



National Reconstruction Fund Corporation (Investment Mandate) Direction 2023

We, Ed Husic, Minister for Industry and Science, and Katy Gallagher, Minister for Finance, make the following direction.

Dated: 27 November 2023

Ed Husic
Minister for Industry and Science

Dated: 27 November 2023

Katy Gallagher
Minister for Finance

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Part 1—Preliminary

1 Name

This instrument is the *National Reconstruction Fund Corporation (Investment Mandate) Direction 2023*.

Note: Neither section 42 nor Part 4 of Chapter 3 of the *Legislation Act 2003* (which deal with the disallowance of legislative instruments and the sunset of legislative instruments) applies in relation to this instrument.

2 Commencement

- (1) Each provision of this instrument specified in column 1 of the table commences, or is taken to have commenced, in accordance with column 2 of the table. Any other statement in column 2 has effect according to its terms.

Commencement information		
Column 1	Column 2	Column 3
Provisions	Commencement	Date/Details
1. The whole of this instrument	The day after this instrument is registered.	

Note: This table relates only to the provisions of this instrument as originally made. It will not be amended to deal with any later amendments of this instrument.

- (2) Any information in column 3 of the table is not part of this instrument. Information may be inserted in this column, or information in it may be edited, in any published version of this instrument.

3 Authority

This instrument is made under subsection 71(1) of the *National Reconstruction Fund Corporation Act 2023*.

4 Object

The object of this instrument is to ensure that the Corporation performs the Corporation's investment functions and exercises the Corporation's investment powers:

- (a) in a commercial manner to deliver a positive return to the Australian Government over time; and
- (b) so as to invest to support, diversify and transform Australia's industry and economy.

5 Simplified outline of this instrument

The Act established the Corporation to facilitate increased flows of finance into priority areas of the Australian economy. The priority areas are declared in the *National Reconstruction Fund Corporation (Priority Areas) Declaration 2023*.

The Act:

- (a) permits the Ministers, by legislative instrument, to give the Board directions about the performance of the Corporation's investment functions or the exercise of the Corporation's investment powers (or both); and
- (b) requires the Ministers to give at least one such direction.

The directions together constitute the Investment Mandate. This instrument sets out such directions.

The Corporation is bound by the Investment Mandate. The Board must take all reasonable steps to ensure that the Corporation and its subsidiaries comply with the Investment Mandate. The Board can be directed, under subsection 74(3) of the Act, to:

- (a) explain to the Ministers any failure to comply with the Investment Mandate; and
- (b) take specified action to ensure compliance.

The Board's investment policies must also be consistent with the Investment Mandate.

6 Definitions

Note: A number of expressions used in this instrument are defined in section 5 of the Act, including the following:

- (a) Account;
- (b) Australia's greenhouse gas emissions reduction targets;
- (c) Board;
- (d) Commonwealth entity;
- (e) Corporation;
- (f) Corporation body;
- (g) Corporation's investment functions;
- (h) Corporation's investment powers;
- (i) Finance Minister;
- (j) financial accommodation;
- (k) Investment Mandate;
- (l) investment of a Corporation body;
- (m) Ministers;
- (n) priority area of the Australian economy;
- (o) uncommitted balance.

In this instrument:

Act means the *National Reconstruction Fund Corporation Act 2023*.

Corporation's investment practices means the performance of the Corporation's investment functions and the exercise of the Corporation's investment powers.

Corporation's portfolio, at a particular time, means all of the investments of all Corporation bodies at that time.

Department of Finance means the Department administered by the Finance Minister.

investment means an investment of a Corporation body.

portfolio benchmark return means the return described in section 8.

Part 2—Directions

7 Introduction

The Corporation will crowd in finance to transform and diversify Australia's industry and economy, and support the development of market-leading enterprises in the priority areas of the Australian economy that deliver high-value, internationally competitive products and services across the value chain. The Corporation will have regard to public policy outcomes when making investment decisions.

8 Portfolio benchmark return

The Corporation must:

- (a) target an average return of between 2 and 3 per cent above the five-year Australian government bond rate (weighted to the size and time of investing) as the benchmark return of the Corporation's portfolio over the medium to long term; and
- (b) measure performance against this benchmark before deducting operating expenses.

Note: The Ministers intend to review the portfolio benchmark return 3 years after this instrument commences.

9 Portfolio risk

- (1) In targeting the portfolio benchmark return, the Corporation must:
 - (a) operate with a commercial approach, including by undertaking appropriate due diligence, credit and investment risk assessment processes; and
 - (b) seek to develop the Corporation's portfolio so that it will be diversified and have, in aggregate, an acceptable but not excessive level of risk.
- (2) The level of risk deemed acceptable by the Corporation may be higher than the risk tolerance of commercial banks and private sector investors, if this higher risk tolerance supports the objects of the Act and this instrument.
- (3) Subject to subsection (1), the Corporation may consider that higher risks than are acceptable for other investments would be appropriate for:
 - (a) investments in emerging technologies and industries; or
 - (b) investments that support Australia's strategic interests; or
 - (c) investments with long-term payback periods.
- (4) The Corporation must periodically review the Corporation's investment and operational practices for the purposes of managing the risk of the Corporation's portfolio over time.

10 Investment considerations

- (1) The Corporation must, through the Corporation's investment practices, have regard to the matters that the Board, when performing its functions, is required to have regard to as set out in subsections 17(3A) and (4) of the Act.

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- (2) The Corporation must also have regard to:
 - (a) the desirability of supporting:
 - (i) sustainability and circular economy principles and solutions; and
 - (ii) regional development; and
 - (b) national security.

11 Corporation must take medium- to long-term outlook

- (1) The Corporation must take a medium- to long-term outlook in relation to the Corporation's investment practices.
- (2) Subsection (1) does not prevent the Corporation from making or realising particular investments over a shorter term when this would be consistent with the Act and this instrument.

Example: Realising investments when there are viable opportunities to do so and when this would be consistent with the Act and this instrument.

12 Corporation must consider impacts of Corporation's investment practices

The Corporation must:

- (a) consider the potential effect of the Corporation's investment practices on:
 - (i) other market participants; and
 - (ii) the efficient operation of the Australian financial market; and
- (b) seek to avoid displacing alternative private and public sector financing in each priority area of the Australian economy, to the extent that this is reasonably practicable.

13 Corporation not to damage Commonwealth's reputation

The Corporation must not, through the Corporation's investment practices, act in a way that is likely to cause damage to the Commonwealth's reputation.

14 Corporation must collaborate and cooperate

- (1) Where it would be practical and appropriate in order to facilitate the Corporation's investment practices, the Corporation must seek to cooperate and collaborate with other Commonwealth entities, and with any State or Territory entities, that are also able to support investments in the priority areas of the Australian economy.
- (2) Without limitation, for the purposes of subsection (1), Commonwealth entities include but are not limited to the following:
 - (a) the Australian Renewable Energy Agency;
 - (b) the Clean Energy Finance Corporation;
 - (c) the Northern Australia Infrastructure Facility;
 - (d) Export Finance Australia;
 - (e) Housing Australia;
 - (f) the Regional Investment Corporation;
 - (g) the Net Zero Economy Agency.

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- (3) For subsection (1), each of the following is a *State or Territory entity*:
 - (a) a State or a Territory;
 - (b) a body corporate established for a public purpose by or under a law of a State or a Territory.
 - (4) Where the Net Zero Economy Agency has engaged with the Corporation on opportunities that support the transition to net zero emissions, the Corporation will consider those opportunities.

15 Targeted financing levels

The Corporation must allocate investments so as to target the following funding levels over the medium to long term:

- (a) renewables and low emission technologies—up to \$3 billion;
- (b) medical manufacturing—\$1.5 billion;
- (c) value adding in resources—\$1 billion;
- (d) critical technologies in the national interest—\$1 billion;
- (e) advanced manufacturing—\$1 billion;
- (f) agriculture, forestry, fisheries, food and fibre—\$500 million.

Note: These target areas do not correspond directly with the priority areas of the Australian economy. It might be possible to count a particular investment in a single priority area of the Australian economy towards the target set out in any one of paragraphs (a) to (f), or to the targets set out in more than one of paragraphs (a) to (f).

16 Limits on concessional financial accommodation

The Corporation must not provide financial accommodation on concessional terms unless it is satisfied that:

- (a) this is the most appropriate way of achieving particular public policy outcomes that the Corporation is seeking to achieve; and
- (b) based on a reasonable qualitative assessment, the level of concessionality is commensurate with the anticipated economic benefits and public policy outcomes; and
- (c) the concessionality provided is the minimum that would achieve those benefits and outcomes and allow the investment proposal to proceed.

17 Limits on equity investments

- (1) The Corporation must not acquire an equity interest in an entity if this would result in Corporation bodies and any other Commonwealth entities together either:
 - (a) holding a majority of the equity interests in the entity; or
 - (b) being in a position to control the entity.
- (2) Subsection (3) applies if:
 - (a) a Corporation body holds one or more equity interests in an entity; and
 - (b) the Corporation body becomes aware that holding those equity interests results in the situation referred to in subsection (1).

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- (3) The Corporation body must:
 - (a) realise sufficient equity interests so that the situation no longer exists; and
 - (b) do so as soon as reasonably practicable in the circumstances after the Corporation body becomes aware of the fact.
 - (4) For this section, **control** has the same meaning as in the definition of “subsidiary” in the *Public Governance, Performance and Accountability Act 2013*.

18 Limits on guarantees

Note: Guarantees pose a particular risk to the Corporation’s balance sheet and, as such, restrictions on their use are appropriate.

The Corporation must:

- (a) not give guarantees unless it is satisfied that this is the most appropriate way of achieving particular public policy outcomes that the Corporation is seeking to achieve; and
- (b) ensure that any guarantee that it does give is appropriately limited and quantifiable; and
- (c) ensure that the total of the Corporation’s liabilities (whether actual or contingent) that are in respect of guarantees does not, at any time, exceed 5 per cent of the amount standing to the credit of the Account.

19 Australian industry participation

- (1) The Corporation must ensure that an Australian Industry Participation (AIP) plan is completed for an investment where required by the Australian Government’s AIP plan policy.
- (2) The Corporation must consult with the Department of Finance about the application of the Australian Government’s Buy Australian Plan.