

PDR Number: MS24-000881  
Date sent to MO: 29 October 2024



Australian Government  
Department of Finance

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## MINISTERIAL SUBMISSION

Copies to:  
Secretary  
Mr Windeyer  
Mr Webster  
Ms Harmer  
Mr Pfitzner  
Ms Fox  
Mr Samaranyake

**Minister for Finance**

**Future Fund Investment Mandate** s 22

s 22

### Recommendation:

That you:

- i. **approve** the draft Future Fund Investment Mandate (IM) (Attachment A) and accompanying Explanatory Statement (Attachment B);

APPROVED / NOT APPROVED / PLEASE DISCUSS

s 22

- iii. **sign**, jointly with the Treasurer, the letter to the Chair of the Board, the Hon Greg Combet AO, to initiate consultation on the draft IM, s 22

; and

SIGNED / PLEASE DISCUSS

- iv. **sign** jointly with the Treasurer, the letter to the Prime Minister seeking his agreement to issue the final Future Fund IM following consultation with the Board (Attachment E).

SIGNED / PLEASE DISCUSS

/ /

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**Katy Gallagher**

### Key Issues:

1. The draft IM (Attachment A), Explanatory Statement (Attachment B) <sup>s 22</sup> [REDACTED] have been developed by the Department of the Treasury (Treasury) and the Department of Finance (Finance) in consultation with the Future Fund Management Agency (Agency). Before issuing the final IM, you and the Treasurer (as responsible Ministers) must consult the Board and obtain the Prime Minister's policy authority.

### Investment Mandate

2. The draft IM requires the Board to have regard to national priorities as part of its overarching investment strategy, subject to maximising the returns of the portfolio and where it is consistent with the *Future Fund Act 2006* (Act). It replaces the current investment mandate that was issued in 2017.

3. The national priorities listed in the draft IM are:

- (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; and
- (c) delivering improved infrastructure located in Australia.

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7. Requiring the Board to have regard to national priorities may draw criticism that the Government is interfering with the Board's independence. Previous chairs of the Board, Mr David Murray AO and the Hon Peter Costello AC, have both publicly stated that the Government should resist calls to direct the Board in relation to its investment function.

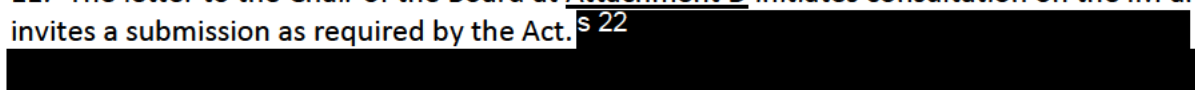
8. Consultation with the Board is required before issuing a new IM, as per subsection 19(1) of the Act. The Act provides that any submission made by the Board on the draft must be tabled in both Houses of the Parliament alongside the final IM. While the Act does not require formal consultation with the Board on a draft explanatory statement, we recommend providing it to the Board ahead of finalisation.

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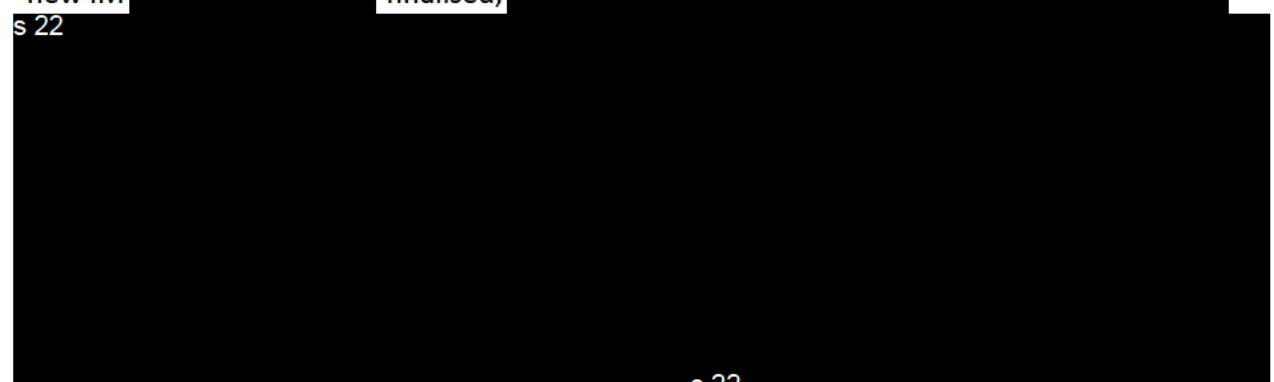
Next Steps

11. The letter to the Chair of the Board at Attachment D initiates consultation on the IM and invites a submission as required by the Act. s 22



12. The joint letter to the Prime Minister at Attachment E seeks authority to issue the final IM following consultation with the Board. The Department of the Prime Minister and Cabinet has also been consulted throughout the process in relation to the forthcoming request for policy approval.

13. We understand that the Treasurer intends to make a public announcement in mid-November. The approach outlined in this brief would allow an announcement after the new IM s 22 finalised, s 22



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Treasurer for his signature. Once responses have been received from the Board and the Prime Minister, we will brief you on finalising the IM, jointly with the Treasurer.

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**Financial Implications:**

17. Nil. The IM will not amend the Future Fund's benchmark rate of return.

**Background:**

18. You and the Treasurer attended a Future Fund Board meeting on 27 August 2024 to discuss Future Fund reforms including updates to the IM and SoE (MB24-000050 refers).

**Consultation:**

19. External – the Department of the Prime Minister and Cabinet and the Treasury, the Chair of the Board and the Agency. The national priority definitions were developed in consultation with the Department of Climate Change, Energy, the Environment and Water, and the Department of Infrastructure, Transport, Regional Development, Communications and the Arts.

20. Internal – the Finance and ATO Agency Advice Unit in Budget Group, and the Superannuation and Investment Funds Financials and the PGPA and Digital Reporting teams in Governance and Resource Management Group.

**Attachments:**

Att A – Draft Future Fund Investment Mandate

Att B – Draft Explanatory Statement

Att C – s 22

Att D – Joint letter to Chair of the Board

Att E – Joint letter to the Prime Minister

***Approved for electronic transmission***

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PDR Number	MS24-000881