



## Future Fund Investment Mandate Direction 2024

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We, Jim Chalmers, Treasurer, and Katy Gallagher, Minister for Finance, make the following direction.

Dated 2024

**[DRAFT ONLY—NOT FOR SIGNATURE]**

Dr Jim Chalmers  
Treasurer

Katy Gallagher  
Minister for Finance

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## Contents

<b>Part 1—Preliminary</b>	1
1 Name .....	1
2 Commencement .....	1
3 Authority.....	1
4 Schedules .....	1
5 Objects of this instrument .....	1
6 Definitions .....	2
<b>Part 2—Directions</b>	3
7 Investments in financial assets only .....	3
8 Maximise return.....	3
9 National priorities .....	3
10 Benchmark return .....	3
11 Limits on holdings in certain companies.....	3
12 Board must consider impacts of investment strategy .....	3
13 Corporate governance .....	4
<b>Schedule 1—Repeals</b>	5
<i>Future Fund Investment Mandate Direction 2017</i>	5



## Part 1—Preliminary

### 1 Name

This instrument is the *Future Fund Investment Mandate Direction 2024*.

### 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 later of: (a) the 15 <sup>th</sup> day after this instrument is made; and (b) 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Note: This table relates only to the provisions of this instrument as originally made.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 the *Future Fund Act 2006*.

Note: Section 18 of the Act provides responsible Ministers may give the Board written directions about the performance of its Future Fund investment functions, to be known collectively as the Future Fund Investment Mandate.

### 4 Schedules

Each instrument that is specified in a Schedule to this instrument is amended or repealed as set out in the applicable items in the Schedule concerned, and any other item in a Schedule to this instrument has effect according to its terms.

### 5 Objects of this instrument

The objects of this instrument are to:

- (a) give guidance to the Board in relation to the investment strategy for the Fund; and
- (b) set out the Government’s expectations about how the Fund will be invested and managed by the Board; and
- (c) set out the Government’s expectations in relation to the policies to be pursued by the Board in relation to matters of risk and return and the allocation of the financial assets of the Fund.

**Part 1** Preliminary

Section 6

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**6 Definitions**

Note: Expressions have the same meaning in this instrument as in the *Future Fund Act 2006* as in force from time to time—see paragraph 13(1)(b) of the *Legislation Act 2003*.

In this instrument:

***CPI*** means the All Groups Consumer Price Index as published by the Australian Statistician.

***economic resilience and security infrastructure*** means infrastructure for sectors of a national economy where having some level of domestic capability is necessary for, or an efficient way to improve, the resilience and security of the economy of the nation.

Example: Economic resilience and security infrastructure includes infrastructure that supports domestic supply chains that are highly concentrated, vulnerable to disruption, or require diversification, to ensure these supply chains continue to operate effectively in the event of an external shock.

***energy transition*** means:

- (a) increasing the overall use of renewable and low emission energy sources;  
and
- (b) increasing the capacity and efficiency of Australia's energy infrastructure;  
and
- (c) decreasing Australia's overall reliance on high emission energy sources, including by developing and improving technology to achieve that objective.

Note: The energy transition to net zero carbon emissions by 2050 may require the use of medium emission energy sources to decrease Australia's overall carbon emissions during the transition period.

***infrastructure*** includes:

- (a) transport infrastructure; and
- (b) energy infrastructure; and
- (c) communication infrastructure; and
- (d) water infrastructure; and
- (e) economic resilience and security infrastructure.

***net zero transformation*** means reducing Australia's net greenhouse gas emissions to zero by the year 2050.

***residential housing*** means residential premises (within the meaning of the *A New Tax System (Goods and Services Tax) Act 1999*).

***the Act*** means the *Future Fund Act 2006*.

## **Part 2—Directions**

### **7 Investments in financial assets only**

Investments by the Fund must be in financial assets only.

### **8 Maximise return**

- (1) In performing its Future Fund investment functions, the Board must seek to maximise the return earned on the Fund over the long term, consistent with international best practice for institutional investment.
- (2) However, subsection (1) does *not* apply to the extent that the Board would be required to act in a way that is inconsistent with any of the following:
  - (a) the Act;
  - (b) any other provision of this instrument (other than section 9).

### **9 National priorities**

- (1) In performing its Future Fund investment functions, the Board is to have regard to each of the following national priorities:
  - (a) supporting an energy transition as part of the net zero transformation of the Australian economy;
  - (b) increasing the supply of residential housing in Australia;
  - (c) delivering improved infrastructure located in Australia.
- (2) However, subsection (1) does *not* apply to the extent that the Board would be required to act in a way that is inconsistent with any of the following:
  - (a) the Act;
  - (b) any other provision of this instrument.

### **10 Benchmark return**

- (1) In performing its Future Fund investment functions, the Board must seek to achieve an average return of at least the CPI +4 to +5 per cent per annum over the long term as the benchmark rate of return for the Fund.
- (2) In targeting the benchmark rate of return for the Fund, the Board must determine an acceptable, but not excessive, level of risk for the Fund measured in terms such as the probability of losses occurring in a particular year.

### **11 Limits on holdings in certain companies**

The Board must establish a policy which provides a limit on the holdings that the Fund may have in any company to which section 21 or 84C of the Act applies.

### **12 Board must consider impacts of investment strategy**

In performing its Future Fund investment functions, the Board must act in a way that:

**Part 2** Directions

**Section 13**

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- (a) minimises the potential of causing any abnormal change to the volatility or efficient operation of Australia's financial markets; and
- (b) is unlikely to have a negative impact on the Government's reputation in Australian and international financial markets.

**13 Corporate governance**

In performing its Future Fund investment functions, the Board must have regard to international best practice for institutional investment when determining its approach to corporate governance principles, including in relation to its voting policy for investments of the Fund.



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## Schedule 1—Repeals

### *Future Fund Investment Mandate Direction 2017*

#### **1 The whole of the instrument**

Repeal the instrument.