



Australian Government

NAIF

Northern Australia Infrastructure Facility

ANNUAL REPORT

2017/2018



NAIF is a catalyst for accelerating infrastructure development to transform northern Australia.

NAIF Investment Mandate changes, effective from 2 May 2018, introduce tremendous breadth to finance projects which incorporate assets *'associated with... the establishment or enhancement of business activity in a region'*.

Northern Australia Infrastructure Facility (NAIF) is a Commonwealth Government \$5 billion lending facility to finance projects via the governments of the Northern Territory, Queensland and Western Australia to achieve growth in the economies and populations of those regions and encourage and complement private sector investment in northern Australia.

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1. Chair and CEO Report

NAIF's progress

In this Annual Report of the Northern Australia Infrastructure Facility (NAIF) the Chair of the Board and Chief Executive Officer reflect on the \$5 billion NAIF lending facility's second year of operation.



Chair, Mr Khory McCormick

This has been a year of progress and meaningful contribution to northern Australia. During the reporting period the Board made four Investment Decisions to offer finance, committing NAIF finance of \$149.5 million for projects with a total capital value of \$335.9 million. In addition, two projects were conditionally approved with NAIF contributions of \$596 million and total project capital value of \$1.1 billion in the financial year (FY) 2017–18.

At 5 October 2018, the total value of NAIF loan commitments in Investment Decisions and Conditional Approvals is just over \$1 billion, with an estimated total capital value of those projects of \$2.3 billion. There have been two new Investment Decisions along with one Conditional Approval since 1 July 2018 and this strong momentum seems likely to continue.

NAIF exists to deliver economic and population growth for northern Australia and the projects it funds must be of public benefit. We are committed to that challenge and are meeting it

by converting project proposals to project investments.

We will continue to achieve our objectives to lend through our northern Australian jurisdictions. Our confidence that we will succeed is based on the progress we have made to date and the strength of our organisation to navigate in the years ahead. To highlight:

- The four projects approved by Investment Decisions in FY 2017–18 are forecast to generate public benefit of over \$1 billion which has been independently assessed by experts.
- We have delivered at least one Investment Decision for each of our northern Australian jurisdictions, who we regard as primary partners in achieving our objectives.
- We have made decisions to finance diversified sectors to meet the needs of the north. Approved NAIF investments are across transport and logistics (*Onslow Marine Support Base*), aquaculture (*Humpty Doo Barramundi farm*), social infrastructure/education (*James Cook University Technology Innovation Complex*) and tourism (*Connellan Airport upgrade at Yulara*).
- We have utilised NAIF's capacity to take greater and different risks compared to traditional private sector financiers. We have brought forward development by doing things that, but for NAIF, would not have been able to be done. We have used our full range of lending concessions to support proponents.
- Our focus at all times is on rigorously stewarding the proper management of public funds. We also seek over time, through demonstrating the effectiveness of the innovative financing that NAIF is undertaking, to create greater private sector risk awareness and appetite for lending to develop the north, reducing the need for ongoing public sector support.
- There are strong Indigenous engagement strategies for all our investments. These strategies have been developed by the proponents and are unique to each project reflecting the project scope, location and demographics. There are projects set to deliver on Indigenous employment targets ranging from 3–10 per cent and Indigenous business content of 3–5 per cent through procurement processes.
- We have deepened our relationships with the Indigenous Reference Group and other key Indigenous stakeholders including potential proponents.

We are active in all relevant markets. We drive outcomes where we can. Whenever possible, we have shown initiative



Chief Executive Officer, Ms Laurie Walker

in giving confidence to stakeholders early in the process as to the terms we believe make a project financeable by NAIF. For example, in the case of the Genex Stage 2 Kidston project, the NAIF Board made a conditional commitment of \$516 million being over 10 per cent of NAIF's total \$5 billion funding limit to provide that level of support.

NAIF has a multi pronged approach to origination. We work with proponents and investors as they bring forward their projects for funding assessment. Over the medium to longer term NAIF will seek to drive other transformational change through projects which are large scale, and which are unlikely to be brought to NAIF solely through existing channels. NAIF believes that its mandate and lending architecture are truly unique positioning our organisation for the first time since Federation to align our Commonwealth and stakeholder jurisdictions and deliver on the opportunity afforded us to collaborate across and leverage the strengths and capabilities of those entities.

A key factor in NAIF's ability to achieve its vision is the Investment Mandate changes announced by the responsible Minister the Hon. Matthew Canavan, Minister for Resources and Northern Australia in April 2018 following an independent expert review by Mr Anthony Shepherd AO. NAIF is now able to finance a broader range of infrastructure asset classes

and lend up to 100 per cent of the debt for that infrastructure giving NAIF tremendous breadth to finance projects which incorporate assets 'associated with ... the establishment or enhancement of business activity in a region'. The Board immediately used that wider scope to the advantage of our stakeholder jurisdictions in approving Investment Decisions in May and June 2018.

NAIF has been tasked with helping to develop northern Australia and bringing broad based economic and social benefit to our stakeholders. The Corporate Plan for FY 2017–18 identified years FY 2018–19 onwards as being when NAIF will be able to make the biggest difference and that is still anticipated to be the case. We are energised by the opportunities we are seeing.

Accounting and Budget

The Australian National Audit Office (ANAO), NAIF's external auditor, confirmed that NAIF's FY 2017–18 financial statements are fully compliant with Australian Accounting Standards and the *Public Governance, Performance and Accountability (PGPA) (Financial Reporting) Rule 2015* and issued an unmodified audit opinion.

Under section 41 of the *Northern Australia Infrastructure Facility Act 2016* (NAIF Act), the Consolidated Revenue Fund is appropriated to the extent of \$5 billion for NAIF financing facilities. This funding is accounted for in the Department of Industry, Innovation and Science (DIIS) financial statements. Interest and fees earned on NAIF facilities will also be reported in the DIIS financial statements.

NAIF's operating expenditure during the reporting period was \$8.847 million. This is in line with the operating budget allocated including carried forward amounts from FY 2016–17¹.

Board member salaries are set by the independent Remuneration Tribunal and totalled \$479,000 over FY 2017–18. Board member travel expenses to attend Board meetings, engage with stakeholders across the north, promote NAIF's mandate and assist in identifying potential opportunities totalled \$168,000 for the reporting period.

The year ahead

The Board and NAIF organisation look forward to the 2018–19 financial year and the opportunities to further deliver on the NAIF's mandate. Our Corporate Plan outlines how we will build on the initiatives and relationships developed during our first two years of operations.

¹ Refer to Portfolio Budget Statement

1. Chair and CEO Report continued

Our expectation is that during this period NAIF will deliver at least 5 to 10 Investment Decisions with the value of NAIF's total investments at the end of FY 2018–19 being between \$650 million and \$1.5 billion. The total capital value of projects supported by NAIF by that date is expected to be at least \$1.2 – \$2.5 billion.

Thank you to the Board for its effective oversight and guidance to NAIF's Executive during the year, and its support in driving stakeholder engagement. We would like to thank founding Chair Ms Sharon Warburton, who resigned for family health reasons effective 30 April 2018, for her outstanding contribution over the first 22 months of NAIF's operations and wish her all the best for the future. We welcome Mr Ross Rolfe, who was appointed by the responsible Minister, to the Board effective 1 August 2018.



Mr Khory McCormick

Chair

Northern Australia Infrastructure Facility
10 October 2018

Thank you also to all NAIF staff who share NAIF's vision to make a difference to the people of northern Australia, and the nation, and who contribute so significantly to enable NAIF to do so. We have rapidly grown an experienced and committed team who service our stakeholders around the country.

Thanks also to the Export Finance and Insurance Corporation (Efic) as one of our key service providers.

The Board and Executive look forward to continuing to deliver on NAIF's important and exciting mandate.

Signed for and on behalf of the members of the Board in accordance with a resolution of the Board and in accordance with section 46 of the *Public Governance and Performance Accountability Act 2013* (PGPA Act).



Ms Laurie Walker

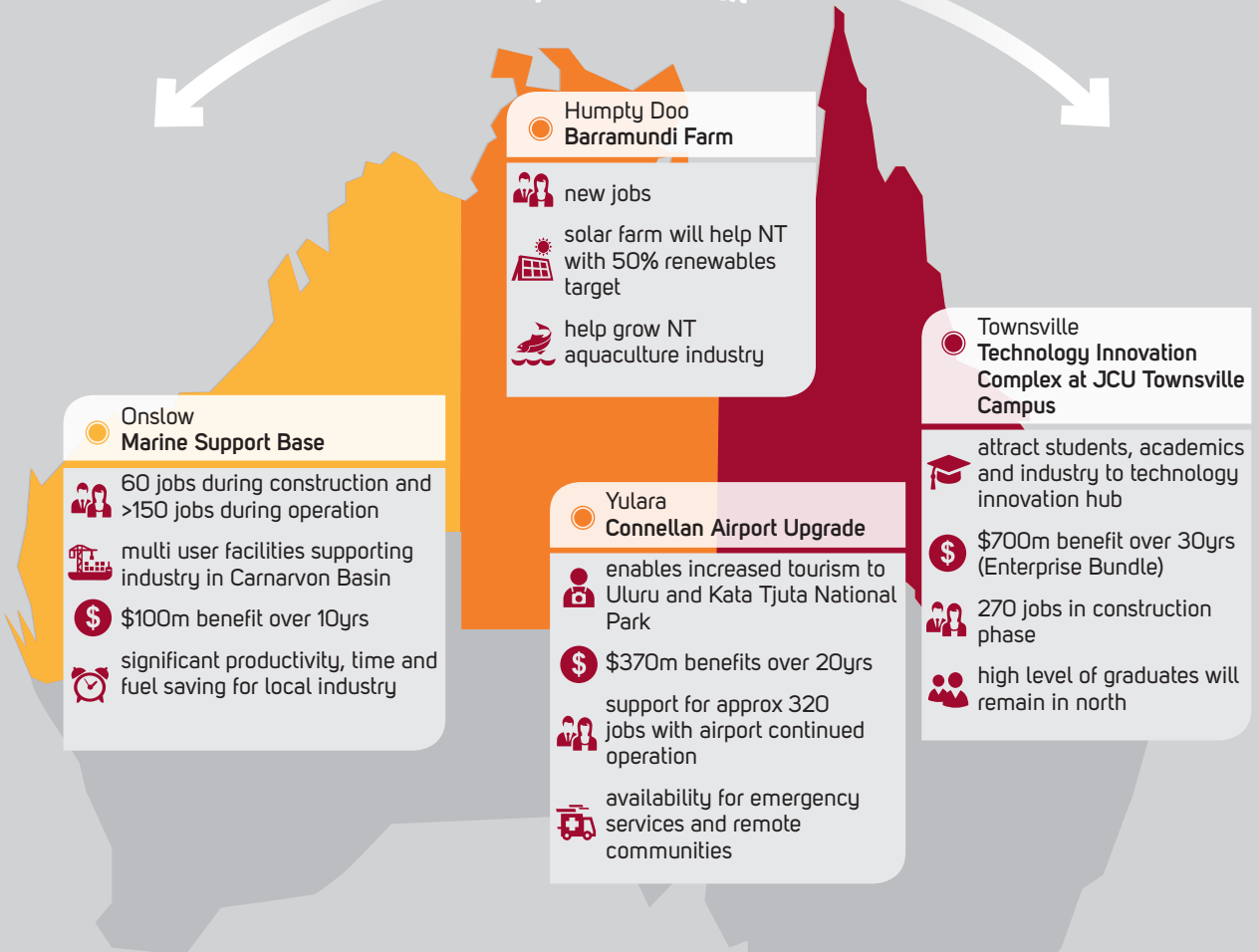
Chief Executive Officer

Northern Australia Infrastructure Facility
10 October 2018

NAIF - Making a difference in the north 2017-18

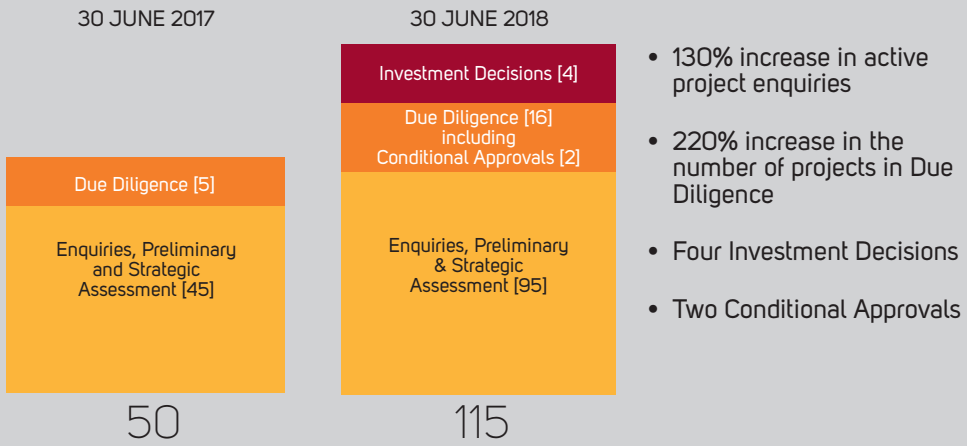
4	\$149.5m	\$335.9m	>\$1 billion
Investment Decisions	Dollar value of loans approved	Value of projects supported by NAIF	Amount of public benefit forecast to be generated
2	\$596m	\$1.1 billion	
Conditional Approvals	Dollar value of loans conditionally approved	Value of projects supported by Conditional Approvals	
TOTAL	\$745.5m	\$1.436 billion	

Indigenous Engagement
Public Benefit



Pipeline is increasing and maturing

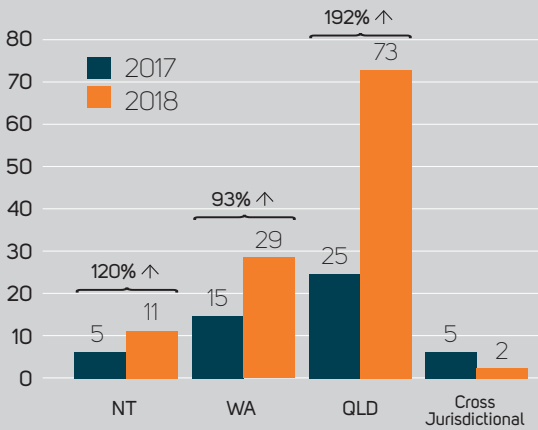
Active Project Enquiries Maturity



- 130% increase in active project enquiries
- 220% increase in the number of projects in Due Diligence
- Four Investment Decisions
- Two Conditional Approvals

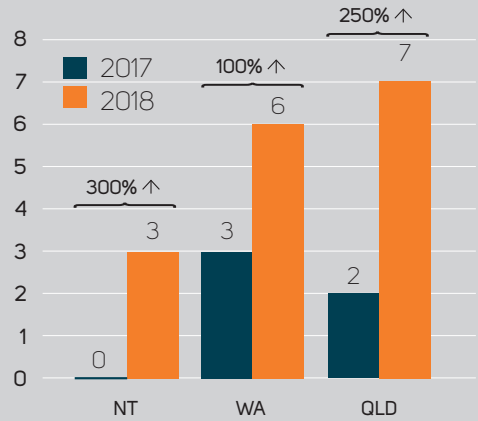
Active Project Enquiries by Jurisdiction

30 June 2017 v 30 June 2018



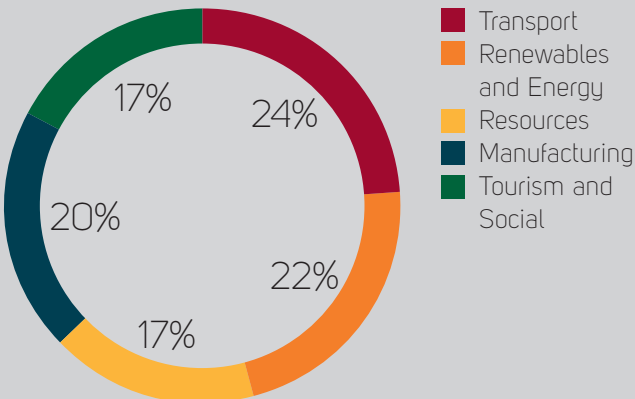
Due Diligence Projects by Jurisdiction

30 June 2017 v 30 June 2018



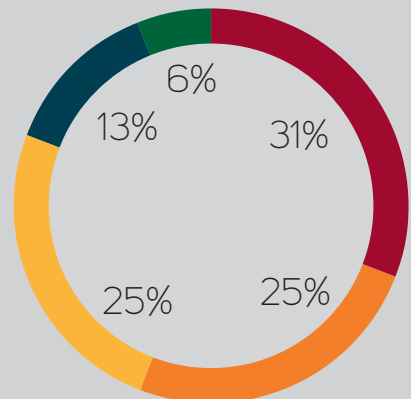
Active Project Enquiries by Sector

30 June 2018



Due Diligence Projects by Sector

30 June 2018



Investment Decision case study



Onslow Marine Support Base (OMSB)



Onslow
Western Australia
(between Dampier
and Exmouth)

**Andrew Natta,
Director OMSB:**

“The NAIF has been instrumental in allowing the OMSB project to progress far quicker and unlock the strategic location of Onslow, which will provide efficiencies that will promote jobs and further opportunities to the state of Western Australia.”

Infrastructure:

Marine supply base facility, including wharf, training wall upgrade and inner / harbour channel expansion (capital construction of channel and turning basin).

NAIF Approved Loan Value:

Up to \$16.8m

Total Project Value:

\$120m (over 3 stages)

NAIF's Value:

- Unlocked economic potential of the whole project by overcoming current depth limitations on the range of vessel serviceability.
- All vessels supporting the operations of the offshore oil and gas industry in the region will now be able to access the new base, providing great efficiencies.
- NAIF financing was integral to immediate delivery of the full project scope (accelerated by 3-5 years).

Private sector partner:

- NAIF used its risk appetite to complement private lender National Australia Bank.
- Public waterway works financed by NAIF (without requiring security which was not available given non-exclusive use of channel).

Economic Impact and Public Benefit

- Multi-user facility provides chandlery, heavy lift capabilities, reverse logistics, refuelling, transport, freight and emergency services to support onshore and offshore industries in middle and southern Carnarvon Basin.
- Forecast \$100m benefit over 10 year period for State and 45% increase in local gross regional product (over 2011 census). Flow-on economic benefits to the wider Onslow and Ashburton community.
- Employment estimated at over 60 jobs during construction and more than 150 during operation.
- Provides both significant productivity, time and fuel savings, lowering costs for local operators and less risk in operations.
- Will see the capture of services that might otherwise go overseas.

Indigenous Engagement:

- Proponent will engage with Indigenous communities to explore partnership opportunities with other businesses.
- Project will have active engagement with Indigenous suppliers, contractors and businesses that employ local Indigenous workers.
- Contractor must report on a 6 monthly basis on engagement activities and the number of hours of Indigenous people employed.

2. About NAIF

About Us

NAIF's vision is to transform northern Australia through financing infrastructure development.

NAIF is a \$5 billion lending facility established to provide loans (which may be concessional) to infrastructure projects.

NAIF is an initiative of the Commonwealth Government's strategy to develop northern Australia. It came into effect on 1 July 2016 as a corporate Commonwealth entity under the NAIF Act, which was passed with bipartisan support.

Other Commonwealth legislation including the PGPA Act also governs NAIF's operations.

NAIF's responsible minister is the Minister for Resources and Northern Australia. The Minister appoints NAIF's independent Board and has given NAIF direction through the *NAIF Investment Mandate Direction 2018* (Investment Mandate).

NAIF's Board has sole responsibility for making Investment Decisions (being decisions to offer finance to infrastructure projects in northern Australia). Subject to provisions in the NAIF Act and Investment Mandate, the Board's decisions are unfettered.

NAIF's head office is in Cairns, Queensland, where NAIF's Chief Executive Officer (CEO) is based. NAIF also has staff based in Brisbane, Perth and Sydney to serve proponents and stakeholders throughout northern Australia and centres of finance and infrastructure investors.

Purpose

NAIF's primary purpose is to accelerate infrastructure development and thereby transform northern Australia by financing that generates:

- public benefit being broad based and outside of that enjoyed by a project proponent;
- growth in the economy and population of northern Australia;
- potential to encourage private sector participation in the financing of northern Australia's infrastructure needs; and
- sustainable Indigenous participation, procurement and employment outcomes.

NAIF financing can assist in:

- opening new markets and developing new, more reliable supply chains;
- reducing business costs through improving productivity, creating jobs and encouraging a larger population base by helping to attract and retain workers;

- making better use of existing infrastructure (for example, by improving capacity, safety and usability to overcome seasonal and other supply chain constraints); and
- helping to overcome diseconomies of scale by developing pathways to co-sharing and multi-user access to infrastructure.

NAIF's Role

In the Australian infrastructure financing market NAIF is uniquely positioned. It is a 'gap financier' as it looks to accelerate investment in northern Australia through financing projects that are viable in the long term but which, without NAIF, would be unlikely to proceed, or would only proceed at a much later date or with a more limited scope.

To fill that market gap, NAIF can structure its debt finance and take risk very differently to traditional lenders. NAIF finance can complement rather than compete with other financiers. Two key features of its Investment Mandate are relevant in this regard, NAIF may as appropriate:

- take high risk for factors unique to investing in northern Australia infrastructure including but not limited to, distance, remoteness and climate; and
- provide finance on what are called 'concessional' terms (the extent and mix of concessions offered have regard to what is necessary for an Investment Proposal to proceed, and the extent of public benefit generated). Therefore, concessions are to be the minimum required for a project to proceed.

The repayment profile of NAIF's finance can be shaped to better match the long term life of infrastructure assets, and also to support investors and infrastructure users as they take risk themselves in moving into new markets and establishing new distribution networks. NAIF's concessional financing terms (relative to other lenders) may:

- have longer tenors (currently up to 32 years, the longest term of Commonwealth borrowing);
- have lower interest rates (not below the Commonwealth bond rate);
- be more patient (for example extended period of interest capitalisation beyond construction and/or interest only periods);
- have different fee structures; and
- be subordinated (from a cash flow and/or security perspective).

While NAIF has a higher tolerance for risk, for all NAIF loans

there must be an expectation that the NAIF loan will be able to be repaid or refinanced.

As a provider of public sector funds NAIF seeks to effect change through its position for the benefit of the Indigenous population in the region of projects financed by NAIF and more broadly for northern Australia and the nation as a whole.

NAIF is primarily driven by public benefit, however it must gain a return on its funds such that NAIF transaction revenue is greater than its operating costs and the Commonwealth cost of borrowing (on moneys lent) over the period up to 30 June 2021.

Under Master Facility Agreements between NAIF, the Commonwealth, and the Northern Territory, Queensland and Western Australian governments respectively, each jurisdiction is the lender of record for NAIF facilities. NAIF loan facilities are reflected in the accounts of DIIS, and the corresponding revenue earned by NAIF (including fees and interest) is also reported in those accounts.

NAIF's financial accounts refer to the revenue received from government to meet its operating expenses.

Investment Mandate Direction 2018

Significant changes to NAIF's Investment Mandate were announced in April 2018 (and came into effect 2 May 2018). They provide NAIF with increased flexibility and capability to support and accelerate projects. An expert review report by Mr Anthony Shepherd, AO supported the responsible Minister in making those changes. The review was commissioned by DIIS.

An eligible asset, as newly defined, is one the NAIF Board is satisfied:

"incorporates (in whole or in part) construction or enhancement of physical structures, assets (including moveable assets) or facilities which underpin, facilitate or are associated with:

- *the transport or flow of people, goods, services or information; or*
- *the establishment or enhancement of business activity in a region; or*
- *an increase in economic activity in a region, including efficiency in developing or connecting markets; or*
- *an increase in population."*²

The Investment Mandate changes allow NAIF to lend up to 100 per cent of debt for eligible projects provided there is appropriate risk sharing and the Commonwealth (overall, through all project roles) is not the majority risk taker.

Eligibility criteria were streamlined to five mandatory criteria down from seven previously, see figure 5. For all projects, the focus remains on public benefit, tailored Indigenous engagement strategies and the requirement for NAIF finance to be able to be repaid or refinanced.

The two non-mandatory criteria in the original mandate were removed, making it clear that NAIF has flexibility to support smaller projects. Whilst this is no longer a non-mandatory prerequisite the Board, in making an Investment Decision, must consider a preference for projects that address an infrastructure need identified through a Commonwealth, State or Territory assessment process, pipeline or priority list.

Professor Sandra Harding, James Cook University Vice Chancellor and President

"...from our very first dealings with NAIF staff, we found them to be very professional and highly responsive... Throughout, what was a comprehensive and challenging process, NAIF staff worked closely with the University to ensure we had the best chance of achieving our ultimately positive outcome. It was an absolute pleasure working with them."

² NAIF Investment Mandate Direction 2018, Schedule 1

3. Strategy

NAIF’s strategy aligns to its vision and has evolved in line with the maturing of the NAIF institution. Focussed on its ultimate function of delivering economic and population growth into northern Australia, NAIF will tailor its strategy for originating infrastructure projects to maximise the impact that NAIF can achieve and to provide as much support as early

as possible to bring that impact forward. By customising its approach to each project NAIF aims to ensure that eligible northern Australia infrastructure projects have the best chance of succeeding within the scope of NAIF’s mandate.

Figure 1: Clear strategy aligned to NAIF vision

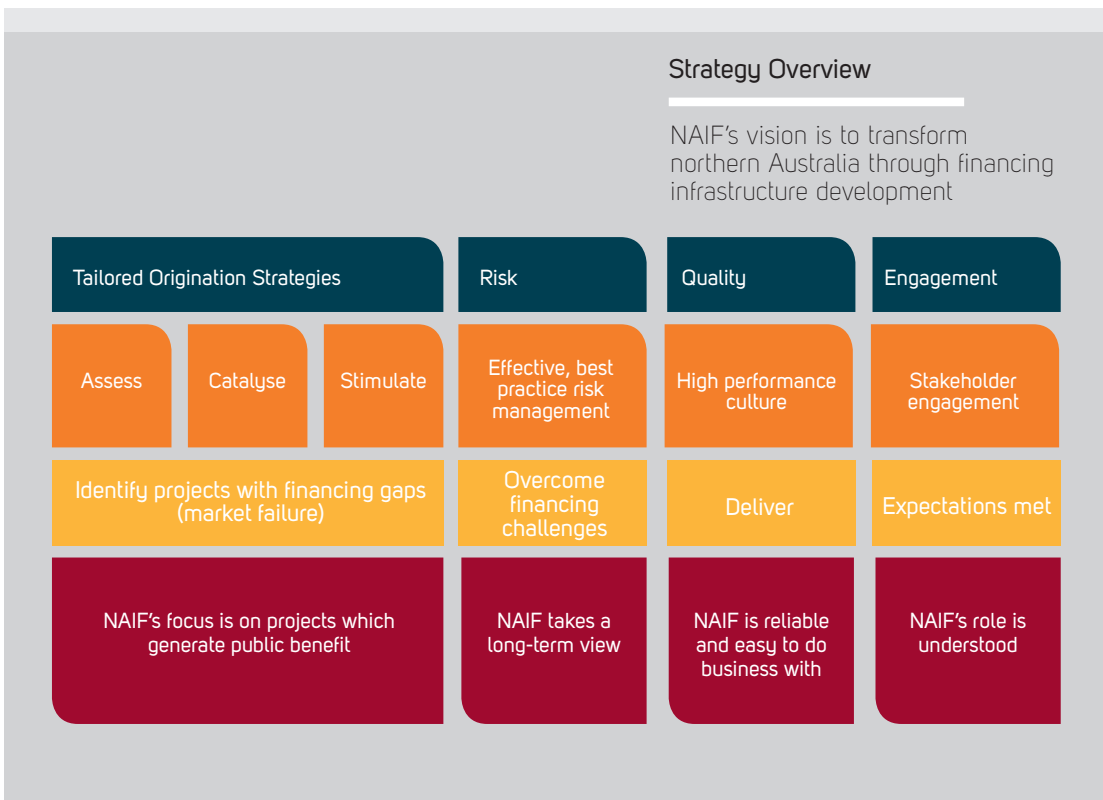


Figure 2: NAIFs Vision for each Strategic Priority Area

Strategic Priority Area	NAIF's vision
 <p>Tailored Origination</p> <ul style="list-style-type: none"> - Assess - Catalyse - Stimulate 	<ul style="list-style-type: none"> • Assess investment ready projects: These are projects which are well advanced and largely managed by the proponent. NAIF Executive will provide support and feedback through the assessment process. • Catalysing identified opportunities: These are likely to be already identified in some form but could benefit from NAIF taking a more proactive role in facilitating aspects of the project or project concept. For example NAIF may be able to help catalyse a project by issuing a Board approved indicative conditional term sheet with a view to assisting the proponent in securing support of other project participants. NAIF will determine a bespoke strategy appropriate for each applicable project. • Stimulation of new opportunities: There may be other origination candidates over the medium to longer term. NAIF will seek to augment those origination opportunities by contributing to the identification and evolution of projects of national significance that are unlikely to be brought forward through existing channels. They are likely to be projects which will generate scale and be highly challenging to deliver. These projects may be beyond the capacity of a single proponent but rather require co-ordination, collaboration and alignment across a broad number of stakeholders.
 <p>Effective, best practice risk management</p>	<ul style="list-style-type: none"> • Maintain a best practice Risk Management Framework (RMF) customised in line with the NAIF Act and Investment Mandate. • To assist in overcoming challenges in financing northern Australian infrastructure use expertise to tailor deployment of NAIF's risk appetite for each project within risk appetite limits and tolerances. • Support proponents as they establish or grow using NAIF patient capital and other finance concessions, as appropriate calibrating against the project's estimated public benefit. • Be disciplined with taxpayers' money. There is an expectation that NAIF funds will be repaid or refinanced and that the Commonwealth does not have the majority financial risk in a project.
 <p>High performance culture</p>	<ul style="list-style-type: none"> • Invest in people, processes and systems to achieve NAIF's vision. • Recruit experts with specialist origination, structuring and execution skills. They must have commercial acumen, be agile, flexible and able to engage seamlessly with multiple stakeholders. • Leverage and build government and corporate expertise including communications to support the NAIF origination and execution functions. • Implement best practice governance frameworks, policies and procedures, which are periodically independently benchmarked against best practice in the Australian public and private sectors.
 <p>Stakeholder engagement</p>	<ul style="list-style-type: none"> • Execute stakeholder engagement plans to ensure that NAIF's purpose, operations and value proposition are understood by key stakeholders, including equity investors, lenders, financial advisers, alternative financiers, Indigenous community representatives, industry associations, contractors, consultants, government and by the general public (including via the media).

4. Annual Performance Statement

Introductory Statement

The NAIF Board, as the accountable authority of the Northern Australia Infrastructure Facility (NAIF), presents the 2017–18 financial year (FY) Annual Performance Statement of NAIF, as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

In our opinion, this Annual Performance Statement is based on properly maintained records, accurately reflects the performance of the entity, and complies with subsection 39(2) of the PGPA Act.

Purpose

NAIF's primary purpose is to transform northern Australia by accelerating the financing of infrastructure development that generates:

- public benefit outside of what is captured by the project proponent;
- longer-term growth in the economy and population of northern Australia;
- potential to encourage private sector participation in the financing of northern Australia's infrastructure needs; and

- sustainable Indigenous participation, procurement and employment.

This purpose supports NAIF in achieving its Outcome as outlined in the 2017–18 Portfolio Budget Statement³ to 'enable economic growth in northern Australia, by facilitating private sector investment in economic infrastructure through the provision of concessional financing delivered through the state and territory governments'.

Results

A summary of NAIF's performance outcomes is included in figure 3 below. NAIF met seven of its eight performance measures in full and partially met the final metric.

The analysis of NAIF's overall performance below should be read in conjunction with the rest of the Annual Report, and in particular the Chair and CEO Report.

Terms defined in the *Northern Australia Infrastructure Facility Act 2016* (NAIF Act) or the *Northern Australia Infrastructure Facility Investment Mandate Direction 2018* (Investment Mandate) have the same meaning in this Annual Performance Statement.

Source of Performance Criteria: NAIF Corporate Plan 2017-18, page 14–15

Figure 3: NAIF Performance Summary for 2017–18 Financial Year

Performance Criterion	Measure	Result against Performance Criterion
1 Generate public benefit Indigenous engagement	<i>Net public benefit for northern Australia on each project funded</i> <i>Sustainable Indigenous participation, procurement and employment</i>	Each of the four Projects on which the Board made an Investment Decision during the year have been forecast to generate net public benefit. For each of the Projects where there was an Investment Decision, an Indigenous Engagement Strategy was provided by the Proponent and assessed by NAIF as satisfactory and meeting the requirements of the NAIF Investment Mandate.
2 Investments in infrastructure projects in northern Australia	<i>Number of transactions per annum</i> <i>Dollar value of new investments by NAIF per annum</i> <i>Total capital value of projects supported per annum</i>	Four Investment Decisions made against a target of 3-5. \$149.5 m aggregate dollar value of new investment commitments by NAIF against a target of \$300m - \$1bn. \$335.9m aggregate total capital value of Projects supported by new NAIF investment commitments against a target of \$750m – \$2.5bn.

³ 2017-18 Portfolio Budget Statement page 217

Figure 3: NAIF Performance Summary for 2017-18 Financial Year continued

Performance Criterion	Measure	Result against Performance Criterion
3 Effective risk management	<i>Compliance with Risk Appetite Statement</i>	Independent audit has confirmed compliance with NAIF's Risk Appetite Statement (RAS) in relation to Investment Decisions made during the reporting period.
4 Encourage private sector contribution to financing projects	<i>Number of projects involving private sector financing</i>	Three out of four (75%) Investment Decisions had private sector financing in addition to NAIF financing, against a target of 50%.
5 Raise awareness of NAIF value through dissemination of information to industry stakeholders	<i>Level of communication and stakeholder engagement activity</i>	<p>Significant communications and stakeholder engagement activity. This included:</p> <ul style="list-style-type: none"> • 66 presentations (by NAIF Board members or executives) at northern Australian or industry forums, conferences and other events. • publication by NAIF of information on its website including as required by section 17(2) of the Investment Mandate and other NAIF presentation materials, media releases and information updates. • redesign of website to improve stakeholder navigation.
6 Building diverse pipeline of potential infrastructure projects	<i>Industry and geographic spread of potential projects in the pipeline</i>	<p>In FY 2017–18 NAIF's pipeline of total:</p> <ul style="list-style-type: none"> • Project enquiries increased by 93% to 239 from 124; • Active Project Enquiries increased by 130% to 115 from 50; • number of projects in Due Diligence increased by 220% to 16 from 5. <p>Each category was diverse from both an industry and geographic spread perspective as follows at 30 June 2018:</p> <ul style="list-style-type: none"> • Total project enquiries spread across Queensland (Qld): 60%, Western Australia (WA): 23%, Northern Territory (NT): 17%, Diversified across: Transport 21%, Renewables & Energy 26%, Resources 17%, Manufacturing 21%, Tourism and Social 15%. • Active Project Enquiries spread across Qld: 63%, WA: 26%, NT: 11%, Diversified across: Transport 24%, Renewables & Energy 22%, Resources 17%, Manufacturing 20%, Tourism and Social 17%. • Due Diligence projects spread across Qld: 44%, WA: 37%, NT: 19%. Diversified across: Transport 31%, Renewables & Energy 25%, Resources 25%, Manufacturing 13%, Tourism and Social 6%.
7 Achieve sound financial performance	<i>Operating expenditure is within the overall five-year departmental appropriation budget NAIF transaction revenue exceeds operating costs and Commonwealth cost of borrowing</i>	<p>NAIF's operating expenses were within the appropriation budget.</p> <p>In accordance with the Corporate Plan this will be assessed over a four year time horizon to 30 June 2021 as reflected in the Department of Industry, Innovation and Science (DIIS) accounts.</p>

4. Annual Performance Statement continued

Analysis of Performance Criteria

Figure 4: Summary of Investment Decisions made in FY 2017–18

	Onslow Marine Support Base	Humpty Doo Barramundi Farm	James Cook University Technology Innovation Complex	Voyages Airport upgrade
Jurisdiction	Onslow, WA	Humpty Doo, NT	Townsville, Qld	Yulara, NT
Sector	Ports	Aquaculture	Education	Tourism
NAIF Loan Investment Decision \$	\$16.8m	\$7.18m	\$98.0m	\$27.5m
Total Project \$	\$120.0m	\$14.4m	\$174.0m	\$27.5m
Board Investment Decision	Sept 2017	May 2018	June 2018	June 2018
Financial close date	June 2018	Q4 CY 2018*	Q4 CY 2018*	Q4 CY 2018*

* Estimated financial close date

1. Generate public benefit and Indigenous engagement

The mandatory criteria to be eligible for NAIF financial assistance under the Investment Mandate requires that the Board must be satisfied that the proposed Project:

- i. will be of public benefit and will produce benefits to the broader economy and community beyond those able to be captured by the Project Proponent; and
- ii. has an Indigenous Engagement Strategy (IES) which must set out objectives for Indigenous participation, procurement and employment that reflect the Indigenous population in the region of the proposed Project.

Public benefit was assessed in line with NAIF's Public Benefit Guideline. The potential benefits vary for each Project and have been assessed spanning different periods depending on the life of the asset.

Each of the four Project Proponents developed and adopted an IES to be implemented over the life of the Project. NAIF assesses each IES on a case by case basis, noting there are many ways the Proponent can meet the IES criterion (refer to the NAIF IES Guideline). Monitoring and reporting requirements are agreed with each Proponent in the NAIF loan facility documentation. These include mechanisms to understand and address issues arising during the implementation of the IES and to provide for accountability

where there is not a demonstration of genuine effort to pursue an approved IES.

2. Investments in infrastructure projects in northern Australia

In making four Investment Decisions during the year NAIF met its target of between 3–5 transactions. The four Projects supported reflect the breadth of NAIF's role in developing northern Australia. Those Investment Decisions comprised offers of finance for Projects in each of the three northern Australia jurisdictions (WA, NT and Qld). They were also spread across industry sectors: ports (Onslow Marine Support Base), aquaculture (Humpty Doo Barramundi), social infrastructure (James Cook University Technology Innovation Complex) and tourism (Connellan Airport upgrade at Yulara). NAIF progressed its investments to the most advanced stage it was able to and they progressed in line with stakeholder's timeframes.

Investment Decision making is used for this measure as that is what the NAIF Board is responsible for.

Under the NAIF legislative framework loan agreements are signed between the Proponent and the relevant northern Australia jurisdiction (not by NAIF).

Financial Close (FC) is when all conditions precedent to

the loan agreement are satisfied. This includes receipt of all relevant regulatory, environmental and Native Title approvals which under the NAIF Investment Mandate must be obtained from the relevant jurisdiction or other authority before any NAIF financial assistance can be advanced. Upon FC being reached loan moneys would then be available for drawing. However, the timing of when moneys are actually drawn is entirely dependent on the borrower and given NAIF is funding construction will reflect the construction profile of a project which will be over several months or years.

Whilst NAIF assists and facilitates the process to reach signing and FC the jurisdiction is a key part of meeting the timetable to achieving both and generally will also have a key role in the procurement of the regulatory and environmental approvals (NAIF does not have any role there).

NAIF committed fewer funds and the total capital value of projects supported fell short of those projected for FY 2017–18.

Impacts constraining the 2017–18 outcomes include:

- Timing of 'investment ready' infrastructure projects: any project that NAIF participates in must have robust feasibility and planning by the project sponsor or proponent before it is ready for assessment by NAIF.
- Funding availability from non-NAIF sources: Until May 2018 NAIF's mandate only allowed it to fund 50 per cent of the debt for a specific class of eligible assets meaning that NAIF was dependent on other lenders with which to partner. In a number of projects NAIF was considering, the 'market gap' exceeded that 50 per cent threshold.
- NAIF's role is also to 'crowd in' other finance and if alternative debt can finance the project NAIF 'steps back' (Refer to 4 below).

Changes to the NAIF Investment Mandate were announced in April 2018 by the Minister for Resources and Northern Australia, Senator the Hon Matthew Canavan (and came into effect on 2 May 2018). They gave NAIF increased flexibility including to enable it to fund 100 per cent of the debt for a broader range of assets. Three of the four Investment Decisions made in the period were reliant on those changes.

3. Effective risk management

Independent audit confirmed compliance with NAIF's Risk Appetite Statement (RAS) for the four Investment Decisions made during the year.

NAIF's RAS provides a clear articulation of the target level of risk in executing the NAIF's strategic objectives. It guides risk appetite and identifies tolerance measures including for making NAIF Investment Decisions and is developed in

consultation with the responsible Minister and the relevant northern Australia jurisdictions. The RAS also addresses other operational matters including governance and operations.

Under section 12(4) of the Investment Mandate NAIF may have a high risk tolerance in relation to factors that are germane to investing in northern Australia infrastructure, including, but not limited to, northern Australia's distance, remoteness and climate.

NAIF's Investment Mandate gives it the tools to respond to the northern Australian investment landscape by also providing that NAIF's finance can be lent on concessional terms. NAIF has used its full range of concessions across the four Investment Decisions made in the FY 2017–18 including:

- long tenors with an average of 16.8 years and range of between 10 and 25 years;
- interest rates at market equivalent and also at the maximum concessional rate;
- extended capitalisation periods (average of 5 years) and extended interest only periods (average of 5 years); and
- senior secured (on two Projects), subordinated and secured (on one) and unsecured (on one).

In line with best practice, NAIF has a continuous improvement approach to risk, and assessed and revised the RAS to take account of the changes in NAIF's Investment Mandate.

4. Encourage private sector contribution to financing projects

For most of FY 2017–18 (prior to the Investment Mandate changes) a mandatory criterion required the project proponent to demonstrate that private sector or other financiers were unable or unwilling to fund the project infrastructure before being considered for NAIF finance. That criterion was removed although the obligation on the NAIF Board to have regard to the potential of the investment to encourage private sector participation in financing a project remains.

Three out of the four projects that NAIF supported in FY 2017-18 have private sector financiers also providing finance for the project in addition to NAIF's loan. The fourth project, JCU, is a statutory authority whose existing finance is through Queensland Treasury Corporation (QTC). NAIF is working with Queensland Treasury and QTC on this Project.

NAIF uses its role to also assist projects with early conditional credit approvals and made two such decisions in FY 2017–18. It sought to catalyse both private and public sector interest in the Kidston Stage 2 solar and pumped

4. Annual Performance Statement continued

storage hydro project by issuing Genex Power Limited with an indicative term sheet for up to \$516 million of long term concessional debt. That Conditional Approval for an amount exceeding 10 per cent of NAIF's \$5 billion facility limit was a significant decision made to assist the Proponent as it seeks to secure the other critical elements of support for the project and prove up the conditions of the NAIF finance.

The NAIF Board also made another conditional credit approval for a project for NAIF finance of up to \$80 million which is also with the Project Proponent to satisfy conditions.

On the other hand, during the reporting period, there are four examples of projects with a total of approximately \$605 million (of debt finance) for which NAIF encouraged the participation of other financiers by demonstrating its intended participation in a project. Consistent with NAIF's mandate to 'crowd in' the private sector NAIF stepped away from each transaction once there was sufficient private sector backing for the project to go ahead. This is still considered a win, as the infrastructure in question was successfully financed without requiring NAIF funds.

5. Raise awareness of NAIF value through dissemination of information to industry stakeholders

Public awareness and interest in NAIF has grown, as confirmed by the 115 new enquiries over the year an increase of approximately 60 per cent on the number of new enquiries received in the previous financial year.

NAIF's Board and Executive have engaged in significant communication and stakeholder engagement activity including:

- the Board, Board members, CEO or NAIF staff have since inception collectively met with more than 2,400 interested stakeholders and given presentations that have reached audiences of at least 4,200 people (as at 30 June 2018);
- NAIF has participated as a key note speaker, presenter, panel member or delegate in multiple events covering various sectors and interest areas relevant to NAIF's mandate including infrastructure, engineering, construction, procurement, transport, energy, agriculture, tourism, water, tropical health and medicine, mining and resources, regional growth, economic development, major projects and Asia growth opportunities;
- NAIF staff were hosted at events with a focus on articulating the benefits of the NAIF mandate and how it is being deployed including by Austrade (domestically and internationally), trade forums, northern Australian based universities, major banks (commercial and investment and financial advisors) and legal firms;
- formats have ranged from large conventions, to roundtable regional stakeholder gatherings, to boardroom functions, and print, television and radio media interviews;
- NAIF co-sponsored with Austrade and the Office of Northern Australia (ONA) the Northern Australia Investment Forum 2017 in Cairns attended by over 500 delegates from 24 countries;
- regional communities and their leaders are afforded opportunities to meet Directors or senior NAIF executives to discuss their strategic planning and infrastructure priorities:
 - Board meetings or stakeholder roundtables or events have been held or attended throughout northern Australia, including Karratha, Broome, Alice Springs, Darwin, Cairns and Townsville and in the financial and government centres of Sydney and Canberra.
 - the NAIF Board and senior executives attended the Facing North and Northern Australia Annual Statement events in Canberra.
- NAIF has continued to meet regularly with its Qld, NT and WA government stakeholders to discuss upcoming projects and their priorities;
- NAIF has met extensively throughout the year to develop its understanding of our Indigenous stakeholders and to disseminate the role of NAIF in furthering their objectives, including contributing to the Indigenous Reference Group's discussions with the Northern Australia Ministerial Forum. NAIF has also engaged with numerous groups in undertaking due diligence on IES's prior to the Board making its Investment Decisions;
- NAIF engages with Members of Parliament both at a northern Australia jurisdictional and federal level; and
- NAIF consults regularly with Commonwealth departments and agencies and broader networks including Regional Development Australia (RDA) network representatives, Development Commissions and the Cooperative Research Centre for Developing Northern Australia.

6. Building diverse pipeline of potential infrastructure projects

Figure 3 shows during FY 2017–18 there has been:

- significant growth in the number of total project enquiries and active enquiries;
- a maturing of the project pipeline with a substantial increase (220 per cent) in projects moving into the Due Diligence phase which is the stage in which detailed project assessment prior to an Investment Decision being made is undertaken;

- for each of those categories of projects a diversity across the northern Australian jurisdictions and sectors; and
- growth in the size of projects in the project pipeline.

7. Achieve sound financial performance

NAIF's external auditor issued an unmodified audit opinion on NAIF's FY 2017–18 financial statements.

NAIF has managed expenses carefully to ensure that operating expenses were within NAIF's appropriated budget.

For each of the four Investment Decision commitments during the reporting period, contracted revenue for the NAIF financial assistance includes an administration fee (payable at FC) and the interest rate on the NAIF loans is above the Commonwealth borrowing rate. Pricing takes into account NAIF's target to cover the cost of borrowings and NAIF's operating costs by 30 June 2021 as required by the NAIF Investment Mandate.

Performance Metrics FY 2018–19 onwards

The progress made during FY 2017–18 positions NAIF well to meet its targets over the next three years.

NAIF's Corporate Plan 2018–19, which is available on its [website](#), outlines the performance targets that the Board has set for FY 2018–21. NAIF has three years of performance targets in that plan as the NAIF Act prohibits the Board from making an Investment Decision after 30 June 2021. A review of the operation of NAIF Act is scheduled to commence as soon as possible after 1 July 2019, this will cover among other things:

- whether the time limit of 30 June 2021 for making Investment Decisions to provide financial assistance should be extended; and
- appropriate governance arrangements for NAIF after that date.

Once NAIF has received direction post that review, it will set appropriate targets to measure NAIF's success in the period post 30 June 2021.

5. NAIF Mandatory Criteria

The NAIF Investment Mandate changes effective from 2 May 2018 have given NAIF broader reach (across a wider spectrum of assets) and also the ability to manage all the debt requirements of projects if needed. In combination, NAIF is now likely to be able to contribute to more projects, in a more substantive way, and to bring forward delivery of a greater pool of project opportunities.

The mandatory criteria are summarised in Figure 5.

NAIF's focus on public benefit and Indigenous involvement and opportunity in northern Australia are key differentiators from other lenders.

Figure 5: Streamlined Mandatory Criteria



1. Infrastructure

NAIF is now able to consider a broader range of infrastructure to better reflect the needs of regional and remote areas in northern jurisdictions.

Examples of the types of projects that may be eligible include, but are not limited to ports, airports, rail, roads, water, energy and communications networks, social infrastructure (including health, education, research, training and related accommodation facilities), processing facilities (including abattoirs and agricultural processing plants) and transshipment vessels.

Eligible projects must bring new capacity online either through the construction of new or by materially enhancing existing infrastructure.

2. Public Benefit

The estimated public benefit is considered in determining whether to provide NAIF financial assistance to a project and in shaping the level of any concession to be granted.

Public benefits are benefits of a project not captured by the project proponent. They are benefits valued by other business users, governments, individuals and the community. Examples include improvements in regional productivity, regional connectivity or better social or economic outcomes for individuals. Significant public benefits are more likely to eventuate when a project serves, or has the potential to serve, multiple end users.

The requirement that any project must have public benefit is consistent with the objective of NAIF to support infrastructure that promotes economic growth and stimulates population growth in northern Australia. Under the NAIF Public Benefit Guideline, if the NAIF investment is \$50 million or more, a formal Cost Benefit Analysis valuing the benefits and costs of a project to estimate the future public benefit is required. If the NAIF investment is greater than \$100 million NAIF will consult with Infrastructure Australia on the public benefit.

Each of the four projects on which the Board made an Investment Decision during the year has been forecast to generate net public benefit for northern Australia and an

aggregate amount of over \$1 billion of benefit is forecast by independent experts. Examples of the public benefit that will be brought to the north by these projects are:

- **Creation of employment:** Both in the construction and operational phases of the projects. In many instances there will be complementary employment created, for example an airport upgrade will lead to increased tourism which will generate new jobs;
- **Serving multiple users:** This will enable other northern Australian residents to benefit from the infrastructure. For example the Onslow Marine Support Base will enable the delivery of efficient supply and support services to the Carnarvon Basin to benefit businesses in the region;
- **Enhanced economic activity:** The projects will contribute to industry growth in the region of the project and beyond. For example Humpty Doo Barramundi farm will help grow the NT aquaculture industry through supply of fingerlings and future multi-user processing capacity. The James Cook University Technology Innovation Complex in Townsville will attract technology experts and new students from both the local catchment and further afield. It will provide contemporary facilities as part of the science, technology, engineering and mathematics offering, targeting engineering students, as the University establishes a renewed focus on engineering for the tropics; and
- **Community benefits:** These include social impacts. For example the Voyages' Connellan Airport upgrade will be utilised by emergency services to service remote communities. Also, the Humpty Doo Barramundi farm investment will generate renewable energy from the solar farm component of the project to assist the NT in meeting its 50 per cent renewable energy target and reduce the farm's reliance on the existing electricity grid.

3. Northern Australia

For the purposes of the NAIF, northern Australia includes all of the Northern Territory, and those parts of Queensland and Western Australia above and directly below and intersecting with the Tropic of Capricorn. It also includes the regional centres of Gladstone, the Gladstone Hinterland, Carnarvon and Exmouth, as well as the Local Government Areas of Meekatharra and Wiluna in Western Australia. Territorial seas up to twelve nautical miles offshore adjacent to these areas are also included in the definition.

Importantly projects financed by NAIF do not need to be within these boundaries if they produce significant benefits for northern Australia.

4. Repay or refinance

All projects must demonstrate the ability of the project to repay or refinance the debt based on assumptions acceptable to the NAIF Board.

5. Indigenous Engagement

The Indigenous estate of northern Australia is significant, with 40 per cent of the land mass directly owned or managed by Aboriginal and Torres Strait Islander people. The Indigenous population currently averages 15 per cent across northern Australia, comprising over 60 per cent in some sub-regions and over 25 per cent of the Northern Territory⁴. The Aboriginal and Torres Strait Islander population is projected to increase to over 50 per cent of the permanent population of northern Australia by 2040, further reinforcing the importance of the role of Indigenous Australians in the development of northern Australia.

Each project that NAIF finances must have an IES in order to receive NAIF financing. The IES must set out objectives for Indigenous participation, procurement and employment that reflect the Indigenous population in the region of the proposed project.

For the four Investment Decisions made during the reporting period the Project Proponents developed and adopted an IES to be implemented over the life of the project. Features include:

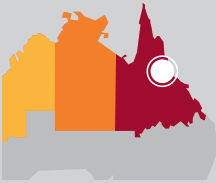
- commitments to explore new partnerships and formalise existing partnerships with Traditional Owners and Indigenous businesses through memoranda of understanding including to deliver apprenticeships and traineeships;
- development and implementation of Indigenous procurement plans;
- identifying and promoting opportunities for sub-contracting, employment and training, including as appropriate identification of proposed targets and supply chain opportunities;
- cultural awareness training for staff and contractors;
- mentoring and support for Indigenous staff to improve retention; and
- sponsorship of community events.

⁴ Australian Bureau of Statistics, 2016

Investment Decision case study



James Cook University (JCU)



Townsville
Queensland

Professor Sandra Harding, JCU Vice Chancellor & President:

“These projects will transform the Townsville campus and will usher in a new era for JCU in the region – a transformation of the campus that sets it up to be a university of the future.”

Infrastructure:

Technology Innovation Complex (TIC) – a 10,000m² centre replacing five existing 1970's buildings.

NAIF Approved Loan Value:

\$98m

Total Project Value:

\$174m

NAIF's Value:

- NAIF accelerated the delivery of the JCU TIC by delivering a loan structure than met the needs of JCU and its existing lenders.
- NAIF financing structure matches the business' cash flow and tenor requirements which is not otherwise available to Qld Statutory Authorities.
- NAIF used it's flexibility to fund 100% of the TIC debt.

Other financing partner:

TIC is part of larger Enterprise Bundle of \$174m

Economic Impact and Public Benefit

- Full Enterprise Bundle forecast public benefits exceeding \$700 million over 30 years
- Employment of 270 jobs in construction phase.
- Reinvigoration of the JCU campus with a landmark building creating an innovation hub designed to attract industry, students and researchers to collaborate in that space.

- Targeting science, technology, engineering and maths specialist research for the tropics.
- Increasing participation and retention rates of university students from the local catchment area, who would otherwise not have attended university, or would have left the region to be educated. High levels of JCU graduates remain in northern Australia, retaining the talent and wealth of the population and social growth in the region.

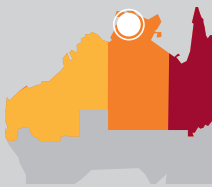
Indigenous Engagement:

- Proponent targets 3 Indigenous FTEs during the design phase and 3% minimum Indigenous employment in construction phase and 3% of ongoing staff.
- Indigenous procurement and employment outcomes driven through a process to engage Indigenous subcontractors and secure undertakings from other subcontractors on Indigenous procurement and employment.
- Engagement and participation will take place with Traditional Owners, JCU's Indigenous Reference Group and the JCU Indigenous Education & Research Centre. during design, construction and operational phases of the project.

Investment Decision case study



Humpty Doo Barramundi Farm (HDB)



Humpty Doo
Northern Territory

**Dan Richards,
Owner & General
Manager, Humpty
Doo Barramundi :**

*“The opportunity
will ensure all
Australians and the
global marketplace,
have access to
Australian grown
seafood every day.”*

Infrastructure:

Solar farm, medium fish nursery and feed systems.

NAIF Approved Loan Value:

\$7.18m (potential up to \$30m over 3 stages)

Total Project Value:

\$14.4m (potential up to \$60m over 3 stages)

NAIF's Value:

- Financing the expansion of Australia's largest barramundi farm to stimulate exports and reduce Australia's reliance on imported barramundi.
- NAIF was the catalyst for the project to proceed which was only made possible by NAIF's appetite to provide long term debt.

Private sector partner:

- Australia & New Zealand Banking Group Limited.
- NAIF financed 100% of debt for project infrastructure using its increased flexibility under its revised mandate.

Economic Impact and Public Benefit

- Employment of up to 50 jobs (once the 3 stages are complete), double Humpty Doo's current number of employees.
- The solar farm assists in NT meeting its 50% renewable energy target and reduces HDB's reliance on the existing electricity grid.
- The project will help grow the NT aquaculture industry through the supply of fingerlings to third party growers.
- Trialing processing operations to develop capability to move up the value chain from selling 'whole round' fish to selling packaged fillets and for the development of a multi user seafood processing facility.

Indigenous Engagement:

- Proponent has a target of 10% Indigenous employment.
- Employing culturally appropriate HR Manager & Mentor to support Indigenous employment and participation opportunities.
- Proponent will identify sub-contracting opportunities for Aboriginal businesses and engage suppliers and service providers with a demonstrated commitment to Indigenous engagement.
- Proponent will also identify opportunities to work with Indigenous communities to further develop the aquaculture sector in Northern Territory.

6. Corporate Governance

Accountability

The responsible Ministers for the reporting period were as follows:

Dates:	Responsible Minister:
1 July 2017 to 27 July 2017	Senator the Hon Matthew Canavan, Minister for Resources and Northern Australia
27 July 2017 to 27 October 2017	The Hon Barnaby Joyce MP, Deputy Prime Minister, Minister for Agriculture and Water Resources, Minister for Resources and Northern Australia
27 October 2017 to 30 June 2018	Senator the Hon Matthew Canavan, Minister for Resources and Northern Australia

The duties of the responsible Minister in relation to NAIF are set out in the NAIF Act⁴. These include that the Minister appoints NAIF's Board and gives direction to NAIF about the performance of its functions through the Investment Mandate. NAIF is required to take all reasonable steps to comply with the Investment Mandate.

The NAIF Act provides that the Minister cannot direct, nor have the effect of directing, NAIF to provide financial assistance for the construction of particular infrastructure, or in relation to a particular person⁵.

As a corporate Commonwealth entity, NAIF is subject to the requirements of the PGPA Act in relation to corporate governance, reporting and accountability.

Corporate Governance Framework

NAIF has a comprehensive suite of governance policies that are fit for purpose and appropriate for its size and functions. It is a tailored governance framework that incorporates statutory responsibilities under the NAIF Act, Investment Mandate, PGPA Act and other relevant legislation.

Independent expert reviews⁶ concluded that, in their view, NAIF's core governance policies reflect current Australian best practice government governance principles and current Australian best practice corporate governance for commercial financiers.

An expert also confirmed that in their view NAIF's approach to disclosure of decisions, its decision-making process and treatment of information provided to it is:

- consistent with general market practice among project finance lenders;
- an appropriate position to adopt; and
- compliant with the NAIF Act, the Investment Mandate, and other applicable laws and directions⁷.

Review and Continuous Improvement

NAIF approaches its operations on a continuous improvement basis to ensure that it has regard to Australian best practice government governance principles, and Australian best practice governance for Commercial Financiers as required by section 17(1) of the Investment Mandate. Over the past twelve months NAIF's Board reviewed 22 policies (14 are published on the [NAIF website](#)).

Board Charter

NAIF's Board Charter sets out its roles and responsibilities. This Charter builds off the Board's legislative accountable authority duties, and outlines key duties and responsibilities. The current Charter is available on the [NAIF website](#).

BARC Charter

The NAIF Board constituted the Board Audit and Risk Committee (BARC), which advises the Board in relation to financial and performance reporting, systems of risk management and oversight, and systems of internal control. The BARC consists of at least three Board members. Pursuant to the PGPA Act, the Chair of the Board, the CEO and the Chief Financial Officer of NAIF cannot be members of the Committee. All Board members are welcome to attend

⁴ NAIF Act sections 9,11,12,15,16

⁵ NAIF Act section 9(4)

⁶ Allens Linklaters (reviewed fourteen policies) and Australian Government Solicitor (reviewed four policies)

⁷ Refer to NAIF Senate Enquiry Submission dated 4 August 2017, see Attachment 1, page 18 for Allens Linklaters' letter

any BARC meeting, with outcomes from BARC meetings reported to the Board as a standing agenda item. The current BARC Charter is available on the [NAIF website](#).

Strategic and Corporate Planning

NAIF has developed strategic documents that align with its corporate governance framework and vision. The Strategic Plan sets out the shared vision of NAIF and provides guidance to the Board and Executive. The Corporate Plan 2018–2019, which outlines NAIF's plan for achievement of its key business strategies, is available on the [NAIF website](#).

Code of Conduct

NAIF maintains a Code of Conduct that requires the observance of ethical guidelines by all Board members, Executives and other employees.

Conflicts of Interest

In addition to statutory requirements under the PGPA Act, NAIF manages conflicts of interest in accordance with its Conflicts of Interest Policy. The current Conflict of Interest Policy is available on the [NAIF website](#).

Commercial-in-Confidence

NAIF's current confidentiality protocol (available on the [NAIF website](#)), which it applies in the public interest, is maintained across all projects. NAIF can release information on projects progressing to Due Diligence, or other relevant developments, when releasing the information is agreed between the proponent and NAIF.

NAIF is required to publish on its website, within 30 business days of a final Investment Decision being made, information regarding all transactions, subject to commercial confidentiality (refer to figure 6). During the reporting period NAIF published this information in line with requirements⁸.

Anti-Money Laundering/Counter Terrorism Financing (AML/CTF)

NAIF is required to have an AML/CTF program in place which, amongst other things, identifies, manages and reduces the money laundering and terrorism financing risk potentially faced by it.

NAIF has enrolled with the Australian Transaction Reports and Analysis Centre (AUSTRAC) and developed a comprehensive AML/CTF program. The program includes a framework for reporting suspicious matters to AUSTRAC together with comprehensive 'know your customer' procedures and ongoing customer due diligence and transaction monitoring procedures.

Compliance

NAIF manages its compliance obligations through its Compliance Plan. No issues were identified in relation to non-compliance during the reporting period.

Induction Program

All new NAIF staff during the FY 2017–18 period underwent an induction program, which included detailed guidance around their obligations under the NAIF Act, Investment Mandate, PGPA Act and NAIF's governance framework. This induction program is regularly reviewed and updated.

Annual Compliance Training

NAIF employees are required to complete annual online compliance training, which covers their obligations and duties under relevant workplace legislation and is complemented by tailored face-to-face training.

Internal Audit

NAIF appointed McGrathNicol as internal auditor during the reporting period. A two year Strategic Internal Audit Plan has been developed. In formulating that plan, the key drivers were: NAIF's core business, key organisational risks, priorities established by NAIF's BARC and Executive and NAIF's business environment.

External Financial Audit

The ANAO, NAIF's external auditor, confirmed that NAIF's FY 2017–18 financial statements are compliant with Australian Accounting Standards and the PGPA Rule 2015 and issued an unmodified audit opinion. The field work associated with the FY 2017–18 financial statement audit was outsourced by ANAO to KPMG.

Legislative Reporting

Ministerial Directions

The NAIF Act is structured in such a way as to maximise NAIF's operational independence particularly with respect to Investment Decision making. The responsible Minister gives NAIF direction through the NAIF Investment Mandate.

In April 2018, the responsible Minister announced changes to NAIF's Investment Mandate. These changes provide NAIF with increased flexibility and capability to support and accelerate projects. The NAIF Investment Mandate Direction 2018 came into effect on the 2 May 2018.

Independent Expert's Review of NAIF

Independent expert Mr Anthony F Shepherd AO was commissioned by DIIS and the responsible Minister to

⁸ NAIF Investment Mandate sec 17(2) and Explanatory Statement

6. Corporate Governance continued

conduct an expert review of NAIF. Mr Shepherd provided his report to the responsible Minister in January 2018.

Senate Inquiry into the Governance and Operation of NAIF

On 14 June 2017, the Senate referred an Inquiry into the Governance and Operation of NAIF to the Senate Economics Reference Committee. NAIF's submission and the CEO's Opening Statements to the Senate Inquiry can be viewed on the [NAIF website](#). The Committee held five public hearings of which NAIF appeared at two (Canberra and Cairns). The Senate Committee tabled its report on 6 July 2018.

ANAO Performance Audit of NAIF

In April 2018 the ANAO commenced an audit of NAIF with the objective of examining the effectiveness of NAIF's governance and integrity arrangements. The report is due to be tabled in Parliament in first quarter of calendar year 2019.

NAIF Act – Section 42 Reporting

For the purpose of section 42 of the NAIF Act NAIF reports as follows.

- (a) **Investment Mandate changes:** On 18 April 2018 NAIF's responsible Minister announced changes to NAIF's Investment Mandate that were effective on 2 May 2018. For information see section 2 of this Annual Report. The Investment Mandate is available on the [NAIF website](#).
- (b) **Summary of proposal notices given to the Minister:** NAIF must give the responsible Minister a proposal notice under section 11(2) of the NAIF Act for each project on which it proposes to provide financial assistance being a written notice of the proposal. NAIF provided such a notice for four Investment Decisions made by the NAIF Board in the reporting period as detailed in figure 6 below.
- (c) **Summary of rejection notices by the Minister:** There were no rejection notices from the responsible Minister during the period.
- (d) **Summary of projects for which financial assistance was approved during the period:**
Table 7 provides a summary of each project for which an Investment Decision was made in the reporting period.
- (e) **Summary of adjustments or concessions made by NAIF in relation to infrastructure projects that have not progressed as planned:** There were no adjustments or concessions of this type during the reporting period.

Figure 6: Summary of proposal notices

Proponent	Jurisdiction	Sector	Maximum value of NAIF Investment Decision
Onslow Marine Support Base Pty Ltd	Onslow, WA	Ports	\$16.8m
Humpty Doo Barramundi Pty Ltd	Humpty Doo, NT	Aquaculture	\$7.18m
James Cook University	Townsville, Qld	Education/Social Infrastructure	\$98.0m
Voyages Indigenous Tourism Australia Pty Ltd	Yulara, NT	Tourism	\$27.5m

Table 7: Summary of financial assistance approved during the period

Project	Onslow Marine Support Base	Humpty Doo Barramundi Farm ⁹	James Cook University ⁹	Voyages Indigenous Tourism Australia ⁹
NAIF Loan \$ approved amount	\$16.8m	\$7.18m	\$98.0m	\$27.5m
Type of Infrastructure	Port including wharf and deepening and widening of harbour channel	Solar farm, fish nursery and feed systems	Social infrastructure/ tertiary education and research facilities	Airport runway, taxiway and apron upgrade, runway lighting and provision of contractor accommodation
Type of finance	loan	loan	loan	loan
Tenor	10 years	12.25 years	25 years	20 years
Senior		✓		✓
Subordinated	✓	✓		
Secured	✓	✓		✓
Unsecured			✓	
Interest rate Concession			✓	✓
Interest capitalisation	Potential	No	Yes	Yes
Interest only	During construction period	No	Potential	Yes
Returns to Commonwealth	Each loan pays an upfront facility fee and an interest rate above the Commonwealth cost of borrowing.			
Risks to Commonwealth	Each loan has been rigorously assessed during the due diligence process to ensure the risks are understood and mitigated where possible. Risks include: project, credit, transaction, structure, environmental and social, construction, technology, operation, management, market, industry, business, financial and concentration risk.			

⁹The details provided are as at the time of Investment Decision, and may be subject to change up to financial close.

6. Corporate Governance continued

Jurisdictional Veto

Section 13(4) of the Investment Mandate 2016 provides NAIF 'must not make an Investment Decision if at any time the relevant jurisdiction provides a written notification that financial assistance should not be provided to a Project.' On 12 December 2017 NAIF received correspondence from the Queensland Government in respect of Adani's proposed North Galilee Basin Rail Project. The correspondence provided the State of Queensland's formal notification to the Commonwealth that financial assistance should not be provided to Adani for the North Galilee Basin Rail Project. As a consequence, in accordance with section 13(5) of the Investment Mandate on 13 December 2017 (within five business days of receipt by NAIF of that written notification) NAIF informed the potential proponent that NAIF will not be making an Investment Decision on the potential project. See statement on [NAIF's website](#).

Indemnities and Insurance

NAIF has entered into arrangements through Comcover and Comcare. During the year NAIF maintained and paid premiums for Comcover and Comcare programs which, amongst other things, indemnify directors, officers and employees against various risks and liabilities including directors and officers liability and professional negligence and related legal costs. Total premiums paid during the reporting period were \$20,000.

Environmental Reporting

Ecologically Sustainable Development (ESD) – s516A EPBC Act Reporting

NAIF has a statutory obligation under section 516A of the *Environment Protection and Biodiversity Conservation Act 1999* to report on how its activities accord with ESD principles. NAIF does this through applying its Environmental and Social Review of Transactions Policy (ESR Policy) and as outlined in Environmental Footprint section below.

Environmental and Social Review of Transactions Policy

NAIF's current ESR Policy, available on the [NAIF website](#), is consistent with the Commonwealth Government's expectations outlined in section 17(1) of the Investment Mandate. That section requires NAIF to have regard to best practice government governance principles, and Australian best practice corporate governance for commercial lenders when performing its functions, including developing and annually reviewing policies with regard to environmental, social and governance issues. The ESR Policy has been assessed by independent experts during the reporting period as being consistent with best practice.

Environmental Footprint

In FY 2017–18 NAIF operated from three locations, a head office in Cairns, Queensland, in Sydney, New South Wales, where NAIF has a service level agreement (SLA) with Efic and in Brisbane, Queensland where NAIF accesses up to four desks through DIIS. NAIF established a permanent presence in Perth in July 2018.

Figure 8: Environmental Performance Reporting

Theme	Steps taken to reduce effect
Energy efficiency and emissions reduction	<ul style="list-style-type: none"> • Open plan offices and central air conditioning. • Central printing facilities, allowing for fewer devices (which have energy saving mode when not in use). • Use of technology for interstate meetings and training. • After hours lighting and air conditioning. • As at 30 June 2018, 30 per cent of the Sydney office energy is from green sources such as wind power, solar, mini hydro.
Waste and water	<ul style="list-style-type: none"> • Paper generally from Australian Forestry Standard Certified production. • Employees have portable devices including phones and computers. • ‘Follow me’ printing system is installed to reduce paper consumption, with default printing set to double sided, black and white. • Staff encouraged to limit printing. • Recycling of waste paper and rubbish. • Electronic distribution of papers and briefings to Board members.

Refer to Efic Annual Report 2017–18 for further details regarding Sydney office efficiencies and DIIS Annual Report 2017–18 and Supplementary Environmental Report for further details on Brisbane office efficiencies.

Conditional Approval case study



Genex Power: Kidston Stage 2



Near Einasleigh
North Queensland
(about 275km west
of Townsville)

**Mr James Harding,
CEO Genex Power:**

*“The issuance of the
NAIF term sheet....
is a significant
milestone in the
development of the
project.”*

Infrastructure:

250MW pumped storage hydro project with integrated solar project of up to 270MW. Reuses existing expended mine pits, repurposing them for the storage of power.

NAIF Approved Loan Value:

Up to \$516m

Total Project Value:

Confidential

NAIF's Value:

- NAIF provided an indicative term sheet with Board approval to Genex to assist it and other stakeholders to develop the project with greater confidence in its financeability provided NAIF's conditions can be met.
- NAIF's long term, concessional interest rate loan helps offset some of the costs the project suffers as a result of its remoteness from existing demand and population centres.
- NAIF's substantial potential loan to this project reflects its alignment with NAIF's objective to develop infrastructure in northern Australia which will generate substantial public benefit.

Economic Impact and Public Benefit

- NAIF considers this project to be strategically important as it provides long term stability

for a remote part of the power network. The project allows energy to be generated when it is available from a range of sources, and dispatched when it is needed, at times of peak demand.

- Storage is needed in order to facilitate the use of the low cost, non-dispatchable renewable energy sources such as wind and solar. Kidston has natural advantages for installation of pumped hydro, the most economical electricity storage option, without the need to construct new dams.
- The storage capacity and 'dispatchability' of energy which the project provides has been shown in market models to lower wholesale prices in the National Electricity Market, particularly when prices would otherwise peak..
- Employment of over 500 jobs during construction, as well as 20 ongoing operational jobs.

Indigenous Engagement:

- The Indigenous Engagement Strategy will include:
 - Actively seeking to provide job opportunities for the local Ewamian people.
 - The project is to provide funding for a local Indigenous owned tourist facility.

Investment Decision case study



Voyages Indigenous Tourism Australia



Yulara
Northern Territory

Laurie Walker, CEO NAIF:

“The NAIF loan will support Indigenous outcomes which is a key focus for NAIF and Voyages and allows for an airport upgrade that is essential to maintaining access and growth in tourism to the World Heritage listed Uluru and Kata Tjuta National Park.”

Infrastructure:

Airport runway, taxiway and apron upgrade, runway lighting and provision of contractor accommodation.

NAIF Approved Loan Value:

\$27.5m

Total Project Value:

\$27.5m

NAIF's Value:

- NAIF's loan tenor better matching the long term asset life was not available in the commercial banking market.
- NAIF's ability to take a long term view in structuring its repayment profile allows the Proponent to use its short to medium term cash flow on other high-value projects that support Voyages' social purpose of creating opportunities for Indigenous Australians through cultural tourism.

Economic Impact and Public Benefit

- Employment support for approx. 320 jobs with the airport continued operations.
- The airport is a key economic enabler for the Yulara region, particularly tourism to the world heritage Uluru and Kata Tjuta National Park.
- Continued availability of emergency services and flights for remote communities in the region.

Indigenous Engagement:

- The project will continue to support Voyages' purpose of increasing Indigenous employment in the tourism sector.
- The project has a target of 3% to 5% of goods & materials sourced from companies that are 50% or more Indigenous owned.
- Project construction employment targets are for Indigenous people to be greater than 10% of the workforce.



7. Board

Board Skills

All NAIF Board members have relevant experience as required under section 15 of the NAIF Act. Additionally, NAIF's Board incorporates a broad range of financial, infrastructure, risk and investment skills and knowledge, combined with the extensive experience necessary to make Investment Decisions (to offer or not to offer finance). The Board members will also draw on the expertise of NAIF's Executive, or other independent experts as required, to aid in decision making.

Changes to NAIF Board membership

Changes to NAIF Board and BARC membership during the reporting period and post end of FY were:

Figure 9: Changes to NAIF Board

Date	Change
31 July 2017	Dr Sally Pitkin resigned as Board Member and BARC member
1 August 2017	Professor Khory McCormick appointed as BARC member
30 April 2018	Chair Ms Sharon Warburton resigned
10 May 2018	Professor Khory McCormick appointed acting Chair
1 August 2018	Mr Ross Rolfe appointed Board member
1 August 2018	Professor Khory McCormick appointed Chair
23 August 2018	Ms Karla Way-McPhail appointed as BARC member replacing Professor Khory McCormick

Board Profiles and Photos

Professor Khory McCormick
Chair
DUniv, BA, MLaws



Appointed Chair on 1 August 2018 for a period of three years.

Acting Chair 10 May 2018 to 31 July 2018.

Appointed Director on 19 July 2016 for a period of three years.

Current roles

- Vice President, Australian Centre for International Commercial Arbitration
- Deputy Chair, Singapore International Dispute Resolution Academy
- Professor of Strategic Law, Griffith University

Expertise

A legal practitioner having previously been a senior partner at a major Australia law firm. Almost 40 years' experience across infrastructure, resources and energy, construction, transportation in both the public and private sector.

Previous roles

- Australian delegate, United Nations Commission on International Trade Law Working Group II of (UNCITRAL)
- Chairman of Energex group
- Chairman of Green Cross Australia

Sector experience

- Community sensitive issues advisory
- Education – globalisation and internationalisation of education services
- Energy – asset oversight and management, electricity distribution and retail
- Infrastructure – feasibility analysis, development and advice
- Resources – commodities, supply contract
- Trade, commerce, resources and energy conflicts/dispute resolution and systems design

Northern Australia

Experience engaging in northern Australia as a key advisor to significant projects. A foundation Director of NAIF.

Awards

Consistently peer ranked over a number of years as a leading lawyer for:

- Alternative Dispute Resolution
- Bet-the-Company litigation
- Government Practices
- International Arbitration
- Litigation; and
- Natural Resources,

He has been the recipient of a number of awards including a Doctorate of the University (Griffith University).

Mr Bill Shannon
Director
BEC, CA, FGIA, FCIS



Appointed on 19 July 2016 for a period of three years.

Current roles

Board member of Regional Development Australia Far North Queensland and Torres Strait

Expertise

Extensive public sector experience in local government, as a former Mayor of the Cassowary Coast Regional Council. Many years' experience as an accountant, Company Secretary, business owner and farmer.

Previous roles

- Deputy Chair of Regional Development Australia Far North Queensland and Torres Strait
- Far North Queensland Representative on the Local Government Association of Queensland Policy Executive
- Advance Cairns
- Tully Sugar Limited
- Wormald International Limited – Company Secretary

Sector experience

- Agriculture – sugar cane and livestock farmer
- Construction – roads, infrastructure
- Infrastructure – local government and regional policy and planning
- Tourism – regional development, advocacy, planning, policy development

Northern Australia

Many years advocating for northern Australia, as both an elected local government representative and business owner.

Memberships and affiliations

Member of the Governance Institute of Australia

Member of the Institute of Chartered Accountants Australia and New Zealand

Mr Barry Coulter
Director
FAIM



Appointed on 19 July 2016 for a period of three years.

Current roles

- Director of Northern Territory Airports Pty Limited

Expertise

Extensive northern Australia and public sector experience, as a former member of the Northern Territory Legislative Assembly, and serving in senior positions of the Northern Territory government such as Deputy Chief Minister and Treasurer. During this time, responsible for a number of portfolios including transport, infrastructure and Territory ports. Credited with spearheading the Alice Springs to Darwin Railway Project.

Previous roles

- Chairman of the Darwin Port Authority
- Chairman of Airnorth
- Chairman of Sherwin Iron Ore Limited

Sector experience

- Agriculture – livestock
- Construction – mining infrastructure assets
- Infrastructure – road, rail, port, airports
- Resources – iron ore mineral extraction
- Tourism – airports
- Transport – roads, rail, ports and airports
- Water – management and asset oversight

Northern Australia

Spent more than 35 years advocating for northern Australia as an elected state government representative and business owner

Memberships and affiliations

Fellow of the Australian Institute of Management

Mr Justin Mannolini
Director
BComm, LLB, LLM, GAICD, SF Fin



Appointed on 19 July 2016 for a period of three years.

Current roles

- Partner, Gilbert + Tobin Solicitors, Corporate Advisory Group
- Chairman of Jindalee Resources Limited
- Founder and Managing Director of Captivate Venture Capital

Expertise

A lawyer with over 20 years experience in legal and financial sectors. Strong expertise in mergers and acquisitions, capital markets transactions and corporate governance.

Previous roles

- Executive Director of Macquarie Group

Sector experience

- Agriculture – livestock, sale, export, supply chain
- Communications – data infrastructure
- Construction – feasibility and development
- Energy
- Resources – mineral extraction

Northern Australia

Experience engaging in northern Australia as a key advisor to significant projects

Memberships and affiliations

Member of the Law School Advisory Board at Curtin University
 Cambridge Australia Scholar
 Graduate of the Australian Institute of Company Directors
 Senior Fellow of the Financial Services Institute of Australasia

Ms Karla Way-McPhail
Director
DipEd, BEd, MEd, JP



Appointed on 19 July 2016 for a period of three years.

Current roles

- Co-founder and Chief Executive Officer of Undamine Industries
- Chief Executive Officer of Coal Train

Expertise

A business owner-operator who has extensive geographic, demographic and industry-based knowledge of the resources sector in northern Australia

A former teacher and educational psychologist, with extensive expertise in education, training and mentoring

Previous roles

- President of the Capricornia Chamber of Commerce
- Director of the Resources Industry Council Central Queensland

Sector experience

- Education – tertiary vocational education and training
- Resources
- Construction

Northern Australia

Lives in and operates a number of enterprises in North Queensland. A strong supporter of development in northern Australia and devotes considerable time to many north Queensland community organisations.

Awards

2012 recipient of the Hudson Private and Corporate Award at the Telstra Queensland Business Women's Awards

Memberships and affiliations

Patron of the Mining Women's Support Group
 Graduate of the Australian Institute of Company Directors

Directors whose term ended in FY 2017–18

Ms Sharon Warburton

BBus, FCA, GAICD, FAIB
Chairman

- Resigned 30 April 2018
- Appointed on 19 July 2016 effective 1 July 2016 for a period of three years.
- Board Attendance in reporting period: 14 of 15

Dr Sally Pitkin

Ph.D, LL.M, LL.B
Director

- Resigned 31 July 2017
- Appointed on 19 July 2016 for a period of three years
- Board Attendance in reporting period: 0 of 0

Board Audit and Risk Committee

NAIF's BARC held four meetings during the reporting period, with Committee Chair Mr Bill Shannon supported by Directors Mr Justin Mannolini and Professor Khory McCormick who joined the BARC effective 1 August 2017. Following appointment as Chair effective 1 August 2018 Professor McCormick retired from the BARC. Ms Karla Way-McPhail was appointed to BARC effective 23 August 2018.

Representatives of NAIF's external auditors, ANAO and KPMG, participate in the BARC meetings.

Board Meetings Attended

Under the NAIF Act the Board is required to meet a minimum of twice each financial year. The Board met 17 times during the reporting period. Meetings were held in northern Australia, including Alice Springs, Karratha, Cairns and Darwin. Ten of the Board meetings were held by telephone. A meeting was also held in each of Brisbane and also in Canberra to align with the 2017 Annual Statement on Northern Australia. In line with the BARC Charter, some Board members also attended BARC meetings during the reporting period.

The Board also participated in strategic planning and workshops to review, monitor and update NAIF's strategic direction and risk management framework, including its risk appetite. A strategic workshop on communications and stakeholder engagement was also held in the reporting period.

Diversity

For the majority of the reporting period, NAIF's Board diversity was 67% male and 33% female.

Figure 9: Summary of Board members meeting attendance

Board member	Board Meeting Eligible	Attended	BARC Meeting Attended
Khory McCormick	17	16	4 ^M
Bill Shannon	17	17	4 ^M
Barry Coulter	17	17	3
Justin Mannolini	17	16	4 ^M
Karla Way-McPhail	17	16	2
Sharon Warburton ¹⁰	15	14	3
Sally Pitkin ¹¹	0	0	0

^M BARC member, other board members attended as outlined although not official members of BARC

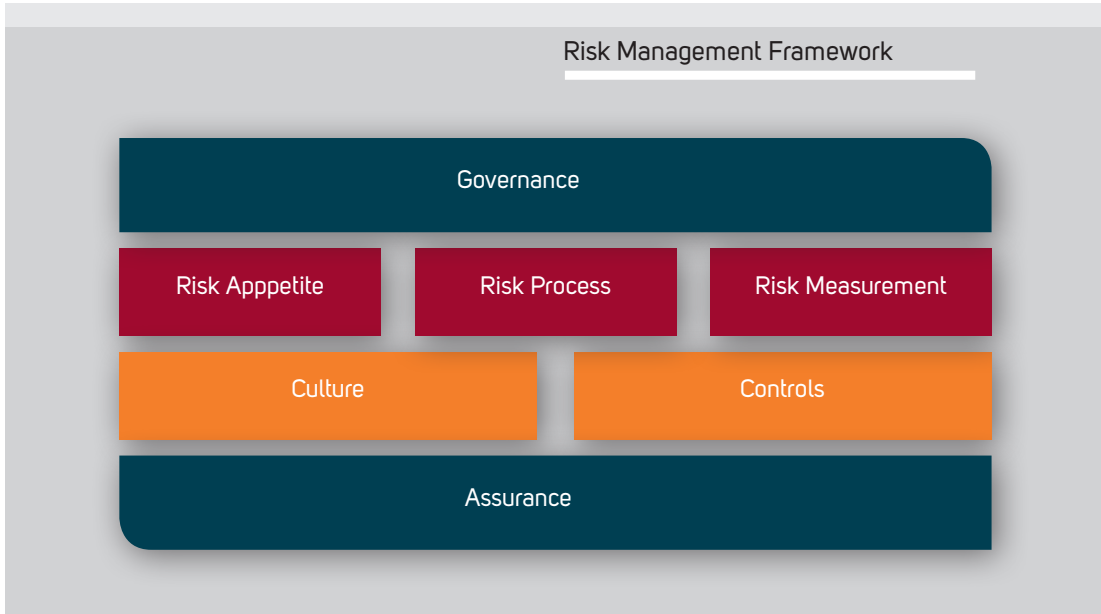
¹⁰ Ms Sharon Warburton resigned effective 30 April 2018

¹¹ Dr Sally Pitkin resigned effective 31 July 2017

8. Risk Management

NAIF's approach to risk management is consistent with the International Standard for Risk Management and is designed to support NAIF in the achievement of its vision and strategic objectives. Effective, best practice risk management enables NAIF to address financing challenges unique to its mandate. Figure 10 illustrates the key elements of NAIF's RMF.

Figure 10: NAIF's Risk Management Framework



Governance

The Board has overarching responsibility for NAIF's RMF. The BARC supports the Board with a key role to set a culture across NAIF that embraces risk management as an essential part of business operations.

The NAIF CEO and Executive are responsible for developing and implementing, under the direction of the BARC, the RAS and RMF, risk policies, systems, processes and controls, and fostering a risk-aware culture. The Executive reports to the BARC on the effectiveness of the RMF and the management of NAIF's key enterprise risks.

Risk Appetite

The NAIF Board recognises the importance of maintaining a documented RAS that clearly articulates the amount and type of risk it is willing to seek or retain in pursuit of its mandate and strategic objectives.

The RAS provides clear guidance to the Executive on the acceptable risk limits within which they must execute their activities. On an annual basis, or more frequently if required,

the Board reviews the RAS in conjunction with strategic objectives to ensure continued alignment and address emerging risks, changes to existing risks and changes to government policy.

Risk Process

An effective RMF requires a continuous process of identification, assessment, management and monitoring of all material risks that could adversely affect current and future operations.

Risk Measurement

NAIF's key enterprise risks are measured using a likelihood and impact matrix to determine a risk rating of low, medium, high or very high. Risks are assessed for their inherent risk exposure as well as their residual risk exposure (taking into consideration mitigating controls).

Criteria for measuring likelihood and impact have been tailored to NAIF's purpose and include financial, reputational, legal/compliance, operational and safety considerations.

Risk Culture

Key elements of NAIF's risk culture are:

- setting the tone from the top through the Board and BARC's active involvement in the risk management process;
- risk awareness entrenched in day-to-day business processes through recruitment of skilled staff and on-going risk and compliance training;
- appropriate risk-taking behaviours are rewarded and inappropriate behaviours challenged and sanctioned via feedback and performance reviews; and
- adequate disclosure of incidents through 'no-fault' incident reporting.

Controls

Controls are a key part of NAIF's RMF and aim to minimise the chance of a risk event materialising. Mitigating controls are documented for each key enterprise risk and are regularly assessed for effectiveness.

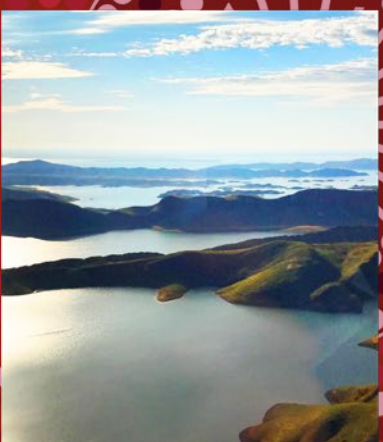
Assurance

Assurance activity provides a positive declaration that NAIF's RMF is operating as designed. Both internal and external reviews are leveraged to provide the Board with confidence that operations are aligned with approved policy.

Our Key Risks

NAIF's primary focus is its Investment Decisions and has structures in place to manage the risks associated with this function including detailed due diligence and credit approval processes. In addition, NAIF must manage a comprehensive list of governance and operational risks. NAIF's key risks fall into the following broad categories:

- **Strategic:** risks related to meeting strategic objectives and expectations of key stakeholders;
- **Investment Decisions:** project assessment and credit related risks;
- **Governance, Legal and Regulatory:** compliance with relevant obligations such as confidentiality, conduct and AML/CTF; and
- **Operational:** risks associated with running a viable and efficient business including resourcing, business continuity, outsourcing and health and safety.



9. People

Organisation structure and location

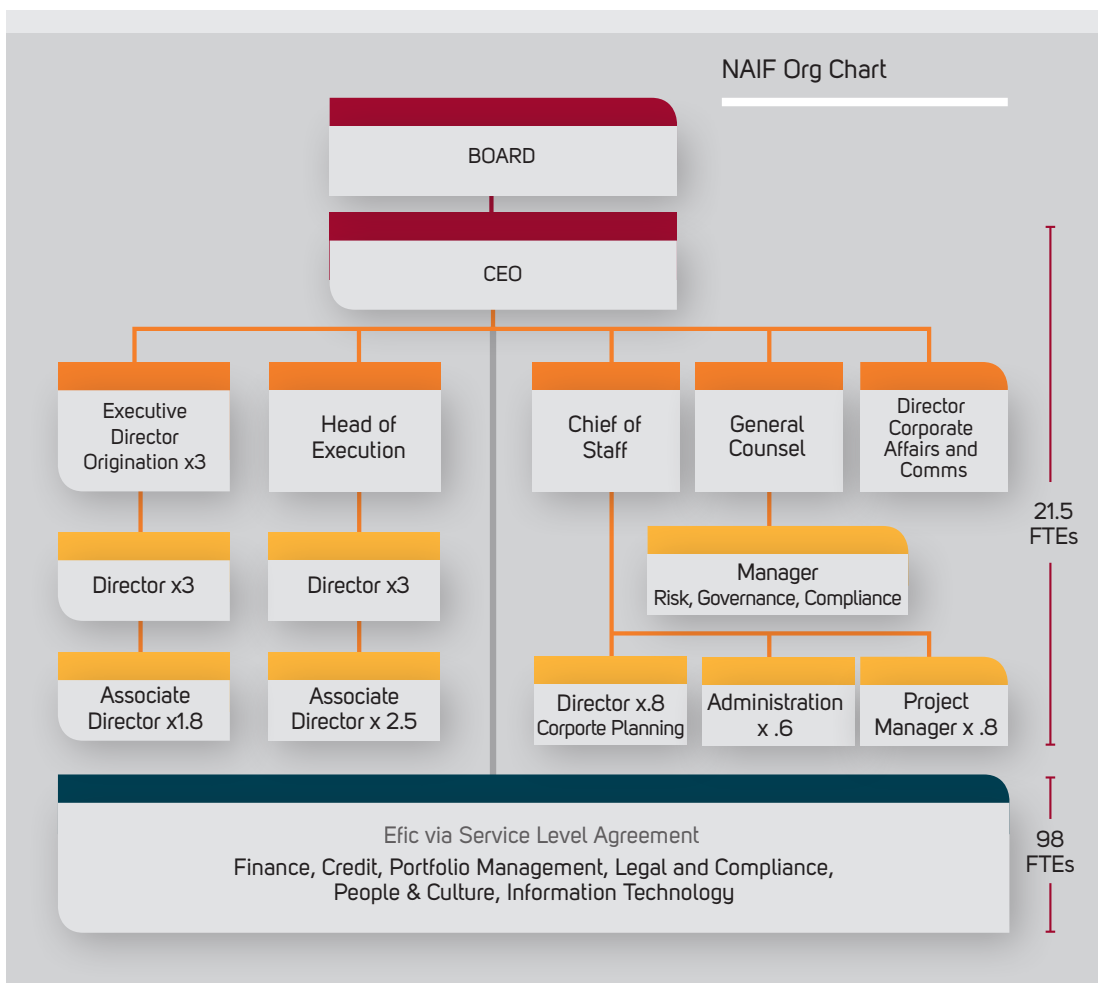
NAIF's head office in Cairns allows the CEO and Executive to develop strong relationships across northern Australia. NAIF also has employees co-located with Efic at its head office in Sydney and with DIIS in Brisbane. In July 2018 NAIF established a presence in Perth to service northern Western Australia.

NAIF's Executive, which includes the CEO and a team of seven direct reports, has experience as lenders, infrastructure financiers and advisors, to generate and convert investment opportunities. The team has extensive experience in the financing of economic and social infrastructure, and has advised both public and private

sector counterparts. During the reporting period additional origination and execution personnel were recruited, with experience in analysing and financing complex infrastructure projects. In addition, a dedicated General Counsel, a specialist risk, compliance and governance position, and a financial reporting position were appointed.

Under the SLA, NAIF has utilised 56 Efic employees in various capacities, during the reporting period, including the Chief Financial Officer, Board Secretary, Head of Human Resources, Project Finance Environment and Technical Review, Chief Credit Officer and Portfolio Management.

Figure 13: NAIF Organisational Structure (as at 30 June 2018)



9. People continued

Service Level Agreement (SLA) with Efic

NAIF is supported in its day-to-day operations through an SLA with Efic. The SLA is for a term that extends until the last NAIF loan is expected to be repaid.

As an experienced financier, Efic has expertise in managing large and complex lending transactions and is also a Corporate Commonwealth entity under the PGPA Act. The SLA arrangement ensures an efficient use of existing Commonwealth resources, reducing the duplication of resourcing requirements across government entities. The SLA allowed NAIF to transition from its start-up phase to operational phase faster than it would have otherwise, and shared learnings across teams have also been a key benefit to both organisations.

The services provided by Efic under the SLA fall into two broad categories:

1. assisting with transaction due diligence, environment and technical review, credit assessment and also managing the administration of the NAIF loan portfolio post financial close; and
2. corporate and administrative services, including secretariat and board secretary, legal, compliance, financial management and reporting, human resources, information technology and communication, and property management.

Under this SLA, NAIF can access resources from Efic on an 'as needs' basis. This allows NAIF to meet the needs of its business, proponents and other stakeholders efficiently and cost effectively.

Efic employees providing services to NAIF under the SLA are considered NAIF employees when performing those services for the purposes of NAIF's general operations, and the provision of financial, audit and other statutory and non-statutory sign-offs.

People

The ability of NAIF to meet its strategic vision is heavily dependent on the quality of its people. NAIF has secured an experienced and committed team with extensive experience as lenders and/or financial advisors in the commercial market. NAIF has also recruited people with government and corporate administration expertise.

NAIF staff enjoy a learning and performance culture where its people have support to succeed and grow.

Workforce Demographics

As at 30 June 2018, NAIF had 21.5 dedicated Full Time Equivalent (FTE) employees. An increase of 11.4 FTE since 30 June 2017. This included all NAIF permanently contracted staff and 2.5 Efic staff that were dedicated to NAIF.

Employees are engaged on a common law contract basis. One Australian Government Average Staffing Level position, representing the CEO position, is reported in the Portfolio Budget Statements¹².

Figure 14: Number of FTE employees

	30 June 2018	30 June 2017
Total FTE staff	21.5	10.1
Efic employees utilised (rates vary)	56.0	53.0

Diversity and Inclusion

It is a strategic priority for NAIF to build and maintain a diverse workforce with the technical skills to fulfil its purpose. NAIF believes that diversity of thought helps to build employee engagement, drive innovation and results, and allow it to respond effectively to the diverse needs of all stakeholder groups.

Figure 15: NAIF gender diversity profile at 30 June 2018

Classification	Female FTEs	Male FTEs	Total
NAIF Employees	6.2 29%	15.3 71%	21.5 100%

Figure 16: NAIF workforce diversity at 30 June 2018

Classification	NESB ¹³ FTE's	ATSI ¹⁴ FTE's	PWD ¹⁵
NAIF Employees	4.8 22%	0.6 3%	NIL

NAIF champions a constructive and inclusive culture that embraces the different perspectives, identities and experiences of its people. NAIF provides equal opportunity in all aspects of employment, including employment conditions, recruitment selection, remuneration, learning and development, and promotion.

¹² Department of Industry, Innovation and Science Portfolio Budget Statement, page 218, published 8 May 2018

¹³ NESB = Non English Speaking Background (or with parents from a non-English Speaking Background)

¹⁴ ATSI = Aboriginal or Torres Strait Islander background

¹⁵ PWD = people with a disability

NAIF is committed to Indigenous diversity and achieving a minimum 2.5 per cent Indigenous employee representation, in line with the Australian Government policy target.

During the reporting period NAIF has had an Indigenous student working with the team in the head office in Cairns representing 3 per cent of NAIF's FTE for the reporting period.

Learning and Development

Under the SLA, Efic provides NAIF employees with access to a full learning and development curriculum. Employees receive initial induction through Human Resources, and a further NAIF specific risk and compliance induction. There is then progressive compliance and other specialist training with a rolling schedule of independent experts presenting on industry sector trends and developments, as well as law, finance, compliance and risk.

As part of NAIF's performance and development program, employees have career discussions with their managers, and put in place a targeted development plan for the year ahead.

NAIF also encourages its employees to attend, participate and present at thought leadership and industry conferences, and to share what they have learnt. NAIF Executives presented at 66 industry events in FY 2017–18, with a selection of their speeches available on the [NAIF website](#).

Employee Benefits

Flexible working

NAIF offers an agile working environment to provide its people with options to assist them in managing their work, travel and personal commitments. All employees have the technology to work remotely or from any NAIF office. NAIF employees have both formal and informal flexible work arrangements.

Wellbeing initiatives / Employee Assistance programs

NAIF's employees benefit from many of Efic's wellbeing programs, which promote improved health awareness, self-management skills and healthy work practices.

Through Efic, NAIF's employees also have access to an employee assistance program, which provides support to them and their immediate families as needed, as well as access to a free confidential counselling service.

In addition NAIF team strategy sessions have included discussion on topics such as resilience, personal growth,

leadership, mind fitness and managing and responding to workplace challenges.

Work Health and Safety

NAIF's employees travel frequently across northern Australia, to Canberra and other capitals and occasionally internationally, as well as using NAIF's technology options for remote working.

NAIF's office space across all locations is in secure buildings with restricted security pass access. Workstations and facilities have modern safety features, such as adjustable seats and computer monitors. Employees are also given information on ergonomic self-assessment and provided with additional equipment as required.

NAIF works closely with Efic around work health and safety (WHS). NAIF engages with its employees on WHS matters, including the adequacy of its facilities, and takes steps to ensure a positive, productive and risk free working environment.

NAIF takes a pragmatic, risk based approach to WHS compliance framework and management practices. Workplace hazards are prioritised according to the risk that they pose to the health and safety of NAIF's employees, and are dealt with promptly.

NAIF records and monitors hazards and controls. Key risk areas that require specialised monitoring have been identified as domestic travel (often to remote areas of northern Australia) and security.

NAIF has a process for incident notification and investigation, which includes reporting of 'near misses'. Incidents and near misses are managed, and proactive measures are put in place to reduce the potential risks identified.

NAIF had no workplace injuries among employees and contractors, and was not investigated and did not receive any notices or record any 'notifiable incidents' under the WHS Act, during the reporting period.

10. Financial Statements

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Statement by Board Members, Chief Executive Officer and Chief Financial Officer

Statement by Board Members, Chief Executive Officer and Chief Financial Officer

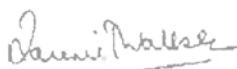
In our opinion, the attached financial statements for the year ended 30 June 2018 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013 (PGPA Act)*, and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that NAIF will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the Board.



Khory McCormick
CHAIRMAN
23rd August 2018



Laurie Walker
CHIEF EXECUTIVE OFFICER
23rd August 2018



Stuart Neilson
CHIEF FINANCIAL OFFICER
23rd August 2018

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

To the Minister for Resources and Northern Australia

Opinion

In my opinion, the financial statements of the Northern Australia Infrastructure Facility for the year ended 30 June 2018:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Northern Australia Infrastructure Facility as at 30 June 2018 and its financial performance and cash flows for the year then ended.

The financial statements of the Northern Australia Infrastructure Facility, which I have audited, comprise the following statements as at 30 June 2018 and for the year then ended:

- Statement by the Board Members, Chief Executive Officer and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to the financial statements, comprising a Summary of Significant Accounting Policies and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Northern Australia Infrastructure Facility in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the Northern Australia Infrastructure Facility, the Board is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under that Act. The Board is also responsible for such internal control as the Board determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Northern Australia Infrastructure Facility's ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Clea Lewis

Executive Director

Delegate of the Auditor-General

Canberra

24 August 2018

Statement of Comprehensive Income

for the period ended 30 June 2018

	Note	2018 \$'000	2017 \$'000	Original Budget \$'000
NET COST OF SERVICES				
Expenses				
Employee Benefits	1.1A	4,657	1,730	411
Suppliers	1.1B	4,190	3,983	8,093
Total expenses		8,847	5,713	8,504
Own-Source Income				
Own source revenue	1.2A	54	-	-
Net cost of services		(8,793)	(5,713)	(8,504)
Revenue from Government	1.2B	8,504	8,111	8,504
Total comprehensive income/(loss) attributable to the Australian Government		(289)	2,398	-

The above statement should be read in conjunction with the accompanying notes.

Statement of Financial Position

as at 30 June 2018

	Note	2018 \$'000	2017 \$'000	Original Budget \$'000
ASSETS				
Financial assets				
Cash	2.1A	5,118	3,946	3,016
Other receivables	2.1B	40	-	-
Total financial assets		5,158	3,946	3,016
Non-Financial assets				
Other non-financial assets	2.2A	10	-	-
Total Non-financial assets		10	-	-
Total Assets		5,168	3,946	3,016
LIABILITIES				
Payables				
Suppliers	2.3A	2,249	1,200	1,000
Other payables	2.3B	36	13	-
Total payables		2,285	1,213	1,000
Provisions				
Employee leave & other entitlements		774	335	16
Total provisions		774	335	16
Total liabilities		3,059	1,548	1,016
Net assets		2,109	2,398	2,000
Equity				
Retained surplus		2,109	2,398	2,000
Total Equity		2,109	2,398	2,000

The above statement should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

for the period ended 30 June 2018

	Retained Surplus		Original Budget \$'000
	2017 \$'000	2017 \$'000	
RETAINED SURPLUS			
Opening balance as at 1 July	2,398	-	2,000
Comprehensive Income			
Surplus/(Deficit) for the period	(289)	2,398	-
Total comprehensive income/(loss)	(289)	2,398	-
Closing balance as at 30 June	2,109	2,398	2,000

Cash Flow Statement

for the period ended 30 June 2018

	2018 \$'000	2017 \$'000	Original Budget \$'000
OPERATING ACTIVITIES			
Cash received			
Receipts from Government	8,504	8,111	8,504
Interest	53	-	-
Sundry	1	-	-
Total cash received	8,558	8,111	8,504
Cash used			
Employees	4,195	1,382	411
Suppliers	3,191	2,783	8,093
Total cash used	7,386	4,165	8,504
Net cash from operating activities	1,172	3,946	-
Net increase/(decrease) in cash held	1,172	3,946	-
Cash at the beginning of the reporting period	3,946	-	3,016
Cash at end of the reporting period	5,118	3,946	3,016

The above statement should be read in conjunction with the accompanying notes.

Overview

for the period ended 30 June 2018

Basis of preparation

The Financial Statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

The Financial Statements have been prepared in accordance with:

- a) *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (FRR)*; and
- b) Australian Accounting Standards and Interpretations - Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements are prepared in Australian dollars and rounded to the nearest thousand dollar (\$'000).

The Financial Statements have been prepared on an accrual basis and in accordance with the historical cost convention. No allowance is made for the effects of changing prices on the results or the financial position.

New accounting standards

No accounting standard has been adopted earlier than the application date as stated in the standard.

Accounting standards that were issued prior to the signing of these statements and are applicable to the current reporting period did not have a material impact on the financial statements.

Taxation

The facility is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and Goods and Services Tax (GST).

Asset recognition

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, except for:

- items of property with a project cost less than \$15,000 (which are expensed in the year of acquisition); and
- items of plant and equipment costing less than \$7,500 (which are expensed in the year of acquisition).

Overview continued

for the period ended 30 June 2018

Employee policies

Liabilities for short-term employee benefits expected within twelve months of the end of reporting period are measured at their nominal amounts. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

The liability for employee benefits includes provision for annual leave and long service leave. The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the entity's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by reference to the shorthand method, and with management assessments relating to salary growth rates. The estimate of the present value of the liability takes into account an estimate of attrition rates and pay increases through promotions and inflation.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future by NAIF employees is estimated to be less than the annual entitlement for sick leave.

The facility's staff are members of superannuation funds held outside the Australian Government. NAIF makes employer contributions to these funds as per the Superannuation Guarantee Contribution rate. The liability for superannuation recognised as at 30 June represents outstanding contributions.

Events after the reporting period

There were no significant events occurring after the reporting period that impact the facility's financial statements for the year ending 30 June 2018.

Budget variance commentary

The variance in this commentary is the difference between the financial statements and the original budget presented to Parliament in the 2017-18 Portfolio Additional Estimates.

Budget figures were determined prior to the finalisation of the NAIF structure. Budget figures assumed a limited number of employees being supplemented by contractors. During the year contractors were replaced by permanent employees and this reflects the increase in employees benefits which is offset by a corresponding decrease in suppliers. Overall costs are slightly higher than budget this year due to the catch up in costs as NAIF was \$2,398k under budget in last the financial year. As a result of these items, the Statement of Comprehensive Income has offsetting variances between employee benefits expense and suppliers expense. Variance in cash and payables represents the timing difference in paying suppliers at year-end.

Notes to and forming part of the Financial Statements

for the period ended 30 June 2018

Financial Performance

	2018	2017
	\$'000	\$'000
NOTE 1.1 EXPENSES		
1.1A Employee Benefits		
Wages and salaries	3,905	1,278
Superannuation defined contribution plans	311	117
Leave and other entitlements	441	335
Total employee benefits	4,657	1,730

Accounting policies for employee related expenses is contained in the Overview section.

1.1B Suppliers

Services provided by The Export, Finance and Insurance Corporation	1,591	1,364
Professional fees	871	913
Travel	597	347
Consultants	320	97
Property costs	292	153
Computer and communication costs	225	159
Contractors	87	144
Advertising and promotional costs	57	200
Insurance	20	103
Credit information	4	430
Other	126	73
Total suppliers	4,190	3,983

Leasing commitments

Operating lease payable

Within 1 year	117.0	-
Between 1 to 5 years	40.0	-
Total operating lease commitments	157.0	-

NAIF in its capacity as lessee of a property in Cairns has signed a lease agreement starting on the 25th March 2018 for a term of three years with a 3 year extension option. The total lease payments for the financial period was \$33 thousand. The lease has a break clause providing that up to 3 months prior to 31 October 2019, NAIF may provide written notification to end the lease. The timing coincides with the legislative review of the NAIF scheduled to be undertaken as soon as possible 3 years after the NAIF's commencement of 1 July 2016.

Operating lease payments are expensed on a straight line basis which is representative of the pattern of benefits derived from the lease.

Notes to and forming part of the Financial Statements continued

for the period ended 30 June 2018

NOTE 1.2 REVENUE

1.2A Own source revenue

Interest	53	-
Sundry	1	-
Total own source revenue	54	-

1.2B Revenue from Government

Department of Industry, Innovation and Science		
Corporate Commonwealth entity payment	8,504	8,111
Total revenue from Government	8,504	8,111

Funding received or receivable from the Department of Industry, Innovation and Science (appropriated to NAIF as a Corporate Commonwealth Entity payment item) is recognised as Revenue from the Government when NAIF gains control of the funding. If the funding is in the nature of an equity injection, such amounts are recognised directly in contributed equity in the year received.

Notes to and forming part of the Financial Statements continued

Financial Position

for the period ended 30 June 2018

	2018	2017
	\$'000	\$'000

NOTE 2.1 FINANCIAL ASSETS

2.1A Cash

Cash at bank	5,118	3,946
Total cash	5,118	3,946

Cash is held on deposit and is available at call

2.1B Other Receivables

Goods and services tax	40	-
Total other receivables	40	-

NOTE 2.2 NON-FINANCIAL ASSETS

2.2A Other non-financial assets

Prepayments	10	-
Total other non-financial assets	10	-

NOTE 2.3 PAYABLES

2.3A Suppliers

Trade creditors and accruals	2,249	1,200
Total suppliers	2,249	1,200

Suppliers Payables are recognised at cost to the extent that goods and services have been received irrespective of having been invoiced. Credit terms for goods and services is usually within 30 Days.

2.3B Other Payables

Salaries and wages	33	12
Superannuation	3	1
Total other payables	36	13

The liability for salaries and wages and superannuation recognised as at 30 June 2018 represents outstanding amounts for the final fortnight of the financial year.

Notes to and forming part of the Financial Statements continued

People and Relationships

for the period ended 30 June 2018

3.1 Key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. The entity has determined the key management personnel to be the Board members, the Chief Executive Officer, the Executive Directors of the organisation, the Minister for Northern Australia, and the Portfolio Minister. Key management personnel remuneration is:

	2018 \$	2017 \$
Short-term employee benefits	2,510,481	1,244,449
Post-employment benefits	187,826	99,078
Total key management personnel remuneration expenses	2,698,307	1,343,527

Total number of key management personnel that are included in the above table are: 13 10

The above key management personnel remuneration excludes the remuneration and other benefits of the Minister for Northern Australia and the Portfolio Minister. The Minister for Northern Australia and the Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by NAIF.

The Board and CEO remuneration and other benefits are set by the Remuneration Tribunal. The Board members and CEO are not paid performance awards.

3.2 Related party relationships

The entity is an Australian Government controlled entity. Related parties to the entity are the key management personnel as defined above and other Australian Government entities.

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens.

Significant transactions with related parties can include provision of corporate and administration services to NAIF, the provision of insurance, the provision of leases and the purchases of goods and services.

Giving consideration to relationships with related entities, and transactions entered into during the reporting period by the entity, it has been determined that there are no material related party transactions to be separately disclosed.

11. Index of Statutory Reporting Requirements

The NAIF Board is obligated under section 46 of PGPA Act to prepare an annual report and the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) sets out the mandatory content requirements.

Part A – Public Governance, Performance and Accountability Act 2013

Section	Subject	Location within Report	Page
PGPA Act 2013			
s 46	The NAIF Board must prepare and give an annual report to NAIF's responsible Minister, for presentation to the Parliament, on NAIF's activities during the period.	Report of operations, financial statements and Independent Auditors Report	1-54
PGPA Rule 2014			
s 17BB	The NAIF Board must approve and sign the annual report which is to include: <ul style="list-style-type: none"> • Details of how and when approval of the annual report was given; and • State that the NAIF Board is responsible for preparing and giving the annual report to NAIF's responsible Minister in accordance with s 46 of the Act. 	Chair and CEO Report	2
s.17BE(a) – (b)	The annual report must detail NAIF's enabling legislation, and summarise its objects and functions and its purposes as set out in its corporate plan for the period.	About NAIF	8
s.17BE(c) – (f)	The annual report must provide details of: <ul style="list-style-type: none"> • The name and title of the responsible Minister of NAIF; • Any directions given by the responsible Minister; • Any policy orders that applied to NAIF; and • Details of any non-compliance with the above. 	Corporate Governance <ul style="list-style-type: none"> - Accountability - Ministerial Directions - NAIF Act – Section 42 Reporting - NAIF Act – Section 42 Reporting 	22 23 24 24
s.17BE(g)	The annual report must include NAIF's Annual Performance Statements.	Annual Performance Statement	12
s.17BE(h) – (i)	The annual report must detail any significant issues reported to the Minister.	Corporate Governance <ul style="list-style-type: none"> - Legislative Reporting 	23

11. Index of Statutory Reporting Requirements continued

Section	Subject	Location within Report	Page
<i>PGPA Rule 2014 continued</i>			
s.17BE(j)	The annual report must detail particulars of the Board.	Board - Board Profiles and Photos	31
s.17BE(k) – (l)	The annual report must detail particulars of NAIF's organisational structure and outline the location of NAIF's major activities or facilities.	People - Organisation structure and location	39
s.17BE(m)	The annual report must outline the main corporate governance practices of NAIF.	Corporate Governance	22
s.17BE(q) – (s)	The annual report must detail any judicial and administrative decisions or reviews or reports having a significant effect on NAIF.	Corporate Governance - Legislative Reporting section	23
s.17BE(t)	The annual report must detail any indemnity applied during the financial year.	Corporate Governance - Legislative Reporting section	26
s.17BE(u)	The annual report must include an index of NAIF's statutory reporting requirements.	Index of Statutory Reporting Requirements	55-57

Part B – Other legislation

Section	Subject	Location within Report	Page
NAIF Act 2016			
s. 42	<p>NAIF's annual report must include:</p> <p>(a) Particulars of any changes to the Investment Mandate during the period and their impact on the operations of the Facility;</p> <p>(b) A summary of the proposal notices given by the Facility to the Minister during the period;</p> <p>(c) A summary of any rejection notices given by the Minister during the period and the Minister's reasons for giving the notices;</p> <p>(d) For financial assistance provided by the Facility during the period, a summary of:</p> <p>(i) The amounts of financial assistance and kinds of Northern Australia economic infrastructure concerned; and</p> <p>(ii) The kinds of loan contracts used, and their impact features;</p> <p>(iii) The risks and returns to the Commonwealth.</p> <p>(e) A summary of any adjustments or concessions made by the Facility during the period in relation to the Northern Australia economic infrastructure projects that have not progressed as planned.</p>	Corporate Governance - Legislative Reporting section	24
Environment Protection and Biodiversity Conservation Act 1999			
s.516A (3)(6)	Ecologically sustainable development and environmental performance	Corporate Governance - Environmental Reporting Section	26
WHS Act 2011			
Sch 2, Pt 4, Clause 4(2)	Work health and safety initiatives, outcomes, statistics and investigations	People - Work, Health and Safety	39

12. Abbreviations and Acronyms

Figure 15: Abbreviations and Acronyms

Abbreviation / Acronyms	Description
AML/CTF	Anti-Money Laundering/Counter Terrorism Financing
ANAO	Australian National Audit Office
ASX	Australian Securities Exchange
ATSI	Aboriginal or Torres Strait Islander
BARC	Board Audit and Risk Committee
CEO	Chief Executive Officer
DIIS	Department of Industry, Innovation and Science
ESD	Ecologically Sustainable Development
ESR	Environmental and Social Review of Transactions Policy
Efic	Export Finance and Insurance Corporation
FC	Financial Close
FTE	Full Time Equivalent
FY	Financial Year
IES	Indigenous Engagement Strategy
Investment Mandate	Northern Australia Infrastructure Facility Investment Mandate Direction 2018
NAIF	Northern Australia Infrastructure Facility
NAIF Act	Northern Australia Infrastructure Facility Act 2016
NESB	Non English Speaking Background
PBS	Portfolio Budget Statement
PGPA Act	Public Governance, Performance and Accountability Act 2013
PGPA Rule	Public Governance, Performance and Accountability Rule 2014
PWD	People with a disability
RDA	Regional Development Australia
RMF	Risk Management Framework
RAS	Risk Appetite Statement
SLA	Service Level Agreement
WHS Act	Work Health and Safety Act 2011
WHS	Work Health and Safety

13. Contact Details

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Australian Government



Northern Australia Infrastructure Facility