

National
Reconstruction
Fund
Corporation

Corporate Plan 2023–2024



Contents

Statement of preparation	3
<hr/>	
Purpose	4
<hr/>	
Key activities	5
1. Delivering investments	5
2. Partnering and engaging with stakeholders	6
3. Making a positive difference	7
<hr/>	
Operating context	8
Environment	8
Strategies for capability	8
Workforce – building culture, capability, and reputation	8
Infrastructure	8
ICT	8
Establishing governance and risk arrangements	9
Subsidiaries	9
<hr/>	
Performance	10

Acknowledgement of Country

The National Reconstruction Fund Corporation acknowledges the Traditional Owners and Custodians of this land, and we pay our respects to all Elders, past and present.

Statement of preparation

The board, as the accountable authority of the National Reconstruction Fund Corporation (NRFC), presents the 2023–24 Corporate Plan (Plan). The Plan covers four financial years from 2023–24 to 2026–27, as required by section 35(1)(b) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).



Martijn Wilder AM

Chair

National Reconstruction Fund Corporation

Purpose

The NRFC is Australia’s sovereign investor in industrial capability. We are a new corporate Commonwealth entity, established by the *National Reconstruction Fund Corporation Act 2023* (NRFC Act).

We exist to facilitate finance into growth areas of the Australian economy, with \$15 billion to invest in companies in Australia that design, refine and make. We will build a portfolio of investments that will have a cumulative impact across the economy and to help harness Australia’s potential.

We have \$15 billion to invest in debt and equity in businesses and projects that design, refine and make in Australia across these seven growth areas of the economy:



Renewables and low-emissions tech



Enabling capabilities



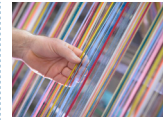
Defence capability



Transport



Resources



Agriculture, forestry & fisheries



Medical science

Our approach is underpinned by a direction from the Australian Government to balance risk and return across the portfolio over the medium to long term. We can accept higher levels of risk and longer payback periods than may be offered in the private sector. Our investment portfolio must have a positive impact on Australia’s economy and society, including contributing to net zero, creating jobs, improving economic participation for historically underrepresented groups and supporting regional development and national security.

Key activities

The NRFC's enabling legislation received Royal Assent in April 2023 and our organisation began operating on 18 September 2023 when the NRFC Act commenced. The NRFC's Investment Mandate, which sets directions for our investment functions and how we exercise our investment powers, was registered on 29 November 2023.

Our key activities to date in 2023–24 have focused on establishing fundamental enabling frameworks, policies and procedures that position us to deliver our first investments in 2024. At the same time, we are building capability out to 2026–27 to meet longer term objectives. Future corporate plans will further articulate our direction to 2026–27 and beyond.

Our focus will be in three areas: delivering investments (key activity 1); partnering and engaging with stakeholders (key activity 2); and making a positive difference (key activity 3). These activities will be supported by our strategies for capability, detailed under [Operating context](#).

1. Delivering investments

We must invest commercially, responsibly and self-sustainably, using debt and equity. Our target return across our portfolio is 2–3% above the five-year Australian Government Bond rate over the medium to long term.

The Government has directed the NRFC to allocate investments to the following targets over the medium to long term¹:

- up to **\$3 billion** for renewables and low-emission technologies
- **\$1.5 billion** for medical manufacturing
- **\$1 billion** for value adding in resources
- **\$1 billion** for critical technologies in the national interest
- **\$1 billion** for advanced manufacturing
- **\$500 million** for agriculture, forestry, fisheries, food, and fibre.

These financing targets usefully signal the Government's policy priorities. We aim to achieve these targets over the medium to long term, noting that the specific timeframe is subject to balancing risk and return across the portfolio.

The success of firms we invest in and the growth of Australia's industrial capability is ultimately how we will determine our own success.

The NRFC's ambitious policy mandate means we need to be strategic and selective so we can focus on high-quality investments that support the policy outcomes set out in the NRFC Act and our Investment Mandate. We are developing the NRFC's investment strategy in line with legislative requirements and our Investment Mandate. This includes identifying circumstances where equity investments may be more effective than debt in supporting transformation, delivering the same or a better rate of return, although returns may be limited in the short term.

The NRFC will work to develop and publish policies as required under the NRFC Act and make updates as required.

1. The NRFC Investment Mandate notes that these target areas do not correspond directly with the areas identified in the Priority Areas Declaration 2023 (referred to here as growth areas) and that it's possible to count a particular investment towards one or more of the target areas. Further, the targets are set over the medium to long term, which means they may be met from the initial \$15 billion funding allocation, or from returns on capital invested.

2. Partnering and engaging with stakeholders

The NRFC exists to facilitate flows of finance to our seven growth areas, helping Australians that design, refine and make by developing local industrial capability. To achieve this ambitious objective, we must complement, not replace available financing options and therefore must work alongside banks, super funds, institutional investors and other private capital. We also want to be a customer-centric organisation that works with stakeholders and is a catalyst for increased investment and positive change, including by advocating to improve the environment to help companies in our growth areas flourish.

Strategic stakeholder engagement across public and private sectors is fundamental to our success. It allows the NRFC to:

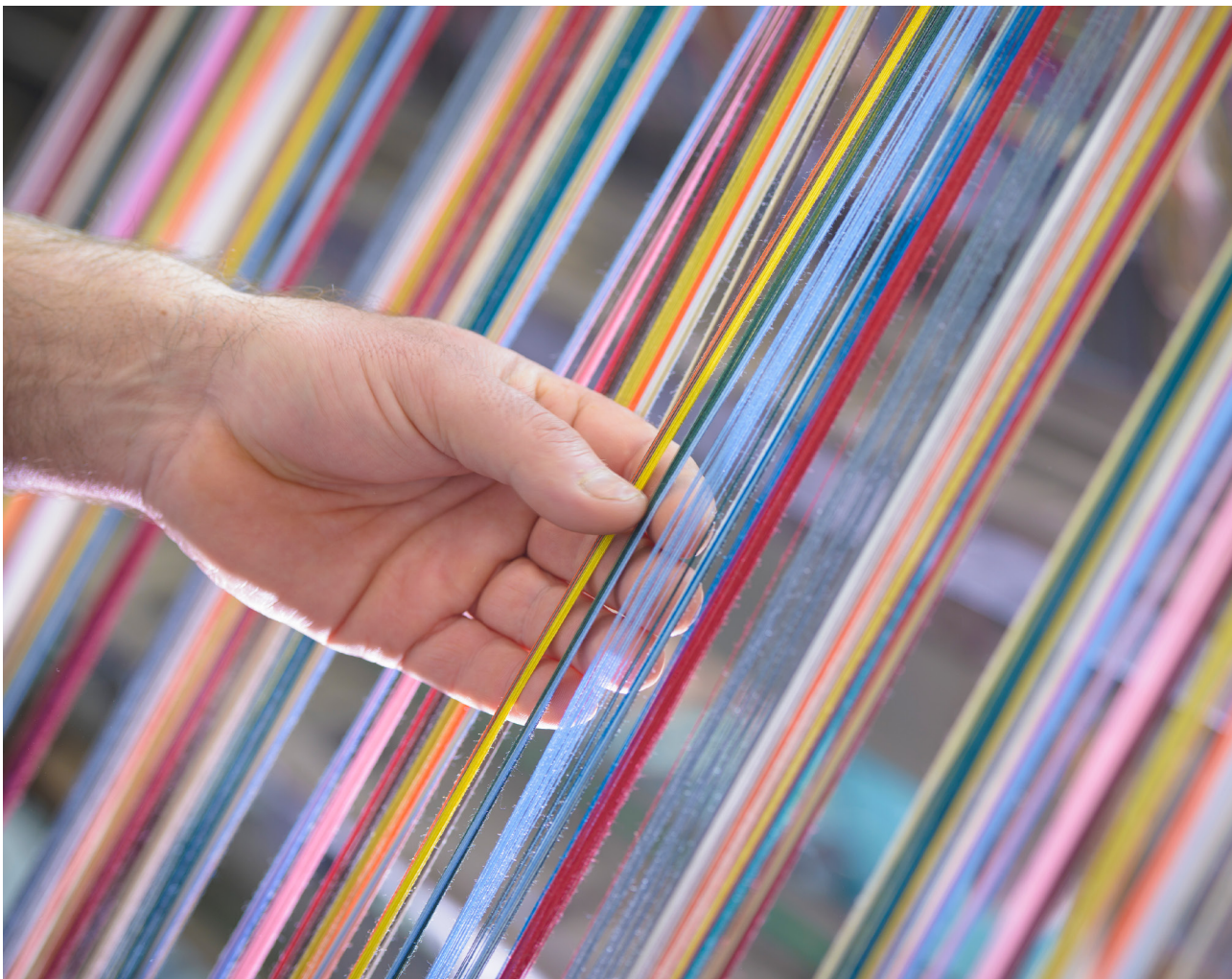
- develop best-practice approaches and robust frameworks
- improve market understanding and the role of finance in the growth areas

- build our reputation and credibility
- generate partnerships and align efforts with peer organisations, and
- identify investments needed to achieve our ambitious mandate.

We also work with other Commonwealth entities that support investment into the NRFC's growth areas, including other public and private financiers.

We believe aligning our efforts with peer organisations will drive transformation more quickly and enable better investment outcomes overall. Partnering with such organisations will be a key priority for us in 2024 while delivering early investments.

Engaging with these and other financing agencies will contribute to a strong ecosystem of investment where we can all play a role.



3. Making a positive difference

The NRFC wants to mobilise capital to grow our industrial capability and create opportunities to improve Australia's economy and society. Our investments must contribute to the policy outcomes set out in the NRFC Act and the Investment Mandate, including:

- growing or improving industrial capability
- helping industry pursue value-adding opportunities
- improving economic diversity
- attracting private finance
- decarbonisation
- creating secure jobs and a skilled, adaptable workforce
- boosting supply chain resilience
- commercialising Australian innovation and technology
- improving economic participation by historically underrepresented groups
- sustainability and circular economy principles and solutions
- regional development
- national security.

We are seeking to make investments that deliver value to all Australians, including proposals that target multiple outcomes or contribute to the overall industrial and innovation ecosystem.



Image credit: CPL Casey Forster / Department of Defence

Operating context

Environment

The NRFC operates in the context of the global investment environment, so we factor in relevant macroeconomic and microeconomic conditions, the regulatory landscape, technological factors and global economic drivers including the transition to a net zero

economy. For example, economic uncertainty may impact costs for projects we consider, or regulatory changes at a federal or state level may affect the ability of industrial projects to gain approvals in desired timeframes.

Strategies for capability

Workforce

To support our initial operations, the NRFC has developed an interim workforce including specialists in key technical and leadership roles. During 2024 we will continue to build our capability as a customer-centric, flexible and fast-moving financial entity.

Attracting people with the right mix of skills and experience at the right time is essential to the NRFC's success. As part of a broader workforce plan, our short-term goals include securing outstanding talent for pivotal roles. An ongoing CEO has been appointed, and we are focussed on appointing other key executive-level staff to develop an effective organisational structure and build a first-class investment capability.

Building organisational capability is supported by the NRFC's mission and values, which will be a key part of our employee value proposition.

We are committed to making the NRFC a great place to work, and an organisation that supports its staff and aligns employee capability with organisational need.

Infrastructure

The NRFC strives to be accessible and available to our clients, so our outward-facing communication channels, including digital and physical infrastructure, must reflect this.

We are considering the NRFC's infrastructure capability requirements as a new organisation as well as for the medium to long term.

Our plan includes having a presence in Canberra and Sydney in the first instance. We also want to make sure we are easily accessible to firms who build industrial capability and that our work reflects the national nature of the NRFC's remit, so we will consider a range of office space options.

ICT

To ensure a strong start to the NRFC, we have used experienced third-party providers to stand up key foundational systems for our organisation.

The NRFC is supported by a service level agreement with Export Finance Australia (EFA), which provides IT, finance and employment systems.

We are developing a strategic information and communication technology (ICT) roadmap to support the NRFC's investment goals and operational capabilities. The ICT roadmap will set out the principles, capabilities and broad timelines to guide the NRFC in building a fit-for-purpose, robust and secure technology environment.

The ICT roadmap will be informed by best practice approaches to technology use and cyber security standards. It will also explore and leverage emerging technologies.

Establishing governance and risk arrangements

The NRFC's Investment Mandate provides flexibility to accept a higher level of risk where investments are in emerging technologies and industries, support Australia's strategic interest or have long-term payback periods. That means investments could be bespoke or tailored to take advantage of future market opportunities.

Our broad remit, to transform and diversify Australia's industry and economy, requires us to navigate a complex investment environment, interact with non-traditional industry ecosystems and engage with early-stage, fast-growing private and unlisted companies (including those with potentially underdeveloped data reporting and records).

Setting up good governance structures is critical for building a culture of integrity and trust that will benefit our stakeholders, including shareholders (government), board members, clients and investment partners.

The NRFC's governance is underpinned by the board and its committees, comprising:

- the Audit and Risk Committee, required under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act)
- the Remuneration, People and Culture Committee
- the Investment Committee.

These committees will support the board to develop strategies and policies for the Corporation, including the investment strategy, organisational Risk Management Framework and accompanying Risk Appetite Statement.

Our governance will evolve as our business needs change and the organisation matures. We will keep our governance structures up to date to ensure the proper, efficient and effective performance of the Corporation's functions.

Subsidiaries

The NRFC does not have subsidiaries, but may establish subsidiary entities over the financial years covered in this corporate plan if required.

Performance

The following performance measures are linked to our purpose, documented under ‘Outcome 1’ of Section 2.1 in the [2023–24 Department of Industry, Science and Resources Portfolio Budget Statement](#):

“To facilitate increased flows of finance into priority areas of the Australian economy, through targeted investments to diversify and transform Australian

industry, create secure, well-paying jobs and boost sovereign capability.”

The NRFC’s performance measures will evolve as the NRFC matures and develops further organisational policies. In particular, measures and targets will be developed for key activity 3: ‘making a positive difference’ in parallel with the NRFC’s investment strategy.

Performance measures	Key activity	2023–24 targets	2023–24 outputs	Measurement criteria	Medium term targets and outcomes to 2026–27
Investments and impact	1, 3	Investments are delivered in calendar year 2024. Investments support outcomes referenced under key activity 3.	Investment strategy and investment policies and procedures are approved and published where relevant. Relevant policies are published as required under the NRFC Act.	Total capital committed during calendar year 2024. Total proposal value leveraged. Impact framework published in 2024.	Portfolio composition reflects the Investment Mandate and investment strategy.
Partnering and engaging	2	NRFC builds appropriate partnerships and engagement.	Stakeholder engagement framework and program is implemented. The NRFC’s public presence is established through owned and earned channels, including the NRFC website.	List of partner organisations. Engagement activity metrics, conferences and events attended, industry engagement records.	NRFC is recognised as an investment leader in priority areas and a professional and reliable co-investment partner.
Risk	1, 2, 3	Core corporate, risk and investment policies are finalised. Organisational risk is managed in accordance with the board approved Risk Management Framework.	Board and Executive Committees are established and objectives are met as per the charters. Relevant policies are published on the NRFC website. Risk Management Framework is established and key activities commenced.	Policies required by the NRFC Act in place during calendar year 2024.	Risk is managed in accordance with legislative requirements and finance sector best practice.