

**National Reconstruction
Fund Corporation**

**Board Investment
Committee Charter**

June 2024

The National Reconstruction Fund Corporation is a corporate Commonwealth entity established by the Australian Government under the *National Reconstruction Fund Corporation Act 2023* (Cth).

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1. Purpose and authority

1.1 Purpose

The purpose of this Charter is to set out the role, responsibilities, membership and operation of the Board Investment Committee (**BIC** or **Committee**).

1.2 Authority

The Committee is a committee of the Board of the National Reconstruction Fund Corporation (**NRFC**) established in accordance with section 48 of the *National Reconstruction Fund Corporation Act 2023* (Cth) (**NRFC Act**).

The BIC has the authority and power to exercise the responsibilities set out in this Charter and under any separate resolutions of the Board granted to it from time to time.

1.3 Role and responsibilities of the Committee

The role and responsibilities of the Committee are:

- a. to assist the Board in discharging its obligations under the NRFC Act in respect of NRFC's investment activities as further described in this Charter
- b. reviewing, assessing and providing recommendations on the NRFC's investment strategies, policies and performance to ensure alignment with the NRFC's goals, risk tolerance and regulatory requirements
- c. to assist the Board in ensuring effective governance, oversight and management of the NRFC's investment activities, and
- d. to provide investment decision support to the Board, including in relation to evaluation, selection and execution of NRFC's investments which are not CEO Delegated Transactions (as defined in paragraph 2.1 a)).

In undertaking its responsibilities, the Committee:

- a. will work closely with the Audit and Risk Committee (**ARC**)
- b. will have regard to the assessments prepared and information provided by the Executive Investment Committee (**EIC**), the Investments Team and other areas of the business as relevant, and
- c. may request the EIC to provide any further information that may be required by the Committee to assist it in undertaking its functions.

2. Responsibilities

2.1 Assistance with Board Investment Decisions

The Committee is responsible for:

- a. reviewing and evaluating investment proposals presented to the Committee, excluding investments that have been delegated to the CEO for approval including under any standing investment delegations from time to time (**CEO Delegated Transactions**)
- b. making recommendations to the Board including, where relevant, recommendations that the Board approve, modify or decline investment proposals which are not CEO Delegated Transactions
- c. assessing and making recommendations to the Board in respect of any identified specific delegated transaction risks if requested by the Board
- d. reviewing and making recommendations to the Board in respect of any variation, amendment or waiver to the terms or conditions of an investment (excluding a CEO Delegated Transaction) that is inconsistent¹ with the approval conditions for that investment, and
- e. assisting and making recommendations to the Board in respect of the sale of whole or any part of an investment made by the NRFC.

2.2 Investment Proposal Assessments

All investment proposals presented to the Committee for review and assessment will be supported by formal review processes undertaken by the Investments Team and the EIC that assess and document:

- a. whether the proposed investment is an eligible investment under the NRFC Act (and any current Investment Mandate), including obtaining confirmation to this effect from the Chief Legal Officer (or his/her delegate) (**CLO**)
- b. the proposed investment's alignment with public policy outcomes
- c. the proposed investment's adherence to investment policies and guidelines as issued by the Board from time to time
- d. the proposed investment's adherence to legal, regulatory and compliance obligations
- e. the commerciality, key risks and risk profile of the proposed investment, including available mitigants such as investment structures and risk allocation mechanisms, and the overall risk management approach and practices of the borrower, investee or sponsors (as relevant). This may include the following:
 - i. due diligence and expert report summaries including consideration of community licence to operate, technical challenges, industry dynamics, and reputational risks

¹ "inconsistent" in this context means that there is a specific approval condition (e.g. a 5-year maximum term for a given investment) and a variation/amendment/waiver that would directly conflict with that condition (e.g. a variation extending the term to 6 years)

- ii. sensitivity analysis to determine the impact on the rate of return or cash flows, including the probability of any losses, if identified risks were to materialise
 - iii. legal contractual terms and conditions and investment structures to control risks, and / or
 - iv. multi-level sign-offs prior to execution and financial close
- f. any significant portfolio risks that have been identified at the ERC, ARC and/or the Asset Management Committee. Examples may include economic indicators (cost of living, unemployment levels, interest rate outlook, etc), exposure to a particular counterparty, level of investment in Priority Areas or other regional-specific factors.

2.3 Assistance in relation to NRFC's Investments functions

The Committee is responsible for:

- a. reviewing and making recommendations to the Board in respect of the NRFC's investment policies, guidelines and objectives, including to ensure alignment with the NRFC's strategic goals and risk appetite
- b. reviewing management's processes for investment approvals to assist the Board in seeking to ensure compliance with laws and regulations
- c. reviewing, in conjunction with the CLO or other legal advisors of the NRFC, the approach to address any legal matters that could have significant impact on the making of investment decisions
- d. reviewing the performance of investment portfolios, including public policy outcomes, risk-adjusted returns, compliance with investment policies and benchmark comparisons
- e. monitoring economic, market, and industry trends, as well as regulatory developments, that may impact the NRFC's investment activities
- f. reviewing and recommending significant changes to investment strategies, asset allocations and risk management practices
- g. reviewing the adequacy of controls and procedures for monitoring, reporting, and mitigating investment risks
- h. providing regular updates to the Board on investment performance, strategies, and significant developments (where appropriate).

2.4 Liaising with the Audit and Risk committee

The Committee will liaise with the ARC in relation to:

- a. any proposed write-off of any investment made by the NRFC
- b. ensuring that the Risk and Compliance policies are appropriately aligned with NRFC's investment approach
- c. monitoring any significant risks in the portfolio, and

- d. seeking to ensure that there are no inconsistencies on how both committees approach risk, and advise the Board accordingly.

2.5 Additional responsibilities

From time to time the Board may request the Committee undertake other activities related to this Charter.

3. Code of Conduct

3.1 Code of Conduct and Policies

Committee members must abide by the Board approved Code of Conduct and all other relevant Board approved policies.

3.2 Conflict of interest

The NRFC Conflict of Interest (**COI**) Policy provides detail regarding the procedures for Committee members to manage COI disclosures.

Committee members must abide by the Conflicts of Interest Policy.

4. Committee membership

4.1 Composition of the Committee

As at the date of this Charter the Committee is constituted by all members of the Board.

Membership is reviewed periodically and re-appointment to the Committee is not automatic.

Appointments, removal and resignations are decided by the Board.

4.2 Chair

The Chair of the Committee must be a member of the Committee.

The Chair of the Committee is appointed by the Board and must preside at all meetings at which they are present. If the Chair of the Committee is not present at a committee meeting, the other Committee members present must appoint one of themselves to preside.

4.3 Committee Secretary

The Corporate Secretariat team will serve as the Committee Secretary.

4.4 Technical expertise

The Committee must be structured so that members have the appropriate qualifications, knowledge, skills and experience to perform the functions of the Committee, including:

- a. deep and broad experience in financial markets
- b. proficiency in assessing investment decisions for investment funds
- c. financially literacy
- d. heightened awareness of risk and knowledge of effective risk management practices

- e. understanding of the industries in which the NRFC operates
- f. understanding of the outcomes required to achieve the NRFC's public policy objectives, and
- g. understanding of Environmental Social and Governance (ESG) principles.

5. Committee meetings and process

5.1 Convening meetings

The Committee will meet as frequently as necessary for the efficient performance of its functions. Meetings are to be held at times and places that the Committee determines.

The Chair is vested with the authority to convene meetings of the Committee and at the frequency as required to undertake its role effectively. The Chair must convene a meeting as soon as reasonably practicable having regard to the operational requirements to be dealt with at a particular meeting but in any event within 14 days of receiving a written request to do so from any member of the Committee, the Chair of the Board, or those individuals responsible for the management of investment proposals.

5.2 Quorum

The majority of the Committee constitute a quorum for meetings of the Committee.

However, if due to an actual, potential and/or perceived conflict of interests and/or duty:

- a. a Committee member is not present during deliberations, or is unable to take part in any decision of the Committee with respect to a particular matter, and
- b. when that member leaves the meeting concerned there is no longer a quorum present, the remaining members of the meeting constitute a quorum for the purpose of any deliberation or decision at that meeting with respect to that matter.

5.3 Decision-making

A question arising at a meeting is to be determined by a majority of the votes of the Committee members present and voting.

The Chair or other person presiding at a meeting has a deliberative vote and in the event of an equality of votes a casting vote.

5.4 Attendance

Members of the EIC will have a standing invitation to attend meetings of the Committee subject to exclusion from all or any part of the meeting as deemed appropriate by the Chair of the Committee from time to time. Additional attendees, including members of the Investments Team and external advisors, may be invited by the Chair to attend all or part of any meeting of the Committee, subject to exclusion from all or any part of the meeting as deemed appropriate by the Chair from time to time.

Committee members (and invitees) may participate in meetings by telephone, videoconference, or any other means of communication. A Committee member who participates in such a way is taken to be present at the meeting and to form part of any quorum for the meeting.

5.5 Agenda and documents

The Chair will determine the meeting agenda after consultation with the CEO or other members of the EIC, as necessary, the Committee Secretary and such other person(s) as the Chair considers appropriate.

The Committee Secretary will distribute the agenda and any related documents to all committee members and other attendees before each proposed meeting.

5.6 Minutes

The Committee Secretary shall keep minutes of the Committee meetings.

The minutes will be tabled for acceptance at the next Committee meeting. The Chair, or delegate, will table the Committee's meeting minutes at the next available Board Meeting.

5.7 Circular resolutions

The Committee may consider and decide on any matter without a meeting if all the Committee members entitled to vote on the proposed decision are provided with the proposed resolution and a majority of those Committee members entitled to vote (**Majority**) confirm in writing or by signature that they are in favour of the resolution set out in the document. The document may be signed in counterparts (including by electronic means) and the resolution is passed when the last committee member entitled to vote that constitutes a Majority affirmatively confirms the resolution in writing or by signature.

If a decision is made in accordance with the above procedure, the Committee is taken to have decided at a meeting.

The Committee must notify all committee members following a resolution being passed and keep a record of all decisions made without a meeting.

6. Committee performance evaluation

The Board will review the performance of the Committee from time to time as it deems appropriate, but in any event no less than annually.

The result of the evaluation should identify, if relevant, any duties that the Committee has failed to perform and the remedial action that it has taken or proposes to take.

7. Review

The Committee will periodically review this Charter, but in any event no less than once annually, to assess whether it remains relevant to the current needs of the NRFC and report to the Board whether changes are required. The Charter may be amended by resolution of the Board.

8. Approved and adopted

This Charter was approved and adopted by the Board on the date of this document.