

Board Investment Committee Charter

The National Reconstruction Fund Corporation is a corporate Commonwealth entity established by the *National Reconstruction Fund Corporation Act 2023*. The NRFC's purpose is to facilitate the flow of finance to Australian businesses in seven priority areas of the economy.



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1 Governance

1.1 Purpose

The Board of the National Reconstruction Fund Corporation (**NRFC**) has established the Board Investment Committee.

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

1.2 Authority

The Committee is a committee of the NRFC Board (**Board**) established in accordance the National *Reconstruction Fund Corporation Act 2023* (Cth) (**NRFC Act**) and is authorised by the Board to assist it in fulfilling its statutory and regulatory responsibilities (s48). It 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 Subsidiaries

The NRFC may from time to time and in accordance with the *Public Governance, Performance and Accountability Act 2013* (Cth) (**PGPA Act**) and the NRFC Act, incorporate one or more subsidiaries to assist it in performing its investment functions under the NRFC Act. For the purposes of this Charter, a reference to NRFC includes a reference to each of its wholly owned subsidiaries unless the context requires otherwise.

1.4 Role of the Committee

The role of the Committee is to:

- assist the Board discharging its obligations under the NRFC Act in respect of the effective governance, oversight and management of NRFC's investment activities including establishing investment strategies, policies and performance to ensure alignment with the NRFC's goals, risk tolerance and regulatory requirements; and
- provide investment decision support to the Board, including in relation to evaluation, selection and execution of NRFC's investments.

1.5 Committee composition and expertise

The Committee will consist of at least three members.

The Committee may be constituted partially or wholly from Board members (excluding the Chair of the Board), or wholly by persons who are not Board members (s48).

Membership is reviewed periodically and re-appointment to the Committee is not automatic. Appointments and resignations are decided by the Board.

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

- deep and broad experience in financial markets;
- proficiency in assessing investment decisions for investment funds;
- financially literacy;

- heightened awareness of risk and knowledge of effective risk management practices;
- understanding of the industries and sectors in which the NRFC operates;
- understanding of the outcomes required to achieve the NRFC's public policy objectives; and
- understanding of Environmental Social and Governance principles.

2 Responsibilities

To discharge its roles and responsibilities, the key activities of the Committee include considering and providing recommendations and advice to the Board in relation to the following:

2.1 Investment Decisions

- Review and evaluate investment proposals presented to the Committee, excluding investments that have been delegated to the Chief Executive Officer for approval (including under any standing investment delegations from time to time (**CEO Delegated Transaction**)).
- Review, assess and make recommendations to the Board in relation to investments (excluding CEO Delegation Transactions) as follows:
 - to approve, modify or decline investment proposals;
 - to vary, amend or waive the terms or conditions of an investment that are inconsistent with the approval conditions for that investment; and
 - in respect of the sale of whole or any part of an investment.

2.2 Investment Proposal Assessments

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

- 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**)
- the proposed investment's alignment with public policy outcomes
- the proposed investment's adherence to investment policies and guidelines as issued by the Board from time to time
- the proposed investment's adherence to legal, regulatory and compliance obligations
- the commerciality, key risks and risk profile of the proposed investment, including available mitigants such as investment structures and risk allocation mechanisms,
- the overall risk management approach and practices of the borrower, investee or sponsors (as relevant). This may include the following:
 - due diligence and expert report summaries;
 - operational, technical challenges, industry dynamics and reputational risks;
 - 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;
 - legal contractual terms and conditions and investment structures to control risks; and / or
 - multi-level sign-offs prior to execution and financial close;
- any significant portfolio risks that have been identified by management or other Executive or Board Committees. 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 Investments function

- Review and make recommendations to the Board for approval of and any appropriate changes to:
 - the NRFC's investment policies, guidelines and objectives, including to ensure alignment with the NRFC's strategic goals and risk appetite
 - investment strategies, asset allocations and investment risk management practices
- Review management's processes for investment approvals to assist the Board in seeking to ensure compliance with laws and regulations.
- Review, 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.
- Review the performance of investment portfolios, including public policy outcomes, risk-adjusted returns, compliance with investment policies and benchmark comparisons.
- Monitor economic, market, and industry trends, as well as regulatory developments, that may impact the NRFC's investment activities.
- Review the adequacy of controls and procedures for monitoring, reporting, and mitigating investment risks.
- Review and periodically report to the Board on investment performance, strategies, and significant developments (where appropriate).
- From time to time the Board may request the Committee to undertake other activities related to the NRFC's investment function.

2.4 Liaising

The Committee will liaise with the Audit and Risk Committee in relation to:

- investment risk management practices, monitoring, reporting and mitigating investment risks; and
- any proposed write-off of any investment made by the NRFC;
- ensuring that relevant risk policies are appropriately aligned with NRFC's investment approach; and
- monitoring any significant risks in the portfolio and seeking to ensure that there are no inconsistencies on how both Committees approach risk, and the Committee will advise the Board accordingly.

The Committee will:

- have regard to the assessments prepared and information provided to the EIC including by the Investments Team and other areas of the business as relevant; and
- may request the EIC to provide any further information that may be required by the Committee to assist it in undertaking its role and responsibilities.

2.5 Chair

The Chair of the Committee is appointed by the Board and will chair all meetings. If the Chair is not present at a Committee meeting, the other Committee members present must appoint one of themselves to perform the role of Chair for that Committee meeting.

The Chair will report to the Board on material matters discussed at the Committee.

2.6 Company Secretary

The Committee will be supported by the Company Secretary.

The Company Secretary may delegate any of the responsibilities of the Company Secretary set out in this Charter to the Corporate Governance team.

3 Committee practices

3.1 Convening meetings

The Committee holds meetings as necessary for the efficient and effective performance of its functions and responsibilities. Meetings are held at times and places that the Committee determines.

The Chair:

- may convene a meeting at any time but must convene at least 4 meetings each calendar year; and
- must convene a meeting within 30 days of receiving a request to do so from another Committee, the Chair of the Board, or those individuals responsible for the management of people and culture within the NRFC.

3.2 Quorum

Two members constitute a quorum for meetings of the Committee.

However, if due to an actual, potential and/or perceived conflict of interest and/or duties:

- 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
- 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.

3.3 Decisions – Meetings

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.

3.4 Decisions – Circular Resolutions

The Committee has flexibility to consider and make decisions on any matters without meetings (s34) if:

- all Committee members entitled to vote on the proposed decision are provided with the proposed resolution; and
- a simple majority of those committee members entitled to vote (**Majority**) sign a document containing a statement 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 signs the document.

All Committee members are to be informed of the proposed decision, or reasonable efforts made to inform all the Board members of the proposed decision.

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

In making any decision, Committee members:

- will approach all Committee deliberations in an independent, objective, impartial and unbiased manner;
- will not do anything, whether in their capacity as a Committee member or otherwise, to harm, or which has the potential to harm, NAIF's reputation and brand; and
- must not provide any commentary (on social media or otherwise) that may lead a reasonable person to conclude that they cannot serve in their capacity as a Committee member impartially and professionally.

3.5 Location

Committee meetings are to be held at the times and places that the Committee determines.

Committee Members may participate in Committee meetings in person, by telephone, video conference or any other means of communication. The use of technology is managed by the Company Secretary and the Chair.

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.¹

3.6 Agenda, papers and minutes

The Chair will consult with the CEO, the CIO, the Company Secretary and such other persons as the Chair considers appropriate to set Committee agendas.

Committee papers will be uploaded to a board paper review platform (**Board Portal**) and will be available to Committee members five business days before a scheduled Committee meeting, or as otherwise agreed with the Chair. Where out of session or emergency meetings are required, papers will be provided at the earliest opportunity. It is the responsibility of each Committee member to ensure they can access the Board Portal and review the information provided to discharge their responsibilities as a Committee member.

The Committee, assisted by the Company Secretary, must keep the minutes in which it records the proceedings and decisions of all Committee meetings and must keep records of decisions made without a meeting.

The draft minutes of meetings and decisions will be distributed to the Chair and the Committee for review as soon as practicable following the relevant Committee meeting and ahead of the next Committee meeting. Minutes are taken as draft until they are ratified by the Committee at the next Committee meeting.

An annual forward planner including matters to be addressed throughout the year, dates, times and locations of meetings will be agreed in the October Committee meeting of the preceding year.

¹ s33B, *Acts Interpretation Act 1901*.

3.7 Attendees

In relation to meetings of the Committee:

- it is intended that the CEO and all members of the EIC will attend;
- members of the Executive will have a standing invitation to attend all or part of a meeting;
- the Chair may also invite members of the investment team, external advisors or any other person to attend all or part of a meeting;
- any Board member who is not a member of the Committee will have a standing invitation, but not an obligation, to attend a meeting;
- attendees may participate by telephone, video-conference or any other means of communication. An attendee who participates in such a way is taken to be present at the Committee meeting; and
- attendance by attendees is subject to exclusion from all or any part of the meeting as deemed appropriate by the Chair.

3.8 Code of Conduct and Policies

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

3.9 Declaration of Interest

A Committee member must give the other Committee members notice of, and disclose, any material personal interests or conflicts of interests in a matter that relates to the affairs of the NRFC.²

The disclosure should be made as soon as practicable after the Committee member becomes aware of their interest or an actual or potential conflict of interest. Details of the disclosure must be recorded in the minutes of the meeting at which the disclosure is made or the meeting held after the disclosure.

Committee members may hold directorships or other roles with other organisations, however they must ensure these roles do not prejudicially affect the proper performance of their duties and obligations as Committee members. This includes compliance with NRFC's Conflict of Interest Policy and Confidentiality Policy.

4 Access to information, personnel and advisers

The Committee has the authority to seek information it requires from management, an NRFC employee or consultant and request that such person(s) attend meetings to provide any information or advice that the Committee requires.

The Chair, in consultation with the Chair of the Board, may seek independent professional advice (including legal or other advice by experts or consultants) in relation to the performance of the Committee's roles and responsibilities at the NRFC's expense. The Company Secretary will facilitate obtaining that external advice.

² s29, PGPA Act and s15, PGPA Rules.

5 Committee performance

5.1 Induction

New Committee members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

5.2 Evaluation

The Chair, in consultation with the Chair of 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 as part of the Board performance evaluation process.

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.

6 Review of this Charter

The Committee will review this Charter annually (or more frequently if required), to ensure it remains aligned with legislation and good practice. If any material amendments occur to the Charter arising from any review, the Charter will be provided to the Board for approval.

The Company Secretary may approve any immaterial and inconsequential amendments as necessary to maintain the accuracy and currency of this Charter. The Committee and the Board shall be promptly informed of any such amendments to this Charter.

Document Review and Approval

Sponsor	Approver	Approval Date	Next Review
Chief Legal Officer & Company Secretary	Board	June 2024	June 2025
Chief Legal Officer & Company Secretary	Board	July 2025	July 2026