFFP › Actively seek opportunities for the COVID-19 Facility, Defence Export Facility, AIFFP and in support of Australia’s Critical Minerals Strategy › Continue to support existing Commonwealth entities and company service level agreements, as directed by the Minister 	<ul style="list-style-type: none"> › Active engagement with banks and alliance partners to support our customers › Demonstrated support for the Government: <ul style="list-style-type: none"> › on delivering key policy objectives on the NIA, including the new COVID-19 Facility › in delivering efficiencies by leveraging existing support services capability

3 Disrupt | Our business model

We will continue to position our organisation for the future by:

- › being proactive rather than reactive to changes in the global trade outlook and its impact on our business
- › actively engaging with the Government and stakeholders on emerging trade priorities
- › challenging the status quo and continuing to explore opportunities in the financial landscape (including ECAs)
- › adopting new and innovative technologies to help us more effectively support our customers.

Strategy 1: Enhance our role

Activities	Outcomes
<ul style="list-style-type: none"> › Work with DFAT to develop our role in supporting Australia's export trade landscape › Understand the global financial landscape to ensure our offering is relevant to the changing export environment and Australia's interests 	<ul style="list-style-type: none"> › Export Finance Australia supports Australia's trade, innovation and industry policies › Export Finance Australia uses its international network, through partnerships and collaboration, to benefit Australian businesses

Strategy 2: Continue to innovate our technology platforms to support customers

Activities	Outcomes
<ul style="list-style-type: none"> › Manage our records digitally in line with the Government's Digital Continuity 2020 policy › Continue to use the best technologies available to our organisation to digitally transform our business and better service our customers 	<ul style="list-style-type: none"> › Optimise delivery of our services by better understanding and managing our data as an asset, enabling reuse and fully digital work processes › Greater availability of key systems and data to more efficiently service and interact with our customers

Our capability

Every day, our talented teams thrive by helping our customers succeed.

Our people and culture

We support our people to continue delivering the highest level of service to our customers. As the economic landscape continues to change, our focus is on developing the capability of our people to help them continue to deliver on our purpose and mandate.

Our People & Culture Strategy is integrated with and underpins our Corporate Plan. We aim to create an environment where our talented teams thrive in helping exporters succeed, by seeking customer-led solutions and embracing diversity of thought.

We recognise we will only succeed by continuing to:

- › develop the capability of our people to support their growth and enable our business (Capability);
- › facilitate a culture where we can each contribute more (Culture);
- › engage our people and teams, where we foster a sense of belonging (Connection); and
- › partner well and encourage a customer mindset (Collaboration).

Capability

We will strengthen our succession planning and talent management practices by actively managing pipelines and business critical roles. As our mandate grows, our workforce continues to evolve. Our focus will be on strengthening our employment brand, engaging authentically and attracting key talent.

Culture

We are introducing new ways of working as a team and enabling our people to have real conversations that unlock opportunities for our customers, their colleagues and themselves. Whilst our expectation of leaders is high, we will continue to support them through tailored development and coaching opportunities.

We will continue to measure the impact of what we do and how we do it, whilst ensuring our four culture pillars are anchored in all we do.

WE EXCEL	WE LISTEN	WE COLLABORATE	WE GROW
<p>We value high performance and are proud of achievements that are aligned with our purpose</p> <p style="text-align: center;">↓</p> <p>We embed our purpose, values and performance expectations into our key performance indicators, roles and responsibilities</p>	<p>We adapt to changing customer and market needs and continuously improve the customer experience</p> <p style="text-align: center;">↓</p> <p>We design our systems and processes to meet the needs of our customers</p>	<p>We keep each other well informed and seek contributions from others to remain relevant</p> <p style="text-align: center;">↓</p> <p>We provide consistent, transparent and timely communication (up, down and sideways)</p>	<p>We grow our organisation and ourselves</p> <p style="text-align: center;">↓</p> <p>We promote and reward different ways of working across all roles to improve outcomes – and provide leadership support and mentoring to help people grow</p>

Our capability

Connection

We will continue to focus on four priority areas that strengthen our Diversity and Inclusion strategy across the organisation:

- › create an inclusive culture where every individual, feels valued, respected and supported - regardless of gender, cultural identity, sexual orientation, age, disability, experience etc.;
- › facilitate a culture where we can each contribute more, by leveraging and celebrating the rich cultural diversity of our people;
- › promote gender equality by creating practices to attract, retain and develop females; and increase female representation at senior leadership levels; and
- › increase Aboriginal and Torres Strait Islander representation in our workplace and foster greater connection with our First Peoples.

Collaboration

We will continue to evolve our operating model around our customer and stakeholder needs. We will continue to look for ways to streamline and enhance our processes while aiming to always be transparent and work in partnership.

Our systems and processes

We will continue to embrace innovation in technology, systems and processes. This will help improve our service delivery to our customers.

This includes:

- › reviewing our internal and external systems to ensure they provide a seamless and customer-centric experience;
- › continuing the move to cloud-based infrastructure and services to take advantage of its mobility, scalability and security;
- › moving workflows online, including removing paper and email-based processes and implementing mobile applications, to support our processes with easier, on-demand access for our people;
- › continuing to enhance our *exportonline* portal and internal support systems, to better support customer-needs and provide a high-quality and efficient customer experience; and
- › continuing to align our processes and systems to best practice security standards to protect our organisation and our customers.

Our partnerships and alliances

We will continue to strengthen partnerships with financial institutions, government agencies, industry groups and other organisations to help drive Australia's trade success and interests.

This will help broaden our reach, build our capabilities and increase the number of businesses we support.

Who are our partners and alliances?

› Australian and State and Territory government agencies:

- › DFAT
- › Austrade
- › Tourism Australia
- › Department of Industry, Science, Energy and Resources
- › Australian Defence Export Office
- › Commonwealth Scientific and Industrial Research Organisation (CSIRO)
- › South Australia Food & Beverage Export Hub
- › Tourism Western Australia
- › Newcastle Institute for Energy and Resources

› Peak industry groups and sector associations:

- › Export Council of Australia (ECA)
- › Wine Australia
- › The Australian Manufacturing Technology Institute Limited (AMTIL)
- › Australian Fashion Council (AFC)
- › Austmine
- › Food SA
- › Defence Teaming Centre

› Business chambers and councils:

- › Business Australia (formerly NSW Business Chamber)
- › Council of Small Business Organisations Australia (COSBOA)

› Private sector, including banks and professional services firms:

- › The major banks
- › The major accounting firms
- › Select private equity firms
- › Select law firms

Our priority partnerships will ensure we provide a more seamless experience for customers seeking government support.

In particular, we will continue to collaborate with Austrade to:

- › take a proactive, customer-focused approach to partnership outcomes;
- › harness and share collective capabilities and resources;
- › provide a mechanism to align work across agencies
- › adapt activity plans to learn and evolve to meet changing customer needs; and
- › provide direct referral channels to support more Australian businesses.

Sector alignment

We have a strong sector focus and work with many agencies and associations to support businesses in these sectors. With our continued focus on helping tourism businesses, we will work closely with Tourism Australia and the Australian Tourism Export Council (ATEC).

We continue to reach more manufacturing businesses through our work with the Advanced Manufacturing Growth Centre (AMGC) and AMTIL.

We also share a proud history with Export Council of Australia in supporting Australian businesses for over 60 years. We continue to work together to promote Australian resources and support a range of sectors to grow in international markets.

Key performance targets



Transactions completed and customers supported

Table 1 provides our best estimate on the expected level of quantitative business activity over the next four years. Table 2 reflects qualitative business metrics over the same period.

While our initial response to COVID-19 was centred on the provision of urgent financial support, our longer term objective is to help more exporters adapt, and drive more offshore infrastructure investment in the region.

Crisis impacts

Global growth is facing its toughest challenge in generations. The effects of COVID-19 will be felt right across Australia and its immediate and longer term impacts will not necessarily be uniform or linear. It is in this context that we have considered various rebound scenarios to inform our key performance targets (KPIs) for the Corporate Plan period.

While this is difficult to forecast, our experience from previous crises enables us to reflect on which sectors of the economy may rebound quickly or may take longer to rebound. We continue to work closely with DFAT on various COVID-19 Government initiatives specifically designed to encourage support for exporters and supply chain businesses.

Initiative collaboration

A number of these initiatives are available to banks and other financial institutions to encourage lending to SMEs. We are currently partnering with one of the major banks to leverage our guarantee product to support more SMEs engaged in export trade. The level of financing we deliver is largely determined by the risk appetite of the banks and other financial institutions we work with.

We expect that certain transactions that would have been eligible on the CA under normal circumstances may require to be delivered on the NIA over the next year. More specifically, previously profitable customers that were impacted by COVID-19 may now need to seek short-term support via the COVID-19 Facility.

Assessing transactions

Our experience in assessing risk and working closely with our customers will help us make that determination. For these reasons, when assessing our performance in 2020-21 and for the foreseeable future, our KPIs related to signings targets will include transactions on both the CA and the NIA.

Transactions on the NIA include facilities written under the Defence Export Facility (US\$3 billion facility), the AIFFP (\$2 billion facility) and the recently established COVID-19 Facility (\$500 million facility).

Key performance targets

The likely uneven impact and timing of any global recovery means that there a range of possible outcomes on the CA and NIA, including an early rebound of domestic and international capacity or alternatively, a much slower recovery and potential artificial barriers imposed on international trade.

Our targets

As in previous Corporate Plans, the targets in later years are dependent on achieving planned outcomes in the previous years. In 2019-20 a number of transactions were delayed as a result of COVID-19. Some of the more significantly affected sectors include those within our mandate, such as oil and gas, shipbuilding and mining and resources.

For example, our financing for a major shipbuilding export contract was delayed due to COVID-19 disruptions. A sharp decline in the oil price also delayed financing for two significant overseas mining projects and a number of proposed oil and gas project developments.

Similarly, we provided financing for a number of customers this year that experienced temporary disruptions to their supply chains but may not need support in future years.

Financials

Our financial outcomes for the CA and NIA are shown separately given, the Commonwealth receives all net income and must reimburse us for any losses under the NIA.

Over 70 per cent of our income is derived in US dollars (USD) and therefore movements in USD interest rates and exchange rates can have a significant impact on our profitability.

Table 1: Quantitative performance targets

Performance criteria	Measure	2019-20*	2020-21**	2021-22	2022-23	2023-24
Transactions completed on the CA and NIA	Dollar value of facilities signed	\$1.087b	\$800m-\$1.2b	\$800m-\$1.2b	\$800m-\$1.2b	\$800m-\$1.2b
	Dollar value of export contracts supported	\$2.450b	\$1.6b-\$3.6b	\$1.6b-\$3.6b	\$1.6b-\$3.6b	\$1.6b-\$3.6b
Customers supported on the CA and NIA	Number of customers supported	136	125-150	125-150	125-150	125-150
	Percentage of new customers supported	51%	40%-50%	40%-50%	40%-50%	40%-50%
CA Financials	Commercial Account profit (pre-tax)	\$16.0m	\$16m-\$20m	\$18m-\$22m	\$20m-\$28m	\$24m-\$30m

* The 2019-20 Commercial Account (CA) profit was impacted by \$28.3 million of credit provisions taken against the portfolio in response to the COVID-19 pandemic. The credit provisioning on the SME portfolio *is likely* to crystallise into actual losses but the timing is uncertain. In contrast, the credit provisioning on the Corporate portfolio *is unlikely* to crystallise into actual losses, but for accounting purposes our exposures are fair valued based on current market data. The additional credit provisions arise from rating downgrades based on our assessment of the impact of COVID-19 on individual counterparties.

** The 2020-21 Commercial Account (CA) profit and profit for subsequent years is dependent on meeting signings targets outlined in this Plan. Profit increases as loan balances increase from new and existing signings drawing down each year.

Performance targets

The performance targets outlined do not fully capture our activity or our broader contributions. When we step forward to assist a customer on the CA, our intended participation often encourages the participation of other financiers. This catalytic role is consistent with our mandate to 'crowd in' the private sector and in many cases may require us to step away from the transaction.

Based on our experience in 2019-20, we expect to support customers and Government on various financing transactions which may not proceed for a range of reasons outside our control. Our involvement and contributions in these circumstances, although important, will not contribute to the realisation of our financial performance targets.

Similarly, we work closely with the Government on potential transactions for the NIA. The decision on whether to support a NIA transaction rests solely with the Minister. However, before a transaction is presented to the Minister, significant due diligence and credit work is undertaken by our teams.

In relation to the performance targets outlined on the previous page, 80 per cent of signings are expected to be in the manufacturing, agriculture and resources sectors. We also expect signings in the education and tourism sectors, mainly in support of SMEs. Support for these sectors of the economy have been identified by Government as a priority.

We outline performance risks in the next section, which should be considered when assessing our planned outcomes outlined in Table 2 below.

Table 2: Qualitative performance targets

Our functions*	
Facilitate and encourage Australian export trade and overseas infrastructure development	Leverage the CA and the NIA to develop a pipeline of transactions that meet the requirements of our mandate and thereby contribute to Australia's GDP and job growth. Specific NIA facilities include the AIFFP, Defence Export Facility and the COVID-19 Facility.
Encourage other financiers to support export trade and overseas infrastructure development	Collaborate with banks in implementing a response to COVID-19 by using our guarantee product to catalyse new opportunities for exporters and supply chain businesses. Collaborate and partner with banks and other financiers to support more exporters and overseas infrastructure development.
Provide information and advice about export and infrastructure finance	Leverage our wider government and alliance partner network to provide timely information on a range of issues, including COVID-19 responses and promote our finance offering.
Assist other Commonwealth entities	Provide timely and professional services consistent with the service level agreements and as directed by the Minister. Assist the Government to evaluate alternate financing mechanisms through other Government agencies to support COVID-19 efforts.
Administer overseas aid payments for the Commonwealth	Be a trusted adviser to the Government on financial payment solutions.

* See page 20 for a comprehensive list of our functions.

Performance risks

Meeting our 2020-21 performance targets

Given the 'market gap' nature of our mandate we expect our results to vary year on year. Our performance targets for 2020-21 will be influenced by the following:

› Global economic recession and dislocation in general trading patterns

While the true economic impacts of the COVID-19 pandemic are still uncertain, there is general consensus that the global economy faces its toughest challenge in generations with the possibility of an uneven and disjointed recovery. Global investment is likely to remain subdued amid heightened uncertainty and financial market volatility, weakened global demand and widespread disruptions to global trading patterns. These factors will heavily influence the demand for export and infrastructure linked finance.

› Increased utilisation of the NIA

Given the increasing demand for financial support that falls outside our normal CA credit criteria, we may see a larger number of transactions qualifying for NIA support. We provide the same commitment in time, effort and resources on both CA and NIA transactions. However, this contribution will not be reflected in our financial performance and profitability given our cost reimbursement arrangements.

› Transactions in the pipeline

In 2019-20 we had a number of transactions that did not proceed or experienced delays in closing due to the general operational and economic impacts of COVID-19. If some of these transactions close in 2020-21, they may materially alter our transaction value estimates.

› Commercial market appetite

The availability of commercial market finance will impact the volume and value of transactions we are able to support.

› Previous year results

If financial outcomes in previous years are impacted by movements in market rates that are significantly different to our targets, it will affect our financial outcomes in later years. For example, in 2019-20 we benefitted from lower long-term USD interest rates and lower than expected credit loss default rates. Again, these factors could change in the current year but are largely outside our control and difficult to hedge.

› Long lead times

Infrastructure financing is complex and requires long lead times. Given our overseas infrastructure mandate is focused on the Pacific and the broader Indo-Pacific region, we are also reliant on government processes and decisions in those countries.

› Counterparty and concentration risks

The types of individual counterparty and concentration risks that we take on under our mandate affect the characteristics of our portfolio. Our credit concentrations can be material to individual counterparties, industries and countries. We have a small earnings buffer to absorb material credit losses.

› Trilateral Partnership for Infrastructure Investment in the Indo-Pacific

Meeting the objectives of the partnership between Australia, the US and Japan is likely to be a significant driver of effort and business activity.

› Building partnerships

Strengthening partnerships with other financial institutions, Government agencies, industry associations and the foreign consular network, will increase awareness of our solutions and capabilities across a broader export landscape. These relationships will be vital in creating opportunities for growth and delivery of our support at scale.



Risk management

Risk management is a core part of our business. We have developed an enterprise-wide Risk Management Framework that defines our principles and the types of risks we face.

Our risk management approach

Our approach to risk management involves ensuring that the level and quality of capital is appropriate for our overall risk profile.

More information on our Risk Management Framework is provided on our **website**.

Oversight of risk management

Risk policies, tolerances and operational limits are set by our Board, the PGPA Act and the EFIC Act and Regulations. All our transactions are reviewed by our Board or by management as delegated by the Board. Country-related economic and political risks are assessed by a team of experts.

We have developed an enterprise-wide Risk Management Framework that defines our core principles and the types of risks we face. The Framework forms the basis of our Risk Appetite Statement and our Risk Control Matrix.

Risk Appetite Statement*

Details our risk tolerance and sets appropriate limits on the risks we are willing to take.

Our risk appetite incorporates quantitative and qualitative measures to ensure effective monitoring and governance.

Risk Control Matrix*

Sets out:

- › individual risks
- › mitigation measures
- › likelihood
- › consequences.

We review the Risk Control Matrix regularly to add new risks or identify changes to existing risks. This approach fosters a culture of risk awareness across our organisation.

* Due to their commercial sensitivity, these documents are not made public.

Our risk management is built on a strong foundation that includes:

	<p>A commitment to our shared purpose and Code of Conduct, which we review and renew periodically.</p>		<p>Strong policies and procedures, supported by robust systems and processes.</p>
	<p>Strategies to recruit, develop and retain employees who have the required specialist skills.</p>		<p>Clear lines of responsibility and accountability for achieving set outcomes.</p>
	<p>Rigorous control processes, including management reporting, supported by Board oversight and independent review.</p>		<p>A culture that seeks to anticipate and mitigate risks before they occur, and always seeks to learn and improve.</p>

Our internal committees support our risk management processes and demonstrate individual accountability by the relevant Executive:

<p>Executive Committee</p>	<p>Credit Committee</p>
<ul style="list-style-type: none"> › Examines all aspects of the business › Chaired by the Chief Executive Officer 	<ul style="list-style-type: none"> › Examines large potential transactions › Chaired by the Chief Credit Officer
<p>Risk and Compliance Committee</p>	<p>Treasury Risk Review Committee</p>
<ul style="list-style-type: none"> › Examines, monitors and regulates compliance risks › Chaired by the Chief Risk Officer 	<ul style="list-style-type: none"> › Examines Treasury activities, limits, noteworthy transactions and current issues › Chaired by the Treasurer
<p>Work Health and Safety Committee</p>	<p>Business Continuity Planning Steering Committee</p>
<ul style="list-style-type: none"> › Examines workplace risks and reports any hazards or safety problems that may cause harm or injury to employees, contractors, or visitors › Chaired by the Chief Operating Officer 	<ul style="list-style-type: none"> › Coordinates annual Crisis Management and Business Continuity Planning › Chaired by the Chief Operating Officer

Prudential management

Although we are not directly regulated by the Australian Prudential Regulation Authority (APRA), we are guided by APRA prudential standards in managing financial risk.

The key prudential controls relate to capital management, including managing capital adequacy and large exposures. Under the EFIC Act, our Board must operate based on sound commercial principles. This includes defining our risk appetite, setting limits and maximum risk tolerances, monitoring performance and making dividend recommendations to the Government.

Capital management

Our approach to capital management is based around assessing the level of and appetite for risk and ensuring that the level and quality of capital is appropriate to that risk profile. Prudent practice also requires that capital management be forward looking, having regard to changes in strategy, business plans and the operating environment (including COVID-19) as well as changes in the type, amount and concentration of risk that might impact on the capital resources available.

Further support

Capital also supports the operations by providing a buffer to absorb unanticipated losses from its normal business activities. In the event cash capital is insufficient, the Board, in consultation with the Government, may call additional cash capital up to a prescribed amount. Export Finance Australia is also supported by a Commonwealth guarantee that protects third parties from any financial loss in the event we cannot meet our obligations. This guarantee has never been called.

Risk tolerance and exposure

The Board treats the capital as equivalent to the regulatory capital under APRA guidelines and uses this as the basis for setting risk tolerances regarding large exposures. When making this assessment, the Board is required to include as equity the \$1.2 billion of callable capital that is available from the Commonwealth in accordance with the provisions of Section 54(8)(a) of the EFIC Act.

Losses and liabilities

Our callable capital is an amount specified in the EFIC Act that the Government will make available to us if we (for whatever reason) are unable to meet our expected losses or liabilities. It is a requirement under the EFIC Act that in calculating our total capital, amounts specified as callable capital are included in that capital calculation.

Our maximum liability is set at \$6.5 billion for our activities on the CA. This cap is set by Export Finance and Insurance Corporation Regulations 1991. There is no capital set aside for NIA transactions as the risks are borne by the Commonwealth.

Corporate governance

Our Board is responsible for managing the affairs of Export Finance Australia.

This includes determining strategy, defining risk appetite and monitoring performance.

We take a strong, commercially disciplined approach to governance and risk management through our Risk Management Framework.

Our Board Audit and Risk Committee and external and internal audit functions also provide valuable oversight.

The OECD Arrangement on Officially Supported Export Credits

As a member of the OECD, Australia complies with the OECD Arrangement on Officially Supported Export Credits (Arrangement).

The Arrangement places limitations on the financing terms and conditions (including repayment terms, minimum premium rate and minimum interest rates) we can apply when providing officially supported export credits. It also contains various transparency provisions among members, to ensure that these limitations are effectively applied.

Social and environmental risks

We conduct comprehensive due diligence and consider the social and environmental impact of our financing activities by applying our policy for environmental and social review of transactions.

This policy confirms that we:

- › are bound by the OECD Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence; and
- › apply the Equator Principles, a globally recognised benchmark used by many financial institutions to manage environmental and social risk in projects. The policy also uses the International Finance Corporation's environmental and social performance standards as its benchmark.

These standards were selected as they are a widely used and understood global standard. However, where a higher benchmarking standard applies to a particular transaction, we will apply that higher standard.

Appendix A: Statement of Expectations



Senator the Hon Simon Birmingham

Minister for Trade, Tourism and Investment
Deputy Leader of the Government in the Senate
Senator for South Australia

Our Ref: MS20-000420

Mr James M Millar AM
Chairman
Export Finance Australia
Level 10 Export House
22 Pitt Street
SYDNEY NSW 2000

Dear Mr Millar

A handwritten signature in black ink that reads "James," with a flourish at the end.

This letter sets out the Australian Government's revised statement of expectations for Export Finance Australia. This statement outlines the Australian Government's key priorities and objectives for Export Finance Australia, consistent with section 34 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). It replaces the statement of expectations sent to you on 3 April 2019.

Mandate and scope of operations

The Government considers Export Finance Australia to play an important role in facilitating exports, including by supporting overseas infrastructure development. As outlined in the *Export Finance and Insurance Corporation Act 1991* (the 'EFIC Act'), Export Finance Australia will continue to:

- facilitate and encourage Australian export trade by providing insurance and financial services and products to persons involved directly or indirectly in such trade;
- provide finance for overseas infrastructure development;
- encourage banks and other financial institutions carrying on business in Australia to finance, or assist in financing, export contracts or eligible export transactions or overseas infrastructure development;
- administer payments and related matters under export contracts in respect to overseas aid projects for which money was made available by the Commonwealth;
- assist Commonwealth entities and companies by providing services in relation to financial arrangements and agreements and
- provide information and advice about finance and insurance arrangements to support Australian export trade.

Adelaide
107 Sir Donald Bradman Drive, Hilton SA 5033
Ph 08 8354 1644

Canberra
Parliament House Canberra ACT 2600
Ph 02 6277 7420

Export Finance Australia must not provide financial services or products on its Commercial Account unless Export Finance Australia is satisfied that private sector providers ordinarily carrying on business in Australia are unable or unwilling to support financially viable business activities. Export Finance Australia should ensure its activities fill the 'market gap' where private sector finance is not forthcoming. I expect Export Finance Australia to monitor the capacity of commercial markets and to take this into account when determining the scope of its activities.

The Government decided in 2014 to place greater emphasis on supporting small and medium-sized enterprises (SMEs) seeking to expand their opportunities in overseas markets. A 'market gap' for finance is deemed to exist for SMEs. I therefore welcome Export Finance Australia's focus on continuous improvement to make it easier for SMEs to access its services, and I expect Export Finance Australia to simplify its services and processes to ensure SMEs can access finance expeditiously in order to develop new markets and expand their businesses overseas. As part of its monitoring of commercial markets, I expect Export Finance Australia to consider whether a 'market gap' continues to exist for SME finance and, should this change, to advise me accordingly.

I expect Export Finance Australia to support a wide range of SMEs, including tourism operators, online businesses, exporters of intellectual property and other related rights, and businesses engaged in overseas direct investment.

While prioritising Export Finance Australia's support for SMEs facing challenges accessing finance, the Government recognises that large projects or firms can help SMEs access markets through supply-chain participation. To achieve a balance in the level of support for large transactions, the following stipulations around the support Export Finance Australia can provide to large projects or firms will continue to apply. Export Finance Australia shall only provide support for domestic or overseas resource projects (and related infrastructure) on its Commercial Account, where the Export Finance Australia Board is satisfied, after careful review:

- there is a demonstrated market gap in the availability of finance;
- the transaction does not come at the expense of SME transactions;
- the project has significant Australian content including through SME supply chain participation, and/or benefit and
- the project is financially viable.

I expect Export Finance Australia to focus on critical minerals projects and related infrastructure to diversify critical mineral supply chains and move further up the value chain. Export Finance Australia should work alongside other Commonwealth financing bodies and the Critical Minerals Facilitation Office.

Export Finance Australia may continue to provide support to SME suppliers of domestic resource projects (and related infrastructure) where the SME good or service is integral to the performance of a resource export project (and related infrastructure).

I expect Export Finance Australia to provide finance for overseas infrastructure projects that it reasonably expects to result in positive outcomes for Australia or Australians. Export Finance Australia should only provide overseas infrastructure financing where Export Finance Australia can demonstrate that it is likely to result in an Australian benefit.

Benefits to Australia include, but are not limited to, greater Australian (including SME) participation in supply chains, access to new markets for Australian businesses, more Australian jobs, payments or dividends or other financial proceeds from overseas to Australia.

In respect of financing of overseas infrastructure projects, I expect Export Finance Australia to reasonably satisfy itself through due diligence, consistent with its existing processes, and expert advice as needed, including from the Department of Foreign Affairs and Trade, the infrastructure project is appropriate for the relevant nation and the governance surrounding project procurement is sound. In doing so, Export Finance Australia should also ensure there is appropriate compliance, as applicable, with:

- the OECD Recommendation on Sustainable Lending Practices and Officially Supported Export Credits and its own additional debt sustainability due diligence procedures;
- the OECD Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence;
- the OECD Recommendation of the Council on Bribery and Officially Supported Export Credits and
- the Equator Principles.

Export Finance Australia is to encourage Australian participation in any overseas infrastructure projects that it finances. It should support Australian businesses and encourage stronger commercial links between Australia and our region. In carrying out its new function, it should help Australian companies, especially SMEs, expand into overseas markets.

I expect Export Finance Australia to focus particularly on the infrastructure needs of Pacific island countries (including Timor-Leste). Export Finance Australia may also consider infrastructure projects more broadly in the Indo-Pacific region. For infrastructure projects elsewhere, Export Finance Australia may not rely on its powers under section 18A or 23A of the EFIC Act alone in support of overseas infrastructure development.

I expect Export Finance Australia to work closely with my department to ensure the timely and effective implementation of the Australian Infrastructure Financing Facility for the Pacific (AIFFP). Export Finance Australia's financing for infrastructure in Pacific island countries should complement the AIFFP. When infrastructure projects have strong commercial prospects, they should be first considered by Export Finance Australia on its Commercial Account. Together, Export Finance Australia financing for infrastructure and the AIFFP will help address the infrastructure needs of Pacific island countries.

The Government expects Export Finance Australia, subject to my approval and legislative authority, will make available its specialist financial capabilities to Commonwealth entities and companies. If called on to provide such financial capabilities to Commonwealth entities and companies, Export Finance Australia must ensure that such activities do not occur at the expense of its primary purpose. Export Finance Australia will take steps to minimise the impact of work it performs for the Commonwealth on its capacity to assist exporters and overseas infrastructure projects, including by the charging of appropriate fees for such services.

Pricing arrangements

I expect Export Finance Australia's Commercial Account operations to be conducted on a commercial basis. As such, the pricing of Export Finance Australia's products and services should not undercut the private sector where private sector support is present, nor undercut pricing for comparable risks when private sector support is absent. This enhancement of Export Finance Australia's demonstration role is central to Export Finance Australia meeting its policy objective of helping commercially viable exporters and overseas infrastructure projects overcome financial barriers while also encouraging private sector participation.

In addition to the enhanced pricing disclosure arrangements, and within appropriate confidentiality and legal parameters, I expect Export Finance Australia to share the pricing and terms of its transactions with relevant financiers operating in the domestic market. This will help demonstrate that commercial returns are possible and encourage private sector financiers to take on Export Finance Australia clients.

Export Finance Australia is to maintain its demonstration role to private finance providers. I therefore expect Export Finance Australia to use its judgement to ensure that the provision of multiple facilities to the same firm over a period of time is not displacing a service that could be provided by the private finance sector.

Competitive neutrality charges should continue to apply to Export Finance Australia, except that the Debt Neutrality Charge does not apply to transactions on the National Interest Account.

It is my expectation that the National Interest Account should also normally be conducted on a commercial basis. Any risk on the Commercial Account is not to be transferred to the Commonwealth without specific authorisation from me, as Minister for Trade, Tourism and Investment.

Governance and reporting

As a corporate Commonwealth entity, as defined in the PGPA Act, Export Finance Australia is subject to the accountability, management, performance and reporting requirements specified in that Act. I expect Export Finance Australia's Board and senior management to manage Export Finance Australia's financial matters with care and diligence in accordance with the applicable obligations of the PGPA Act and the EFIC Act. Together you should strive to maintain a culture of professionalism and continuous improvement throughout the organisation.

Export Finance Australia should continue to maintain systems to manage its risks. While Export Finance Australia is not an Authorised Deposit-taking Institution, it should continue to be guided by the Australian Prudential Regulation Authority in managing financial risk. Export Finance Australia will also provide regular reporting to my department, the Treasury and the Department of Finance on its cumulative exposures per industry and per country.

Export Finance Australia should continue to provide reports to me semi-annually on the risk the Commonwealth is bearing directly through the National Interest Account. Commonwealth exposures will continue to be reported through the statement of risks in the Budget papers.

I expect Export Finance Australia to publish, through its on-line register, information on all transactions within eight weeks of signature. This will include, at a minimum, the name of the client, the sector, the goods/services or overseas infrastructure involved, the country, the type of facility and the value of the facility of the export or overseas infrastructure support. Export Finance Australia should also confirm, on its on-line register and in respect of each transaction, which transaction complies with the statement of expectations.

Export Finance Australia should continue to publish its *Policy and Procedures for environmental and social review* and regularly review the policy to ensure it is consistent with best-practice environmental and social standards, including the IFC Performance Standards, the OECD Guidelines for Multinational Enterprises, the Equator Principles and the OECD Common Approaches. Export Finance Australia should continue to publicly disclose its prospective involvement in transactions associated with projects that have potentially significant adverse environmental or social impacts (Category A projects).

Other matters

In addition to the requirements above, and your responsibilities under the EFIC Act and the PGPA Act to provide me and the Minister for Finance with a range of information and services, Export Finance Australia is also to:

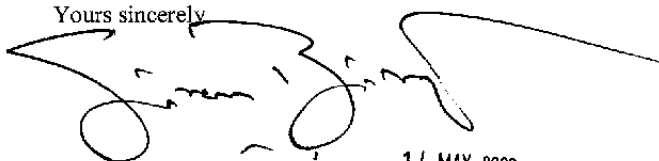
- provide products and services having regard to the Australian Government's World Trade Organization (WTO) and other international commitments, including the United Nations Convention against Corruption;
- comply with the OECD Arrangement for Officially Supported Export Credits;
- where Export Finance Australia considers it appropriate, attend international forums such as the Paris Club, the OECD, the International Working Group on Export Credits, and the WTO;
- advance infrastructure financing and investment cooperation in our region through support for regional cooperation initiatives to which Export Finance Australia is a party;
- provide my department and any other relevant agencies with any non-legally privileged information they request to support them in preparing advice on policy related aspects of export credits and Export Finance Australia's operations;
- comply with Government and Parliamentary requirements in relation to the provision of information, noting exceptions available under the *Freedom of Information Act 1982* and the possible availability of public interest immunity;
- inform me and my department of any approaches, whether bilaterally or multilaterally, to restructure or relieve outstanding Development Import Finance Facility loans and
- comply with Ministerial Directions, including those relating to the Democratic People's Republic of Korea, Iran, Zimbabwe and the exploitation of uranium, as well as with Australian laws implementing United Nations Security Council and Australian autonomous sanctions.

I expect Export Finance Australia and my department to have a Service Level Agreement in place in relation to the management and administration of the National Interest Account.

Export Finance Australia should work closely with my department, Austrade and other government agencies in delivering their services to Australian businesses. This will involve a coordinated approach at all levels between the organisations.

I look forward to receiving a response from you on Export Finance Australia's plans to meet these expectations. Per usual practice, Export Finance Australia should make these intentions and expectations publicly available.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Simon Birmingham', with a long horizontal flourish extending to the right.

Simon Birmingham

14 MAY 2020

cc. Senator the Hon Marise Payne, Minister for Foreign Affairs and Minister for Women

Appendix B: Statement of Intent



25 June 2020

Senator The Hon Simon Birmingham
Minister for Trade, Tourism and Investment
Parliament House
Canberra ACT 2600

Dear Minister Birmingham,

Thank you for your letter dated 14 May 2020 setting out the Government's revised expectations concerning our operations and performance. I am pleased to respond by confirming that we will direct our operations to meet your expectations. This letter replaces our previous Statement of Intent dated 17 April 2019.

As is our usual practice, we will make this letter and your expectations publicly available.

Your sincerely,

A handwritten signature in black ink, appearing to read "James M. Millar".

James M. Millar AM
Chairman

Data in this report may not sum due to rounding.

Requests for more information and enquiries should be addressed to:

Export Finance Australia
Head of Corporate Affairs
Level 10, 22 Pitt Street
Sydney NSW 2000 Australia

Telephone: +61 2 8273 5333

Email: info@exportfinance.gov.au

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