



Australian Government

export
finance
australia

Corporate Plan 2022-2023



**Driving sustainable growth that
benefits Australia and our partners**

Acknowledgement of Country and Traditional Custodians

Export Finance Australia acknowledges the Traditional Custodians of this country throughout Australia and their continuing connection to land, sea and community.

We pay our respects to them, their cultures, and to their Elders past, present, as well as emerging leaders.

Pictured: Gubbi Gubbi Country

The Gubbi Gubbi people are the Traditional Custodians of the land within the Moreton Bay, Sunshine Coast, Noosa and Gympie regions of South East Queensland.

Contents

2	Acknowledgement of Country and Traditional Custodians
4	Introduction
6	Purpose
10	Key activities
14	Operating context
20	Performance
24	Appendix A: Statement of Expectations
31	Appendix B: Statement of Intent

Introduction

James M Millar AM

Chair
Export Finance Australia

As Chair of Export Finance Australia and on behalf of the Board as the accountable authority, I am pleased to present our 2022-2023 Corporate Plan.

The plan covers the four-year period from 2022-23 to 2025-26, 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).

“

We provide solutions to a diverse range of clients in Australia and the Pacific. Export Finance Australia’s mandate has great alignment with our offerings, and its commercial approach has been well received. Export Finance Australia’s backing has been onboarded for a number of projects, with a long-term relationship expected to continue.”

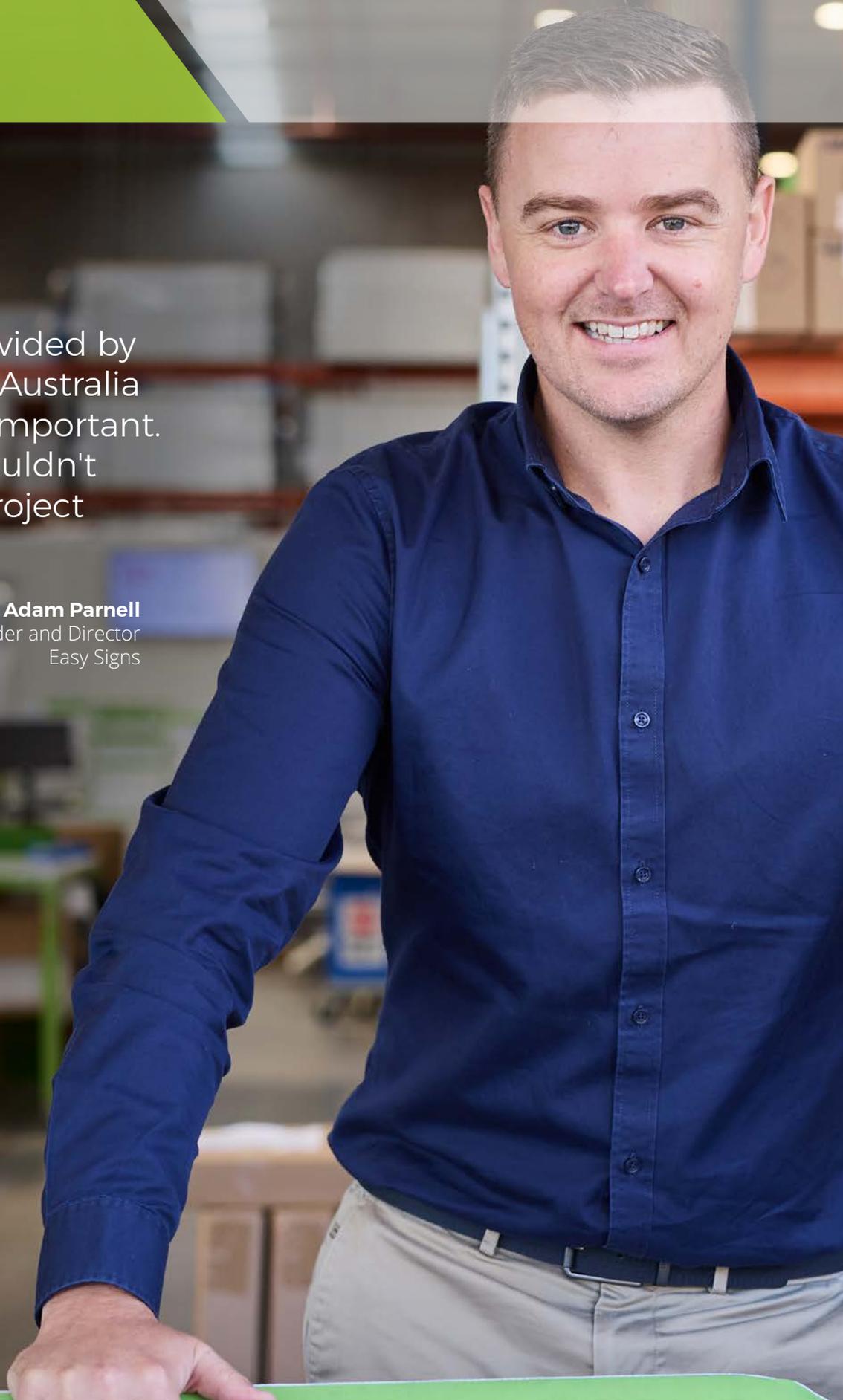
Daniel Rowlingson
Chief Financial Officer
Hall Contracting



Purpose

“
The finance provided by
Export Finance Australia
was incredibly important.
We basically wouldn't
be doing this project
without it. ”

Adam Parnell
Co-Founder and Director
Easy Signs



Our purpose is to play a strategically impactful role in financing Australian exports and interests, including overseas infrastructure development that is in Australia's national interest and delivers benefits to Australia.

We achieve our purpose by fulfilling our legislated functions, which are to:

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

In performing our functions, the Australian Government requires us to:

- › cooperate with and not compete with private financiers (to operate within the 'market gap')
- › focus on supporting:
 - » small and medium-sized enterprises (SMEs)
 - » the infrastructure needs of Pacific island countries (including Timor-Leste) and the Indo-Pacific region
 - » defence-related exports
 - » critical minerals projects and related infrastructure.

In doing so, we must also have regard to Australia's international commitments, including:

- › sustainable lending practices
- › multilateral, regional and bilateral trade agreements
- › environmental and social issues
- › human rights, particularly relating to combatting slavery and forced labour

- › the prevention of bribery and corruption
- › the security of 5G networks and future communication technologies.

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.

We are part of the Department of Foreign Affairs and Trade (DFAT) portfolio of agencies, which includes Austrade and Tourism Australia. Our responsible Minister is the Minister for Trade and Tourism, Senator the Hon Don Farrell.

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. Our specialist expertise also allows us to help with financing solutions for larger corporate and government projects, which in turn enables us to 'crowd in' Australian SMEs to project and transaction supply chains.

We have an extensive suite of financing tools including loans, guarantees, bonds and insurance. We also have the capacity to provide equity financing support when there is a clearly demonstrated national interest case to do so.

Our finance can assist SMEs and larger corporates to diversify their export business and fulfil orders for goods and services in new markets. Our global financing expertise, gained over 65 years, means we have deep experience in diverse countries and markets.

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

Australia's economic and security interests are converging. To meet the challenges of an increasingly contested and competitive region, the Government has set out an agenda for shaping a regional balance that supports Australian interests, while reinforcing the rules, norms and institutions that underpin our security and prosperity.

To support this agenda, we will continue to:

- › actively seek to support infrastructure financing opportunities in the Pacific and the broader Indo-Pacific region. Our mandate is broad and enables us to support a range of infrastructure, including opportunities to assist our region to make the transition to renewable energy sources
- › provide transaction, operational and technical support to the Australian Infrastructure Financing Facility for the Pacific (AIFFP)
- › work with other like-minded export credit agencies (ECAs) and multilateral financing institutions within forums such as the Quadrilateral Infrastructure Coordination Group (QICG) and Trilateral Infrastructure Partnership (TIP) as well as on a bilateral basis.



Case study Grounded Construction Group

Grounded Construction Group is a specialist business that installs accommodation camps and site facilities on remote mining sites across Western Australia. With a background in construction, Founder and Managing Director Paul Natoli recognised an opportunity in the market in 2013, and the business has been thriving ever since.

Paul and his team approached us for a finance solution to support some new projects in the pipeline. "Having bank guarantees with Export Finance Australia has allowed us to do a lot more within the business," Paul said. "It's freed up a lot more cash flow."

“

Each time we get a new project, we reach out to Export Finance Australia and they do the bank guarantees for us. We currently have two projects that they hold the bank guarantees for. ”

Paul Natoli

Founder and Managing Director
Grounded Construction Group

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.

As directed by our Minister, this facility provides a way for us to finance defence exports where we may not have been able to provide assistance under our Commercial Account (CA).

Supporting the critical minerals sector through the Critical Minerals Facility

The Government has also directed us to place a greater focus on critical minerals projects and related infrastructure. Our aim is to help diversify critical minerals supply chains and support the expansion of downstream processing in Australia. In doing so, we recognise the important role these minerals play in a range of technologies, including electric batteries and clean energy technologies.

To support this objective, we administer the \$2 billion Critical Minerals Facility. On the direction of our Minister, this facility allows us to provide financing support to critical minerals projects and related infrastructure, or support businesses in the critical minerals export supply chain.

Commercial Account

Under the CA we operate on a commercial basis, retaining all transaction income and bearing all risks and losses. Decisions under the CA are the responsibility of the Export Finance Australia Board.

National Interest Account

Under the National Interest Account (NIA), our Minister can direct us to support classes of transactions that are in the national interest. We can also refer transactions to our Minister for NIA consideration. This might be due to a transaction being unsuitable for the CA due to its risk and return profile, size, tenor or significant exposure to the country of export. The AIFFP, the Critical Minerals Facility and the Defence Export Facility all utilise our NIA financing capability.

The Commonwealth receives all income on NIA transactions. It also bears all risks and losses.

Key activities

“
Export Finance Australia
was incredible providing
the cash flow that we
needed to support the
business. It was a real
lifeline for me.”

Cassandra Spies
Co-Founder and Managing Director
Twisted Healthy Treats



Our strategy is driven by our purpose and mandate. In recent years, this has been expanded to enable us to support a wider range of government-sponsored economic, policy and strategic objectives that promote Australia's trade and infrastructure agenda.

Our Corporate Plan is framed by our strategic themes of Refine, Evolve and Disrupt. We are focused on driving change across multiple time horizons to create greater impact and relevance.

While we continue to develop all areas of our strategy, our current focus is on the Disrupt theme. We are adapting our business model to address the opportunities and challenges presented by the COVID-19 trade and investment environment, changing economic and geopolitical landscapes and rapid transformation of digital and information management technologies.



Case study Alltype Engineering

Alltype Engineering, a subsidiary of WestStar Industrial Ltd, provides integral engineering, procurement, fabrication and construction to exporters that need to process natural resources and critical minerals. As Alltype Engineering forms an integral part of the export supply chain, we were able to provide the finance it needed to secure two large projects.

Our performance and warranty bonds supported Alltype Engineering's contracts with APA Group and Lynas Rare Earths.

“

There are still many funding options from Export Finance Australia that we haven't explored yet. The critical minerals sector is a growing segment in Australia and more projects seem to be coming online.

We have been able to capitalise on this growing market segment because of our relationship with Export Finance Australia and I look forward to that continuing in the future. ”

Robert Spadanuda

Group CEO, WestStar Industrial

Our strategy

Our Refine, Evolve and Disrupt strategic framework creates an agile business model that can accommodate our priorities and deliver financial sustainability within our Board’s agreed risk appetite.

Refine our business model

Strategy 1: Increase customer awareness

Activities

- › Promote our solutions to small, medium and large businesses
- › Work with banks and other financial institutions to fully leverage our mandate

Outcomes

- › Increased awareness of Export Finance Australia in all targeted export market segments
- › Increased collaboration: more Australian export businesses get the support they need to succeed
- › Strengthened capabilities to support trade diversification, sectors important to Government and Australia’s future export markets
- › Developing our equity finance and management capability to support the national interest

Strategy 2: Improve customer experience

Activities

- › Simplify our products and processes
- › Use our customer-facing digital platform more effectively

Outcomes

- › Focused on delivering flexible solutions
- › Expanded criteria for our online SME financing channel
- › Developing dedicated customer workflow solutions to further enhance the customer experience

Evolve our business model

Strategy 1: Collaborate with the broader export and infrastructure finance ecosystem

Activities

- › Partner with Austrade to help Australian exporters succeed globally
- › Collaborate with other financial institutions and government agencies
- › Work with other ECAs and multilateral agencies

Outcomes

- › Becoming a regional co-financier of choice
- › New opportunities to reach exporters at scale through multiple delivery channels
- › Risk sharing with banks through the Export Guarantee Scheme
- › Increased engagement with other ECAs and multilateral agencies to deliver on infrastructure projects in the Pacific and broader Indo-Pacific region

Strategy 2: Support Australia’s national interest priorities

Activities

- › Use our infrastructure financing mandate to support the AIFFP
- › Actively seek opportunities in the defence and critical minerals sectors
- › Continue to support other Commonwealth entities as directed by our Minister

Outcomes

- › Efficient and effective delivery of NIA transactions, including those directly involving Indo-Pacific infrastructure, defence and critical minerals
- › Successful cooperation and partnering with AIFFP, the TIP and QICG partner ECAs across a pipeline of new Indo-Pacific infrastructure projects
- › Reviewing and simplifying our Commonwealth entity relationships

Disrupt our business model

Strategy 1: Enhance our role to drive greater impact

Activities

- › Work with DFAT and other Commonwealth agencies to enhance the role we can play in support of Australia's trade and investment objectives
- › Understand the global financial landscape to ensure our offering is relevant to the changing export environment and Australia's national interests

Outcomes

- › We proactively offer solutions to meet Government priorities and challenges
- › Collaborating with DFAT (including offshore Posts) and Austrade to identify sustainable financing opportunities
- › Enhancing our engagement with global commercial financiers and ECAs
- › Continuing to actively lead discussions in international forums

Strategy 2: Continue to leverage data and technology to enable our employees to better support customers

Activities

- › Manage our records digitally in line with the Government's *Building trust in the public record: managing information and data for government and community policy*
- › Seek out appropriate technologies to digitally transform our business and better service our customers

Outcomes

- › Advancing our cloud strategy with the movement of on-premises applications to secure cloud-based platforms
- › Modernising our systems and processes across core banking, customer relationship management and loan origination

Operating context

“

The finance has helped us add to our workforce, which is great. It's all part of the growth. It's helping us become more profitable and continue to meet our clients' expectations.”

Chris Parkinson
Chief Financial Officer
JSW Australia





Environment

We support Australian businesses to succeed globally and provide finance to infrastructure projects in the Pacific and Indo-Pacific. That means our operating environment is influenced by various internal and external factors, including:

- › the macroeconomic environment
- › our stakeholders' expectations
- › evolving technology
- › our operating model.

Macroeconomic environment

Geopolitical

Political and trade tensions around the world have affected many of our customers' key global markets. These geopolitical events can erode consumer and business sentiment and negatively impact external demand.

That said, such geopolitical shifts may also generate opportunities for Australian businesses through the diversification of global supply chains and local manufacturing, especially for essential goods.

Australian SMEs will need to react quickly and remain flexible to pivot to develop new markets. Our role in supporting our SME customers achieve international success means we provide the financial support to help facilitate new market development and overseas direct investment. We can also work closely with commercial lenders to provide additional support where needed.

In addition, our role in financing transactions that the Government considers to be in the national interest continues to evolve. We expect our involvement in these transactions to become more frequent, complex and time sensitive. Increasingly, we will draw on the support and expertise of other like-minded bilateral and multilateral agencies and financiers.

Climate change

Climate change policies and climate-related risk considerations are continuing to influence the way we need to operate.

Policy commitments to transition economies from fossil fuels (thermal coal, oil and gas) to renewable energy and other low emissions technologies continue to gain momentum, with Governments making a range of new commitments at the UN Climate Change Conference in October 2021. Immediately prior to the October Conference, Australia agreed with other Members of the OECD Arrangement on Officially Supported Export Credits to end financial support for unabated coal-fired power plants.

In July 2022, the Government introduced into Parliament, as part of legislating emissions reductions targets, amendments to the *Export Finance Insurance Corporation Act* that specifically require Export Finance Australia to have regard to Australia's emissions reductions targets in the performance of its functions. At the date of publication, the Bill is still before Parliament.

The risks of climate change, including more frequent severe weather events, may affect the capacity of some SMEs to do business. A growing expectation for SMEs to adhere to

environmental, social and governance (ESG) compliance requirements may also place additional costs on their operations.

Recent energy price shocks, while having a range of causes, have underscored the importance of an orderly energy transition. As commercial lenders continue to withdraw from fossil fuels, we may experience significant volatility in related commodity prices. We will continue to incorporate ESG risk considerations to effectively support projects that facilitate the energy transition.

In line with our customers' evolving needs and policy developments, we will continue to consider how we can better support quality infrastructure and export opportunities in renewables and clean energy.

Stakeholder expectations

As our financing capabilities are increasingly being utilised to support a broader range of strategic government policy objectives, we are allocating more resources to delivering these important initiatives. We are conscious that we need to plan for future resourcing and skills requirements. This will enable us to both meet immediate demands and take advantage of opportunities to grow and further expand our reach and mandate.

Technology

The COVID-19 pandemic accelerated the digitalisation of business processes with more customer interactions occurring online. As businesses digitise and become more data-driven, they will require additional resources, both to protect against cyber threats and to analyse data.

Technologies such as cloud computing and artificial intelligence, which augment the processing capabilities of machines, may require a significant investment in supporting infrastructure. This could include the need for new cables, data centres, mobile networks and satellites.

We also acknowledge the growth in renewable energy and green technologies and the opportunities that they present for businesses. Realising these opportunities may require additional focus and attention.

Our mandate to support overseas infrastructure enables us to provide secure financial solutions for these projects where there is an Australian benefit.

Operating model

Innovation will be ever more important for businesses looking to ensure they are delivering quality services to their customers.

Our products and processes will need to be increasingly customer- and relationship-focused to meet the increasing expectations of consumers.

As our role, capabilities and strategies evolve, it will be important that our brand messaging articulates the support we can provide and the value we can add to our customers' businesses.

Our strong partnerships with other Commonwealth agencies will continue to assist us in delivering the experience today's customers expect.



Capability

We are committed to enabling our people to thrive as they deliver on our mandate. To do this, we will continue to build our capability by attracting talent, developing our people and supporting them with an inclusive culture and appropriate technology, systems and processes.

Our people and culture

To achieve the themes and objectives in our Corporate Plan, we have aligned our people and culture strategy to focus on:

- › **Capability** – building capabilities to meet our changing operating context and mandate
- › **Culture** – enabling a culture of ownership, supported by conversations that unlock opportunities and identify and manage risks
- › **Connection** – maintaining our inclusive environment where our people feel they belong, are engaged and can thrive
- › **Collaboration** – evolving our operating model around our customer and stakeholder needs and facilitating stronger cross-collaboration between teams.

As a purpose-led organisation with a growing mandate, we need highly capable professionals who are experienced and skilled in managing complex, often cross-border, finance transactions. We are building our capabilities by focusing on attracting talent and enabling our people to excel.

By creating a workplace that engages and connects our people, we are supporting our people to meet our evolving mandate and the increased expectations of our customers and stakeholders.

Our inclusive and supportive culture promotes a sense of belonging, which supports our people to grow and deliver on our purpose and enables us to attract people with the specialist skills we need.

Our systems and processes

Technology-enabled transformation

Technology advances in the financial services industry have increased the expectations of customers and employees alike. We have initiated a multi-year technology transformation program that will serve as the foundation for our organisation's growth ambitions. The program's objectives are to digitise the customer experience, enhance the employee experience, streamline processes and deliver more secure systems. The implementation phase is expected to commence early in the 2022–2023 financial year.

Cyber security

We take cyber security and the protection of our customers' information very seriously. Our approach to mitigating cyber-security risk involves a range of controls that rely on people, technology and process. We continually test our controls through independent third parties and regularly collaborate with peer organisations to evolve our cyber practices.



Risk

We approach risk management in a way that helps us deliver on our strategy and achieve our objectives.

Risk management is a critical enabler of our overall corporate objective of being financially sustainable within our Board's agreed risk appetite.

We systematically identify and manage risk to increase the likelihood and impact of positive events, while mitigating negative events.

We operate a 'three lines of defence' model for managing risk:

1. Business functions take responsibility for risks within their own operations
2. An internal, but independent, Risk and Compliance function reviews and improves our risk management controls
3. Audits and reviews by our internal and external auditors provide detailed reports on improving our risk management approach. The Australian National Audit Office (ANAO) and its appointed agent also review our financial statements independently.

Risk management oversight

Risk-related policies, tolerances and operational limits are set by our Board, with support and specific oversight by the Board Audit and Risk Committee.

Our Executive and senior management teams are responsible for implementing our Board-approved risk management framework. However, we also emphasise that risk management and reporting are everyone's responsibility.

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

Executive Committee

- › Examines all aspects of the business
- › Chaired by the Managing Director & CEO

Treasury Risk Review Committee

- › Examines Treasury activities, limits, noteworthy transactions and current issues
- › Chaired by our Director, Treasury

Credit Committee

- › Examines large potential transactions
- › Chaired by our Chief Credit Officer

Risk and Compliance Committee

- › Reviews, monitors and improves our management of risk and compliance
- › Chaired by our Chief Risk Officer

Work Health and Safety Committee

- › Examines workplace risks and reports any hazards or safety problems that may cause harm or injury to employees, contractors or visitors
- › Chaired by our Chief Risk Officer

Business Continuity Planning Steering Committee

- › Coordinates Business Continuity Planning and Crisis Management
- › Chaired by our Chief Risk Officer

Risk culture

Our risk culture and risk management foundations include:

- › an open and transparent risk culture that seeks to anticipate, avoid and mitigate risks and which always seeks to learn and improve

- › a culture of consultation and speaking up about potential issues
- › an employee performance system that requires robust risk management behaviours
- › strategies to recruit, develop and retain employees who have the required specialist skills to support the delivery of our mandate
- › documented control processes, including management reporting, supported by Board oversight and independent review
- › detailed policies and procedures, supported by systems and processes
- › clear lines of responsibility and accountability for achieving set outcomes
- › a continual focus on uplifting risk management processes including enhancing the use of data-driven decision making.

Key risks

We have an enterprise-wide risk management framework that identifies the key risks facing the organisation and the controls we have in place. Key risk categories and associated mitigation strategies include:

Strategic risk

We are mandated to provide financial support to exporters and parties engaged in overseas infrastructure development where there is an identified Australian benefit.

A framework is in place to ensure that strategic initiatives are prioritised appropriately and that associated risks are reported and well managed.

Credit risk

We recognise that counterparty credit risk, country risk and associated portfolio and industry risks arise from supporting Australian exporters and overseas infrastructure. Our focus on small and medium-sized enterprises and on emerging markets increases the likelihood of credit losses.

We have a credit policy (together with circulars, manuals and procedures) that sets out the framework for managing credit risks.

Reputational risk

Our reputational risk is generally associated with an action or inaction that could be perceived by key stakeholders (such as customers, Government, employees, civil society organisations or the media) as unlawful, unethical or inconsistent with our purpose. Any risks may give rise to reputational risk for our organisation or the Australian Government.

A range of policies, procedures and processes are in place to mitigate and manage reputational risks.

Market risk

We issue debt in our own name and hold domestic and foreign currency denominated loans and financial instruments to support operations in export markets. These instruments expose the balance sheet to financial risks, including credit and market risks.

Market risks are managed to an acceptable level through a framework of quantitative controls. Risks include market-to-market risk, funding and liquidity mismatch risk, repricing risk, interest rate and foreign exchange risks and earnings volatility.

We have a treasury policy that sets out the framework for managing market risks, which is supported by a wide range of procedural documents.

Operational risk

Operational risk covers a broad range of risks across our organisation. Operational risk is categorised into four sub-categories: people; process; data and systems; and external events. Operational risk is only acceptable at levels required to meet our mandate effectively and efficiently.

A wide range of policies, procedures and controls are in place to manage operational risks.



Case study Archies Footwear

Archies Footwear is an arch-support thong company based in Echuca, Victoria.

After recognising a need for more supportive summer footwear, physiotherapist and CEO of Archies Footwear, Daniel Jones, had a lightbulb moment for a business. He wanted to create a footwear solution that didn't lead to the foot, ankle, leg and hip issues he'd seen in people wearing traditional flat-soled thongs.

Our Export Line of Credit enabled Archies Footwear to fund its overseas stock, enabling the business to expand its wholesale business internationally.

“The team really took the time to understand every element of the business. From how the thongs are made and how they get on a truck or ship, to how they arrive at the warehouse and our cash-flow cycles.”

Daniel Jones
CEO, Archies Footwear



Cooperation

Our partnerships

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

Building strong partnerships helps us broaden our reach, build our capabilities and deliver on our diverse mandate.

Who are some of our partners?

Australian and State and Territory Government agencies

- › Austrade
- › Commonwealth Scientific and Industrial Research Organisation (CSIRO)
- › Department of Defence
- › Department of Industry, Science and Resources
- › State, Regional and Territory departments and agencies
- › Tourism Australia

Peak industry groups and sector associations

- › Austmine
- › Australian Fashion Council (AFC)
- › Australian Manufacturing Technology Institute Limited
- › Defence Teaming Centre
- › Wine Australia

Business chambers and councils

- › Australia Fiji Business Council
- › Australia Pacific Islands Business Council
- › Australia Papua New Guinea Business Council
- › Business Australia (formerly NSW Business Chamber)
- › Council of Small Business Organisations Australia (COSBOA)

Other financiers, including banks and professional services firms

- › Australian banks and other financiers
- › International ECAs and multilateral partners
- › Select law firms
- › Select private equity firms
- › The major accounting firms

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

Our partnership with Austrade

At Export Finance Australia, we work closely with Austrade, offering complementary services and solutions that help Australian businesses succeed and grow in international markets. We will deepen this collaboration 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
- › 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.

Through our critical minerals mandate, we work closely with the Critical Minerals Office within the Department of Industry, Science and Resources to support the Australian Government's Critical Minerals Strategy.

In the defence sector, we work with the Australian Defence Export Office within the Department of Defence to support defence transactions and the Defence Export Strategy.

We continue to reach more manufacturing businesses through our work with the Advanced Manufacturing Growth Centre and the Australian Manufacturing Technology Institute Limited.

Performance

“

With current projects in the Marshall Islands, Solomon Islands, Vanuatu, PNG, Kiribati and Tuvalu, the support provided by Export Finance Australia has assisted Reeves and CCB Envico to support the initiatives of the Australian Government's Pacific Step-Up and to participate in World Bank, Asian Development Bank and New Zealand Government infrastructure projects. ”

Simon Gorman
Managing Director
CCB Envico and Reeves International



Our key performance measures and targets are aligned with our purpose and mandate. They are supported by our overall strategy and risk appetite, as set out and monitored by our Board.

Performance measures

Given the nature of our business, accurately forecasting performance over a four-year period can be difficult and highly dependent on external factors. Because we operate in the market gap and do not compete with banks or other financial institutions, financing needs in any particular year can vary considerably based on the risk appetite of these organisations.

For that reason, our performance targets for the next four years provide our best estimate of the expected level of quantitative business activity as well as reflect qualitative business metrics. Our key performance targets (KPIs) for the Corporate Plan period also consider

the disruption to trade and supply chains due to the effects of COVID-19 and longer-term economic scenarios.

As in previous Corporate Plans, our targets for later years are dependent on achieving planned outcomes in the preceding years. In 2021–22, several transactions were delayed or did not proceed as a result of the political and economic impacts of COVID-19.

Similarly, we provided financing support to a number of customers in 2021–22 that experienced temporary disruptions to their supply chains and working capital due to the pandemic. These customers may not require support in future years.

Quantitative performance targets

Performance targets for the CA and NIA are shown as an aggregate. However, the financials only reflect the CA. That is because the Commonwealth receives all net income on the NIA and must reimburse us for any losses under the NIA.

Transactions on the NIA also include facilities written under the Critical Minerals Facility, Defence Export Facility and the AIFFP. It's also worth noting that 70 per cent of our income is derived in US dollars (USD). This means movements in USD interest rates and exchange rates can have a significant impact on our profitability.

Table 1: Quantitative performance targets

	Commercial and National Interest Account	2022–23	2023–24	2024–25	2025–26
	Total PSF and SME				
Transactions completed on the CA and NIA	Value of facilities signed (A\$)	>\$1.3b	>\$1.4b	>\$1.6b	>\$1.7b
Customers supported on the CA and NIA	Number of customers supported	>179	>229	>294	>389
	Number of new customers supported	>65	>82	>105	>138
CA Financials	CA profit (pre-tax) A\$	>\$13m	>\$15m	>\$17m	>\$19m

There is a risk that some transactions may not proceed for reasons that are outside our control. Failure to successfully close some transactions will have a material impact on our ability to achieve the performance targets.

Our corporate plan quantitative targets have been adjusted from 2021–22. This is due to investment into our technology-enabled transformation and a recent review of our CA and NIA portfolios.

Qualitative performance targets

Considering the performance targets we have outlined, it is important to note that they 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 a transaction or project.

Based on our experience in 2021–22, we expect to support customers and the Government on various financing transactions that ultimately 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 an NIA transaction rests with our Minister. However, before a transaction is presented to our Minister for consideration, significant due diligence and credit work is undertaken by our team.

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

Table 2: Qualitative performance targets

Our functions*

Target

Facilitate and encourage Australian export trade and overseas infrastructure development

Encourage other financiers to support export trade and overseas infrastructure development

Provide information and advice about export and infrastructure finance

How we'll achieve it

Leverage the CA and the NIA to support a pipeline of transactions and projects that meet the requirements of our mandate and contribute to Australia's trade and investment objectives

Achieve positive customer advocacy and engagement metrics

Collaborate and partner with banks and other financiers to support more exporters and overseas infrastructure development, transactions and projects

Leverage our wider government and alliance partner network to provide timely information on a range of issues, to promote our finance offering

* See page 7 for a comprehensive list of our functions.



“Undoubtedly, the support from Export Finance Australia has allowed us to hit our budgets, and actually do better than budget. This will also put us in a good negotiating position with our suppliers going forward and open up options for us to maintain capacity in markets around the world.”

Calvin Stead
CEO, Kelly Engineering

Appendix A: Statement of Expectations



The Hon Dan Tehan MP
Minister for Trade, Tourism and Investment

Parliament House
CANBERRA ACT 2600

Telephone: 02 6277 7420

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

11 NOV 2021

Dear Mr Millar

James,

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 24 November 2020.

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.

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. I have determined that a 'market gap' for finance exists 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 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).

Appendix A: Statement of Expectations

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 (DFAT), 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;
- the Prague Proposals; 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 DFAT 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.

For equity investments, which are limited to the National Interest Account, I expect Export Finance Australia to only refer applications to me where it has determined other financing options (both public and private) are either not available or inadequate. This determination should be made in consultation with DFAT, the Department of Finance and other relevant agencies. Export Finance Australia should also ensure equity investments have appropriate exit arrangements and target, where possible, commercial rates of return for the Commonwealth that consider financial risks and advice DFAT may provide on national interest considerations. Over the medium to long term, the target rate of return for Export Finance Australia's equity portfolio shall be at least the long-term five-year Government bond rate plus three per cent, noting the return on individual investments at a given point in time can vary. Export Finance Australia should also encourage participation from acceptable and creditworthy private sector entities and likeminded Government bodies unless there is a compelling reason otherwise.

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.

Appendix A: Statement of Expectations

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 DFAT, 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, that the transaction is in compliance 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:

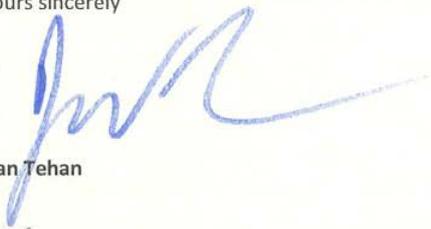
- provide products and services having regard to the Australian Government's World Trade Organization (WTO) and other international commitments, including the United Nations Convention against Corruption;
- comply with the OECD Arrangement for Officially Supported Export Credits;
- where Export Finance 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 DFAT 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 DFAT 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 DFAT 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 DFAT, 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.

I have copied this letter to Senator the Hon Marise Payne, Minister for Foreign Affairs.

Yours sincerely



Dan Tehan

Appendix B: Statement of Intent



16 November 2021

The Hon Dan Tehan MP
Minister for Trade, Tourism and Investment
Parliament House
Canberra ACT 2600

Dear Minister Tehan,

A handwritten signature in blue ink, appearing to read "Dan", written over the name "Dan" in the salutation.

Thank you for your letter dated 11 November 2021 outlining the Government's revised expectations concerning our operations, performance and focus. I am pleased to respond by confirming that we will direct our operations to meet your expectations. This letter replaces the previous Statement of Intent dated 3 December 2020.

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

Yours sincerely,

A handwritten signature in blue ink, appearing to read "James M. Millar", written over the name "James M. Millar" in the signature block.

James M. Millar AM
Chair



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