

National
Reconstruction
Fund
Corporation

24

Corporate
Plan

25



Australian Government

Contents

Purpose	4	Acknowledgment of Country
Key Activities	6	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.
1. Delivering investments	7	
2. Partnering and engaging with stakeholders	8	
3. Making a positive impact	9	
Operating Context	11	
Operating Environment	11	
Capability	12	Workforce Infrastructure ICT
Risk	13	Management Oversight Subsidiaries
Performance	14	

Statement of Preparation

The Board, as the accountable authority of the National Reconstruction Fund Corporation (NRFC), presents the 2024-25 Corporate Plan (Plan).

The Plan covers the four financial years from 2024-25 to 2027-28, as required under paragraph 35 (1)(b) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).



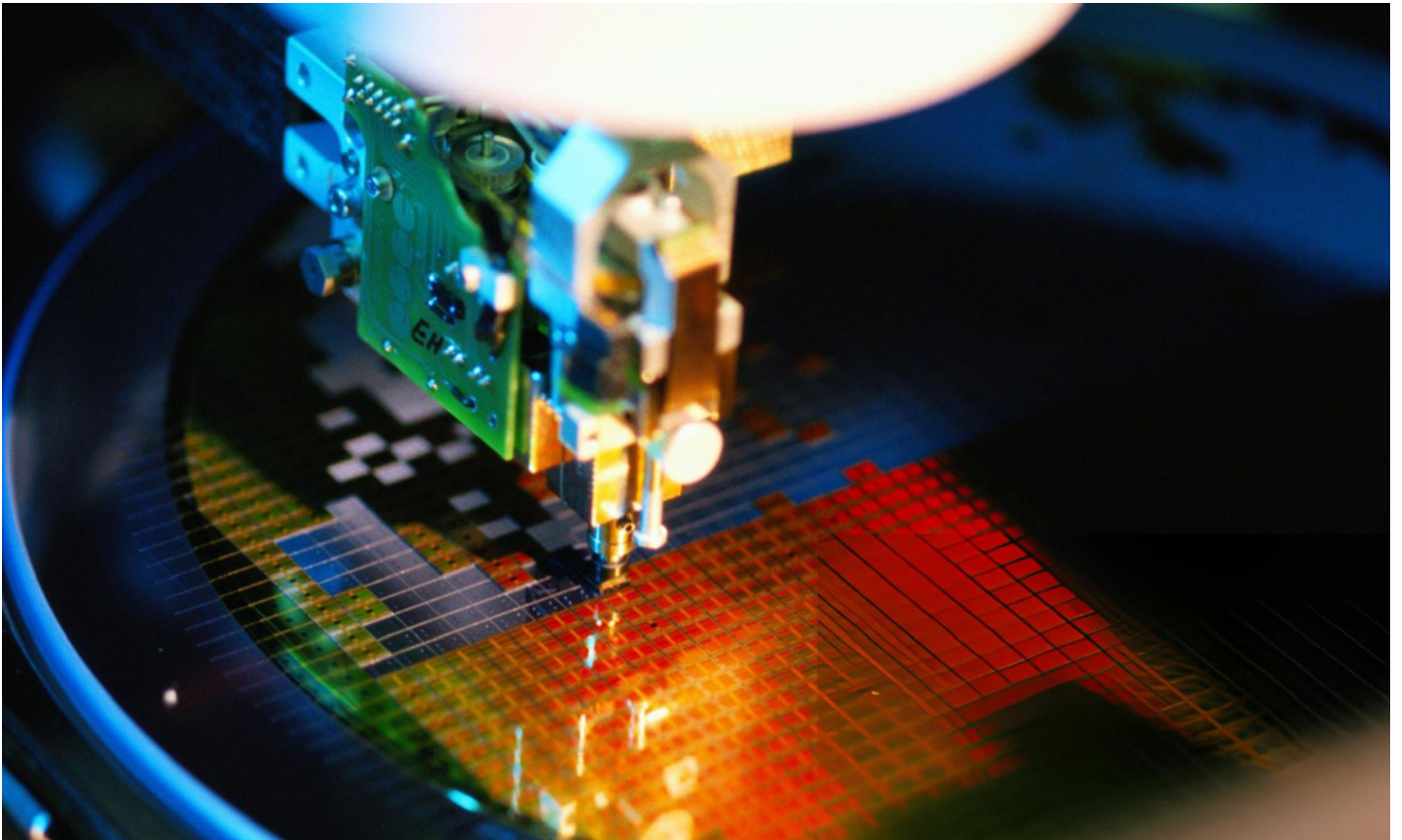
Martijn Wilder AM
Chair, NRFC



Purpose

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

The NRFC exists to facilitate increased flows of finance into priority areas of the Australian economy to transform and diversify Australian industry. The NRFC seeks to support the development of market-leading enterprises that deliver high-value, internationally competitive products and services across the value chain.



We have \$15 billion to invest in Australian endeavours across the following areas of the economy:



Renewables and low emission technologies

The NRFC can invest using debt, equity and guarantees. Our strategy is to collaborate and partner with others in the market to finance a dynamic and diverse manufacturing capability. Our aim is to complement existing financiers and crowd in private sector investment. Our investments will contribute to long-term economic growth and a secure and sustainable future for Australia.



Enabling capabilities

To support these objectives, our mandate allows the NRFC to accept higher levels of risk than other investors. The ability to do so supports investment in emerging technologies and industries, and is a critical difference in our investment strategy that positions the NRFC to consider long-term contributions to Australia's sovereign interests and capabilities.



Defence capability

Our ambition is to transform Australia into a global leader in manufacturing and innovation. Manufacturing is a capability that combines methods of creation and production with advanced technologies to enhance efficiency, productivity and competitiveness. Cutting across sectors, it transforms raw materials or parts into new products and covers the entire product lifecycle, including activities that design, refine, make, distribute and service those products.



Transport



Value-add in resources



Value-add in agriculture, forestry and fisheries



Medical science

Key Activities

Since it was established in September 2023, the NRFC has focused on putting in place fundamental enabling frameworks and procedures, recruiting key personnel, and developing a comprehensive pipeline to enable us to deliver investments.

We continue to mature our organisational capability out to 2027–28 to support the delivery of impactful investments and meet our longer-term objectives. This is detailed in the Operating Context section of this document.



Looking ahead, our primary focus is in three key activity areas:

-
1. **Delivering investments**

 2. **Partnering and engaging with stakeholders**

 3. **Making a positive impact**

1. Delivering investments

We have a published investment strategy and policies (as required under the NRFC Act) that set out our approach to investment and support our ability to deploy capital with discipline, in alignment with our legislative framework. Our investment activities are underpinned by a robust assessment process that analyses key policy, commercial, financial, technical, environmental, social and governance aspects of potential investments.

We aim to invest efficiently and minimise transaction costs. This includes considering pooled financing and partnering with financial intermediaries such as investment managers and commercial banks to leverage their larger market reach and areas of expertise or experience. This can also include partnering with other organisations to amplify our investment impact.

Aligning our efforts with partner organisations will drive and enable rapid and improved investment and broader impact outcomes overall. Partnering with such organisations continues to be a key priority for us in 2025 while delivering early investments.

Our target financial return across our portfolio is 2–3% above the 5-year Australian Government bond rate over the medium to long term. We will invest commercially and responsibly using debt and equity to deliver investments that help achieve our policy objectives and target financial return.

The government has directed the NRFC to allocate investments to the following funding levels 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 specific timeframes are subject to balancing risk and return across the portfolio along with the needs of businesses operating in these sectors.

Our ambitious policy mandate means that 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.

¹ The NRFC Investment Mandate notes that these target areas do not correspond directly with the areas identified in the *Priority Areas Declaration 2023*, and that it is 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

A key priority is to form collaborative relationships with critical stakeholders to amplify our impact. We believe that working with others and aligning our efforts with peer organisations will enable improved investment and broader impact outcomes overall.

The NRFC engages with three primary sets of stakeholders. These stakeholders represent key relationships in relation to deployment of capital, delivery of outcomes and contributing to the broader approach to diversify and transform Australian industry.

We will continue to develop constructive and cooperative relationships with our stakeholders to deliver shared objectives, learn and evolve, and support an ecosystem approach.

The following table describes our key stakeholders and NRFC engagement. We aim to further expand our efforts in stakeholder engagement from responsive to proactive strategic engagement.

Stakeholder

NRFC engagement

Client and investment partnerships

These relationships are formed to support the deployment of capital. We want to be a customer-centric organisation that works with others to be a catalyst for increased investment. We want to complement, not replace, other forms of capital.

We want to collaborate and cooperate with Commonwealth, state and territory governments, along with other public and private financiers.

Engagement can be directly through the investment process, including referrals from partner organisations, or through partnerships with peer organisations and others in the market.

Sector and innovation networks

The existing network of government, innovation and sector-based organisations are key collaborators for the NRFC.

We want to form and build relationships with these organisations to develop and enhance our understanding of existing and emerging industries, ecosystems and supply chains.

We want to work with others to identify areas of opportunity and prospective investments, and establish a network of warm referrals that can support proponents.

Government, Parliament and the Australian public

The NRFC is Australia's sovereign investor in manufacturing capability. We are investing public funds to deliver positive and sustainable outcomes for the Australian community.

We need to be accountable and transparent in our activities and the achievement of our targets.

3. Making a positive impact

The NRFC was established to deliver a positive impact through strategic investment. Impact refers to the outcomes and benefits we deliver through our investment activities, as well as our general business operations as outlined in the NRFC Act and Investment Mandate.

Our legislative framework requires the Board to have regard to the following outcomes:



Transforming Australia's industry and economy by growing or improving Australia's industrial capability; improving Australian industry's ability to pursue value-adding opportunities; or supporting a long-term improvement in Australia's economic diversity



Encouraging and improving economic participation by historically underrepresented groups, including women, First Nations Australians, people with a disability, and people of culturally and linguistically diverse backgrounds



Australia's greenhouse gas emissions reduction targets and the desirability of supporting decarbonisation



Encouraging the commercialisation of Australian innovation and technology



Creating secure jobs and a skilled and adaptable workforce



Supporting sustainability and circular economy principles and solutions



Enhancing Australia's resilience against supply chain vulnerabilities



Supporting regional development



Attracting private sector finance or investments



Supporting national security

Delivering a positive impact is at the forefront of the NRFC's investment strategy, driving decision making from initial engagement through to investment. The impact the NRFC contributes to will be multi-dimensional across sustainability, economic outcomes, sovereign capability and manufacturing. The definitions and sequencing of these impacts need to be designed for appropriate data to be collected throughout the investment cycle to allow the impact to be assessed, monitored and reported.

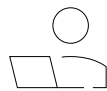
Over time, our approach to impact will evolve as the organisation matures, achieves a sustainable financial footing and scales up its investment activities. Consideration will also be given to the specific context that applies to each of the sectors across which we work, given the maturity, scale and breadth of these areas differ markedly.

Measuring and reporting on our impact



Assess

impact potential at multiple stages over the investment decision process



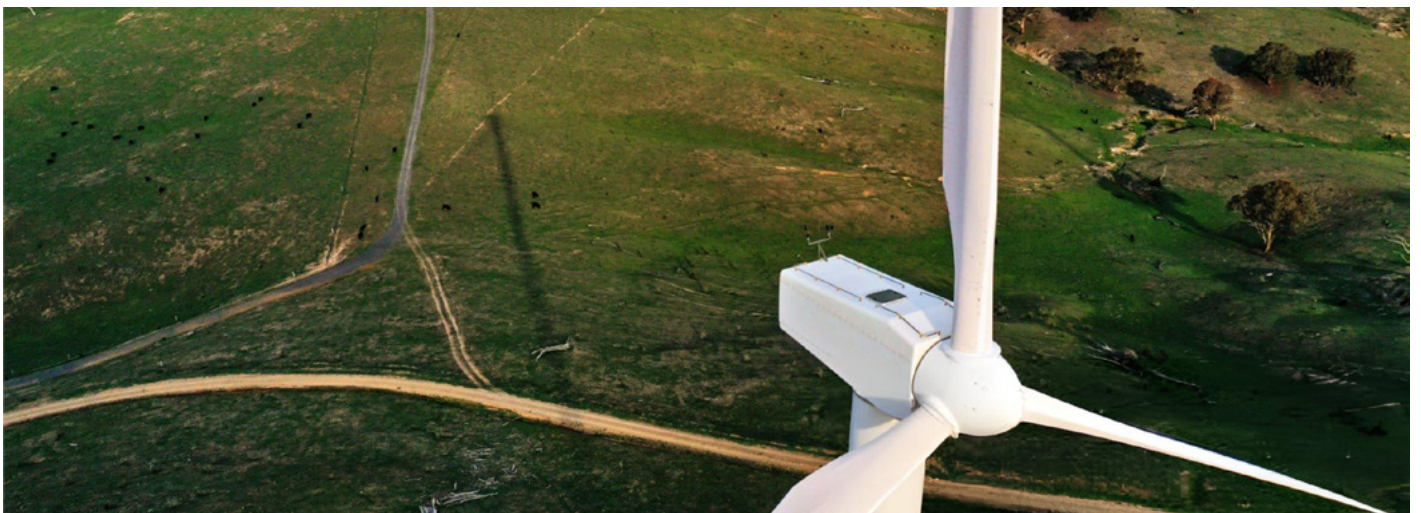
Monitor

invested organisations, via surveys/reporting, both baseline, current and ongoing impact outcomes



Report

on investment and operational obligations of the Australian Government



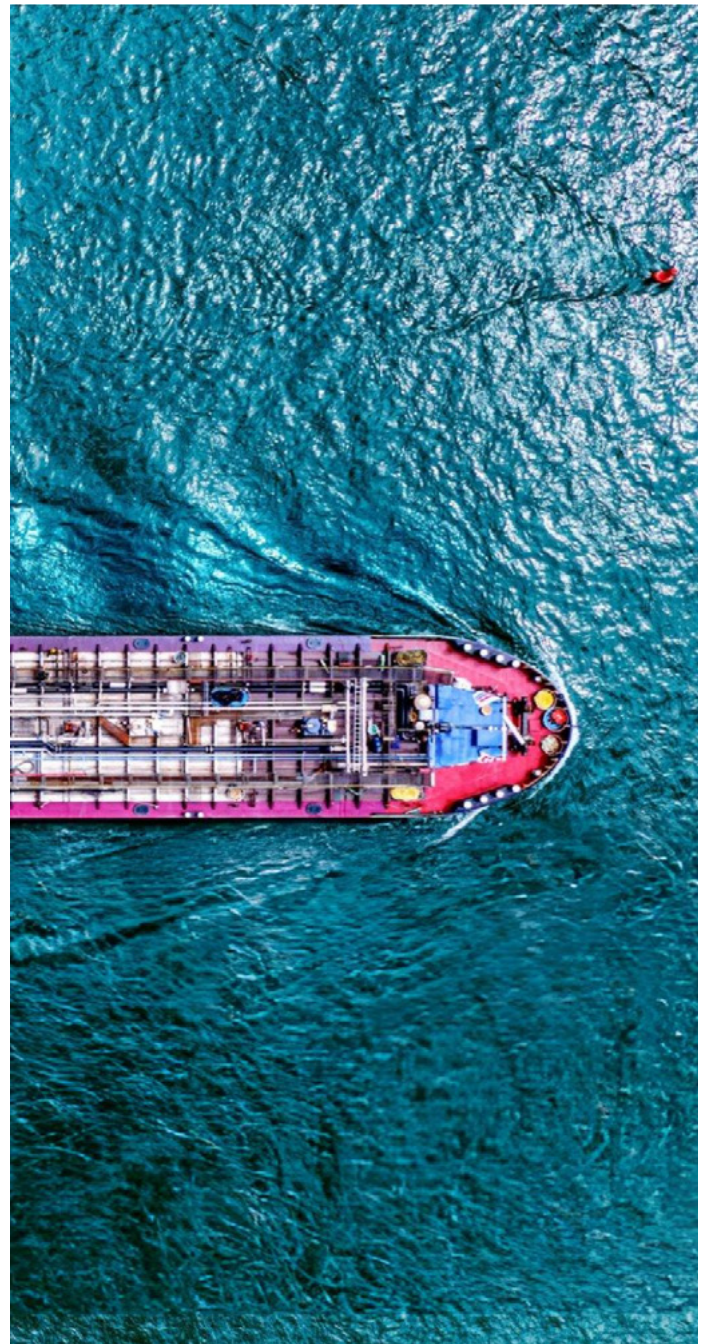
Operating Context

Operating Environment

The NRFC operates in the global environment and is subject to the same macroeconomic conditions and fluctuations as the investment industry. The variability of this environment may impact the achievement of our objectives. For example, macroeconomic conditions such as the inflation rate or the Reserve Bank of Australia's corresponding cash rate could influence the market's appetite to invest or the desire of potential NRFC proponents to develop new projects.

Our pipeline of prospective projects and volume of investment-related enquiries remain strong in current conditions, and we expect that to continue over the reporting years of this Corporate Plan. Changes to these macroeconomic factors are naturally factored into the Australian Government's 5-year bond rate, which in effect flows through to our target rate of return of 2–3% above the 5-year bond rate. The NRFC's investment portfolio, as stipulated under our legislative framework, is intended to be diverse across a range of sectors in the economy. This can serve to mitigate sectoral risk, such as downturns in discrete markets.

The NRFC also operates within the public policy landscape, including the Federal Government's Future Made in Australia (FMA) agenda, which seeks to maximise the economic and industrial benefits of the move to net zero and secure Australia's place in a changing global economic and strategic landscape.



Capability

Workforce

We are committed to making the NRFC a great place to work and an organisation that supports its people and aligns employee capability with organisational need. Building a high-performing and inclusive culture with relevant organisational capability is necessary to enable our mission. Our organisational values of creative and connected, accountable, respectful and enthusiastic enable this mission and underwrite our employee value proposition.

To support our initial operations, the NRFC developed an interim workforce that included specialists in key technical and leadership roles. During 2024–25, we will continue to build our capability as a customer-centric, agile and fast-moving financial entity.

Attracting people with the right mix of skills and experience at the right time is essential to our success. As part of a broader workforce plan, our short-term goals involve securing outstanding talent for pivotal roles with a view to the longer-term people requirements of the NRFC both in terms of expertise, experience and cultural fit.

Infrastructure

We strive to be accessible and available to all stakeholders. We have an online presence that offers information and a facility for submitting investment proposals and enquiries. We also maintain physical offices for our people and engagements with clients and partners in Sydney and Canberra. We have employees in multiple other jurisdictions including Victoria, Queensland and Western Australia, and are exploring options for physical office presence in other major cities to ensure our footprint reflects the national nature of our work.

Our website and other digital communication channels will reflect our visual identity, messaging and accessibility to ensure stakeholders are clear on what we do, the impact we will have and how to engage with us.

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.

We are implementing our ICT roadmap to support our investment goals and operational capabilities. This includes the establishment of an NRFC ICT function to manage the delivery and service of our ICT capabilities as we evolve beyond stand-up activities to business as usual.



Risk

Management

Our enterprise-wide Risk Management Framework monitors and manages our risks, including strategic, financial, credit, operational and reputational risks. We also review all investment opportunities through a detailed investment approval process that involves multi-stage commercial assessments by the Investments team as well as structured transaction-level tests and challenge by our risk function.

Our broad remit 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. Our Investment Mandate provides a corresponding level of flexibility to accept a higher level of risk for investments:

- in emerging technologies and industries
- that support Australia’s strategic interest, or
- with long-term payback periods.

We manage these risks through a ‘three lines of defence’ model in accordance with our Risk Management Framework. This means our (first line) Investments, Impact and Communications teams are responsible for managing the risks arising from their activities, supported by our (second line) risk function which provides test and challenge and our (third line) internal audit function will provide independent risk management assurance.

Oversight

Our risk management discipline is reinforced by Board-level oversight, including through designated committees comprising:

- the Audit and Risk Committee
- the Remuneration, People and Culture Committee, and
- the Investment Committee.

These committees work closely with our Executive Leadership Team, ensuring that we have strong individual accountability at an executive level.

Our governance arrangements are designed to reflect public and private sector better practice and will evolve as our risk management maturity increases.

Subsidiaries

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

Performance

Key Agreed performance indicators Performance indicators will be reviewed each year against organisational priorities

Key Activities

Delivering Investments

Stakeholder Partnership & Engagement

Making a Positive Difference

Intended Results

Commercial and responsible investments in identified areas of the Australian economy to facilitate the flow of finance.

Build and nurture relationships to support facilitation of our mandate. In addition to investment, NRFC recognised as a professional and reliable co-investment partner.

Support for opportunities that diversify and transform Australian industry and economy, having regard to public policy outcomes.

Performance Measures

1. Total capital deployed
2. Private capital leveraged
3. Return on investment

1. Increased awareness of NRFC
2. Collaboration within the ecosystem
3. Customer experience

1. Investments contribute to public policy objectives outlined in the NRFC legislative framework
2. Investments in identified areas of the economy
3. Geographic spread of funded projects
4. Research and activities that support and enhance Australia's manufacturing capability

2024-25 Targets & Expected Outcomes

- \$550m
- Ratio 1:1 across the investment portfolio
- Target portfolio Rate of Return = 2-3% >5yr AGB in the medium to long term

- 100 engagements with at least 10 engagements in each growth area
- 5 partnerships established
- 4 cooperative relationships with government entities established
- 90% of general enquires responded to in 10 working days

- All investments are aligned to at least one of s17/c10 IM requirements
- Investment portfolio covers at least 3 identified areas of the economy
- Investments in at least 3 states/territories
- Qualitative assessment of influence/evidence developed and shared with others

2025-26 Targets & Expected Outcomes

- \$1,050m
- Ratio 1:1 across the investment portfolio
- Target portfolio Rate of Return = 2-3% >5yr AGB in the medium to long term

2026-27 Targets & Expected Outcomes

- \$2,505m
- Ratio 1:1 across the investment portfolio
- Target portfolio Rate of Return = 2-3% >5yr AGB in the medium to long term

2027-28 Targets & Expected Outcomes

- \$3,050m
- Ratio 1:1 across the investment portfolio
- Target portfolio Rate of Return = 2-3% >5yr AGB in the medium to long term

Forecast measures and targets will continue to be developed and refined in coming years.

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