

Annual Report

2019 – 2020



Investing for impact across the north

The Northern Australia Infrastructure Facility (NAIF) is a \$5 billion lending facility to provide financial assistance to infrastructure projects. It advances Commonwealth Government funds via the governments of the Northern Territory, Queensland and Western Australia, to invest in the development of northern Australian economic infrastructure.

NAIF's mission is to be an innovative financing partner in the growth of northern Australia. A key focus of any financing is to drive public benefit, economic and population growth and Indigenous involvement in northern Australia.

Examples of the sectors that NAIF can support include, but are not limited to, resources, airports, ports and rail, agriculture, water, energy, social infrastructure (including property, tourism, education and health), manufacturing and telecommunications.

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Investments across northern Australia in 2019-20

NAIF invests in and supports projects across a range of sectors critical to the northern Australian economy.

A Strandline Resources

SOUTH OF DENHAM

Development of Coburn Heavy Mineral Sands Project

UP TO \$150m

B Australian Aboriginal Mining Corporation (AAMC)

NORTHWEST OF NEWMAN

First Iron Ore Project

UP TO \$12.5m

C Kalium Lakes*

SOUTH OF NEWMAN

Kalium Lakes

UP TO \$10.5m

D Charles Darwin University

(Full Investment Decision)

DARWIN

CBD City Campus

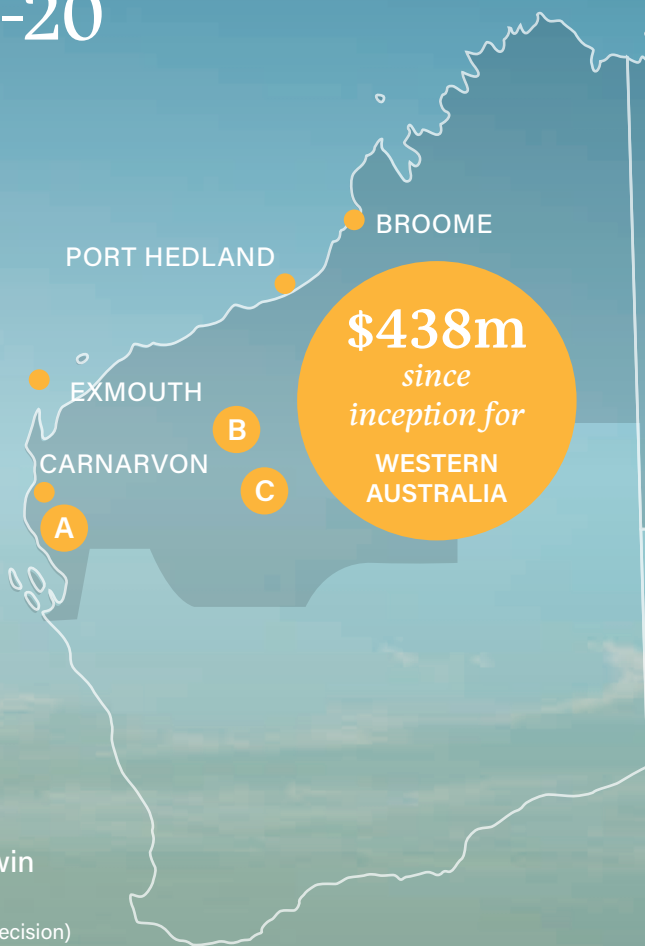
UP TO \$151.5m

E Darwin Shiplift

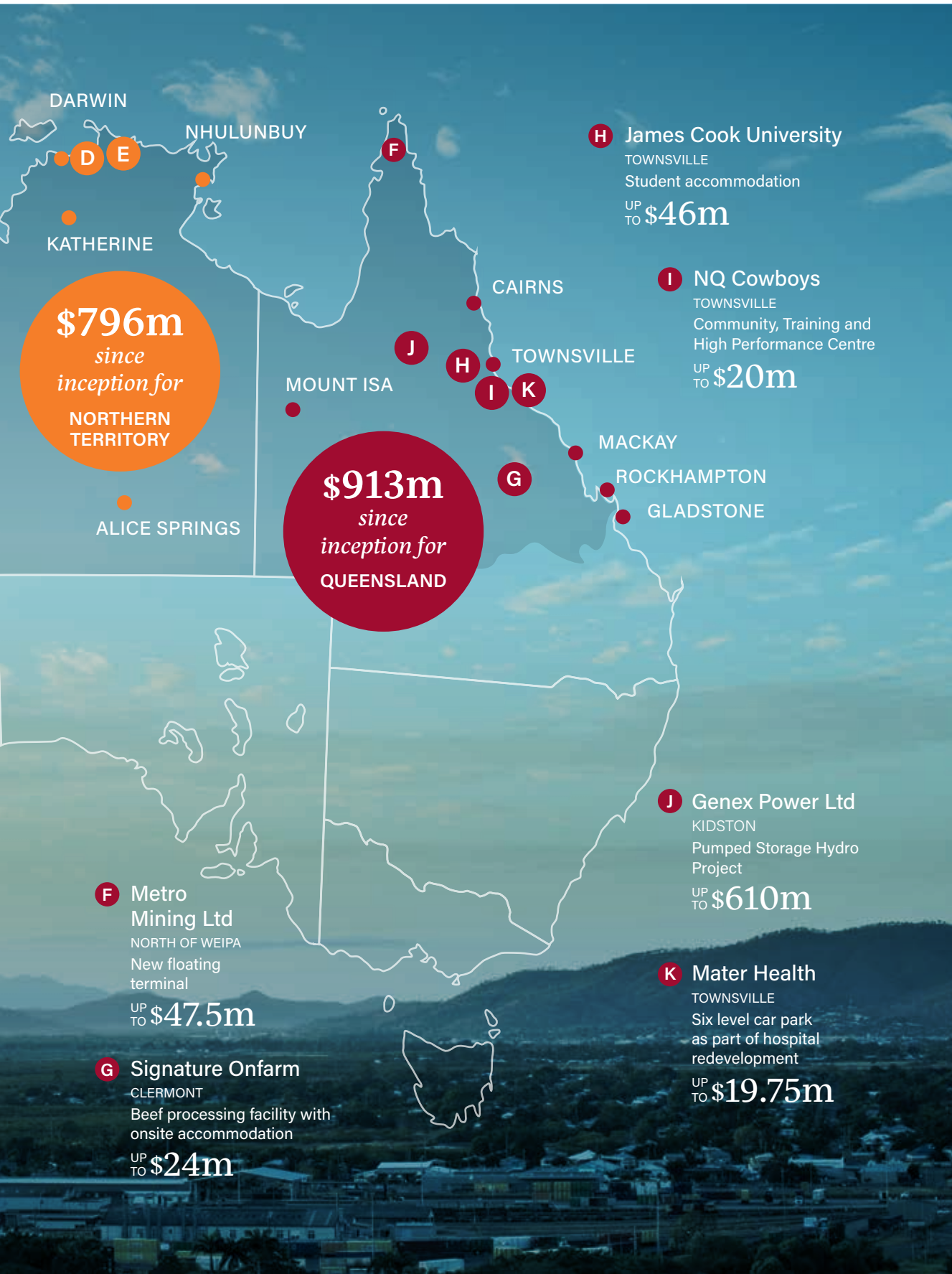
DARWIN

Facility and associated marine industry infrastructure

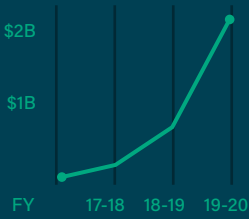
UP TO \$300m



* On 7 May 2020, the NAIF Board made an Investment Decision to offer an additional Financing Mechanism of up to \$10.5 million to support the Beyondie Sulphate of Potash Project to meet additional forecast construction costs and contingencies for the Project. Following a subsequent successful equity raising by Kalium Lakes Limited, the additional loan facility will not be required by the company.



Performance Summary



\$2.1B

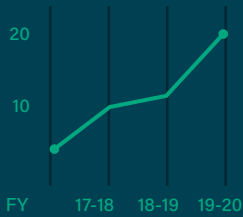
Total cumulative NAIF investment

\$1.4B

NAIF investment in 2019/20

\$147.5M
FY 17-18

\$478.5M
FY 18-19



21 Investment decisions
Plus 1 Conditional Approval

11*

New projects supported

*Includes \$10.5m additional financing mechanism to Kalium Lakes

Pipeline Opportunities

\$4.5B

Identified potential NAIF investment

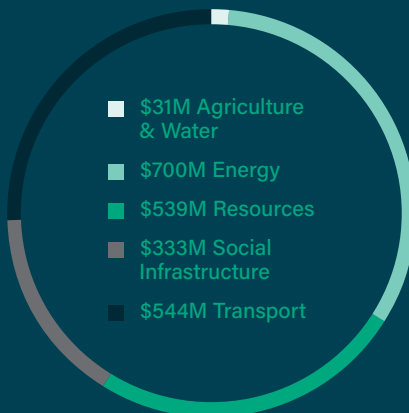
\$17.8B

Total project value of potential investments

NAIF's cumulative support by sector

\$2.1B

Excludes the \$10.5M for the Kalium Facility



\$4.1B

Total Project Value

\$2B
FY 19-20

\$1.8B
FY 18-19

\$336M
FY 17-18

NAIF's Performance

2019—20

Since 'opening for business' in August 2016, NAIF has approved \$2.1b in loans to projects across the north. In 2019/20 NAIF has significantly increased the number of value of investment commitments to projects, with loan approvals worth \$1.4b over the 12 month period to 30 June 2020.

NAIF's record includes partnering with projects in a broad range of key sectors to the northern Australia economy. Our record of approved loans – known as Investment Decisions – in 2019/20 is shown here.

Charles Darwin University
(full ID), NT

UP
TO **\$151.5M**

Strandline
Resources, WA

UP
TO **\$150M**

NT Government
(Ship Lift), NT

UP
TO **\$300M**

Australian Aboriginal Mining
Corporation (AAMC), WA

UP
TO **\$12.5M**

James Cook University
(student accommodation), QLD

UP
TO **\$46M**

Kalium Lakes,
WA

UP
TO **\$10.5M***

NQ Cowboys,
QLD

UP
TO **\$20M**

Metro Mining,
QLD

UP
TO **\$47.5M**

Mater Health,
QLD

UP
TO **\$19.75M**

Signature Onfarm,
QLD

UP
TO **\$24M**

Genex Power Ltd,
QLD

UP
TO **\$610M**

* On 7 May 2020, the NAIF Board made an Investment Decision to offer an additional Financing Mechanism of up to \$10.5 million to support the Beyondie Sulphate of Potash Project to meet additional forecast construction costs and contingencies for the Project. Following a subsequent successful equity raising by Kalium Lakes Limited, the additional loan facility will not be required by the company.



From the Chair

Mr Khory McCormick

CHAIR

I am pleased to commend the 2019-20 Annual Report of the Northern Australia Infrastructure Facility (NAIF). This, our fourth full year of operations, has been our most successful to date.

NAIF is a critical participant in the Australian Government's agenda to unlock the potential of northern Australia for the benefit of all Australians. We have a clear purpose to accelerate infrastructure development and thereby drive transformational growth in northern Australia by innovative financing that:

- Generates public benefit;
- Encourages longer-term growth in the economy and population of northern Australia;
- Encourages private sector participation in the financing of northern Australia's infrastructure needs; and
- Facilitates sustainable Indigenous participation, procurement and employment outcomes.

Since opening our doors in July 2016, we have worked in partnership with proponents, helped crowd in private sector investment and engaged with capital markets to bring significant investment to northern Australia. Our loans have included support for projects in a range of sectors including education, health and social infrastructure, mining and resources, renewables, transport and the agriculture sector.

NAIF has made significant progress over the 2019-20 financial year, with the Board making 11 Investment Decisions to offer loans totalling \$1.4bn, to support projects with a total capital value of \$2bn.

On behalf of the Board I wish to particularly thank the NAIF staff for the adaptability and commitment which they have displayed in continuing to perform during the Covid pandemic. Throughout recent months they have continued the flow of investment decision recommendations notwithstanding the enormous challenges in doing so. This experience has placed the NAIF very well to be part of the Government's and stakeholder jurisdictions' agenda for post Covid recovery.

MANDATE EXTENSION

At the time of publication, a broader statutory review of NAIF's operations is underway, conducted by the responsible Minister for NAIF, the Minister for Resources, Water and Northern Australia. NAIF's original mandate, to provide loans to infrastructure which contributes to unlocking the potential of the nation's north, was due to expire by 30 June 2021. As part of his review, the Minister has announced an extension of NAIF's term to 30 June 2026.

This extension gives NAIF renewed focus and momentum. It also places the organisation as a critical element of the Government's refreshed northern Australian economic development agenda. We acknowledge the support of the Prime Minister and the Minister for Northern Australia and look forward to continuing to deliver on the Government's ambitious and comprehensive agenda for northern Australia.

In 2019-20 NAIF made a record in commitments of

\$1.4B

This is up from the 2018-19 figure of

\$478.5M

AN ENGAGED BOARD AND SENIOR MANAGEMENT

During the reporting period, changes to the Ministry meant that the Hon Senator Matthew Canavan ceased to be the Responsible Minister for NAIF, with the Hon Keith Pitt MP assuming portfolio responsibilities, supported by Hon. Michelle Landry MP as Assistant Minister for Northern Australia. We thank Senator Canavan for his consistent strong advocacy of the development of northern Australia and his ongoing encouragement of the work of NAIF. We welcome Minister Pitt and Assistant Minister Landry to the portfolio responsibility.

This year also saw a change of Chief Executive Officer, with Chris Wade commencing in the role on 20 January 2020. During the second half of the year, Chris has overseen the process around NAIF's mandate extension and has brought fresh energy, ambition and strategy to the organisation. We welcome him and, on behalf of the Board, we thank the previous CEO, Laurie Walker, for her dedication to the role and the foundational work she undertook. We also acknowledge Amanda Copping for her efforts as Acting CEO during the transitional period.

TRANSFORMATIONAL PROJECTS

Looking ahead, NAIF is committed to supporting the development of transformational projects. These are projects that once developed, will provide one or more of the following transformational benefits:

- A material increase in population growth or employment to a region in northern Australia;
- Creation or significant development of a new industry in northern Australia;

- A material improvement in living standard for northern Australia (or a region);
- A project which brings significant improvement to the lives of the Indigenous population; and/or
- An enabling piece of infrastructure (road, port, communication link, dam, energy solution, etc.) that facilitates any of the above.

NAIF is committed to working with key government, regional and industry stakeholders to identify transformational projects across each of the jurisdictions that we operate in. The Kidston Pumped Hydro Project is an example of a Transformational Project that NAIF has supported. NAIF's conditional \$610m financing approval in July 2019 has assisted in allowing the Project's sponsors to progress other critical commercial discussions including equity capital raising, negotiations with key off-takers and negotiations with the Queensland Government to bring this Project closer to realisation.

CLOSING REMARKS

I extend my thanks to Directors, past and present, the NAIF team, our jurisdictions, proponents, key service providers and stakeholders for their contributions and support.

I hope each reader and their family remain safe and well in the period ahead.

Signed for and on behalf of 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).



CEO Report

Chris Wade

CHIEF EXECUTIVE OFFICER

It is an exciting time to lead NAIF as the organisation builds on the momentum established over the last year, the most successful of NAIF's relatively short history to date.

NAIF's exciting mission is to generate transformational growth for northern Australia through being an innovative financing partner. The key focus of any NAIF financing is to drive impact through public benefit, economic and population growth and enhanced Indigenous involvement in northern Australia.

A YEAR OF DELIVERY

Reflecting this focus, the year to 30 June 2020 saw NAIF provide loan commitments (known as Investment Decisions) to 11 infrastructure projects across northern Australia worth \$1.4bn, to support projects with a total capital value of \$2bn. The Investment Decisions were for projects spread across northern Australia with \$767m committed for Queensland projects, \$452m committed for Northern Territory projects and \$163m committed for Western Australian projects.

The projects are forecast to contribute over \$4bn of economic benefit to the northern Australian economy, which is a multiplier of 2.8 for every NAIF loan dollar committed. The projects funded by NAIF are forecast to support 3,530 jobs in either the construction or operational phase.

Details of our investments can be found later in this report and also on the NAIF website.

After NAIF's Investment Decision, we work closely with project proponents and each jurisdiction to

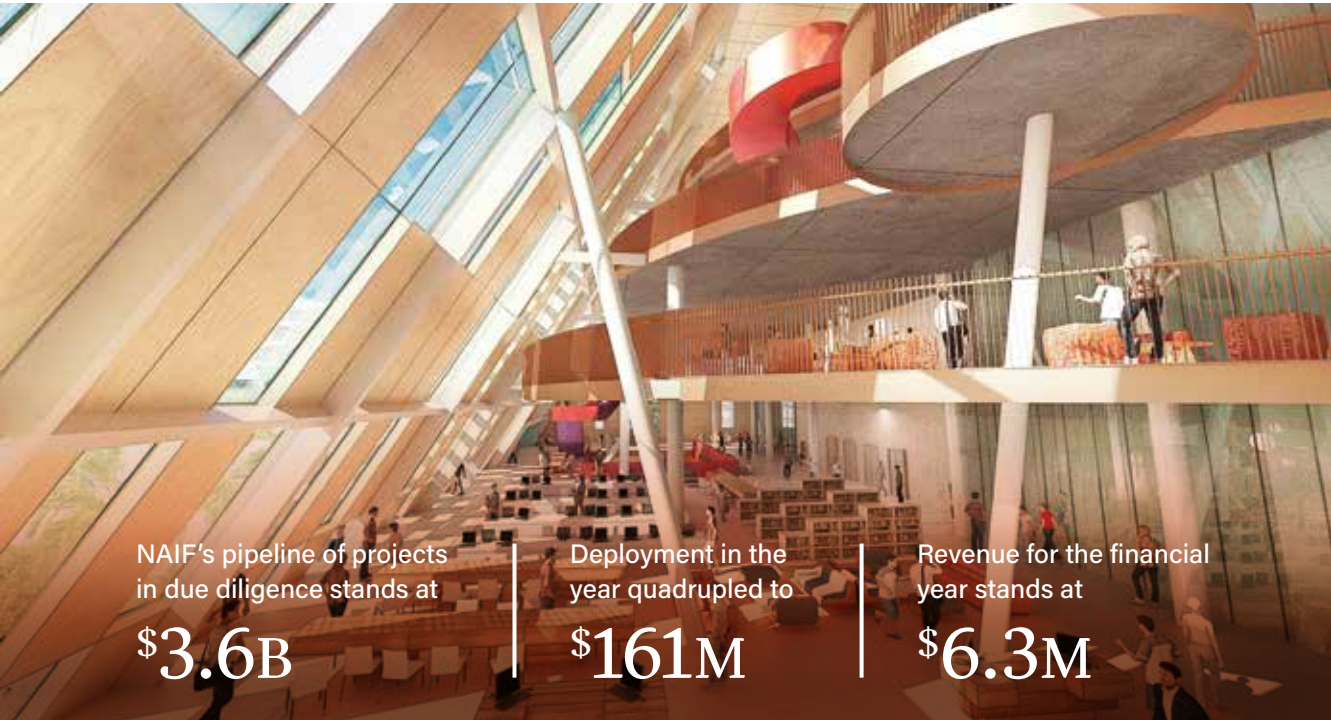
reach contractual close, after which Proponents can drawdown funds depending on their funding requirements. As at 30 September 2020, NAIF had reached contractual close of financings valued at approximately \$1.1bn (compared to \$535m at 30 June 2020). During the financial year, as a result of a financial close and drawdowns under a range of financings, NAIF also accrued \$6.3m of income, representing a significant increase in income from last financial year.

SUPPORT THROUGH COVID-19

NAIF looks to support projects and businesses in northern Australia to facilitate economic growth and help catalyse private sector investment. Since March 2020, a key focus for the organisation has been working flexibly with new and existing proponents to ensure an effective as possible COVID 19 response in northern Australian communities. We will continue to work with our key partners to support the economic recovery, as evidenced with our additional support to Kalium Lakes' Ltd Beyondie SOP project.

INVESTING FOR IMPACT

With the announcement of NAIF's mandate being extended to 30 June 2026, NAIF has an exciting pipeline of opportunities at various stages of initial review, due diligence and documentation and we are looking forward to announcing our support for a range of projects across various jurisdictions and sectors in coming year.



NAIF's pipeline of projects in due diligence stands at

\$3.6B

Deployment in the year quadrupled to

\$161M

Revenue for the financial year stands at

\$6.3M

Charles Darwin University, Darwin, NT

To ensure NAIF is best placed moving into this next phase of our growth and development, we have updated and refreshed the organisation's strategic approach to better deliver on our mission and vision for the benefit of all stakeholders and support a broader range of projects for assessment and Investment Decision. Some of these key initiatives include:

- NAIF's Investment team being restructured to support more projects effectively, with a focus on developing strong relationships across jurisdictions and key industry sectors.
- Innovative Financing Tools & Structures – Seeking to utilise a range of innovative debt financing tools and structures to assist in the development of projects.
- Developing Partnerships – Working with government and private sector partners across jurisdictions and sectors to assist in identifying and executing various project development opportunities. As an example, in 2020, NAIF entered into a Memorandum of Understanding with Indigenous Business Australia ("IBA") and the Indigenous Land and Sea Corporation ("ILSC") to share information, expertise and potential opportunities on the economic infrastructure supporting Indigenous Australians in northern Australia.

More details on these key initiatives, performance criteria and new key performance indicators for the four years to 2023-24 can be found in NAIF's new Corporate Plan on the NAIF website.

CLOSING REMARKS

None of NAIF's achievements to date would be possible without our highly skilled and experienced team. We ask our people to bring their commercial expertise and sector knowledge to the development of the North, and I recognise their contributions, particularly given the challenges they have faced in working remotely during this COVID 19 impacted period.

We also appreciate the effective working relationships with the Minister for Resources, Water and Northern Australia, the Hon Keith Pitt MP and the Assistant Minister for Northern Australia, Michelle Landry MP, the Department for Industry, Science, Energy and Resources and the Office of Northern Australia. We also appreciate the continued interest in our activities from many members of the Australian Parliament, as well as state and territory parliaments and agencies.

We look forward to expanding our work alongside businesses, entrepreneurs and developers for the benefit of the northern Australian community.

Vision, Purpose and Role



NAIF is a development financier with a \$5 billion lending facility provided by the Commonwealth Government to provide loans to infrastructure projects and businesses across northern Australia. NAIF does not provide its loans directly and instead all funding is provided via the territory and states of the Northern Territory, Queensland and Western Australia.

VISION AND MISSION

NAIF's mission is to generate transformational growth for northern Australia through being an innovative financing partner. A key focus of any financing is to drive public benefit, economic and population growth and Indigenous involvement in northern Australia.

NAIF'S ROLE

The NAIF Act states that the objective of NAIF is to provide financial assistance to States and Territory for the construction of northern Australian economic infrastructure, that is infrastructure that provides a basis for economic growth and stimulates population growth in northern Australia.

NAIF's Investment Mandate sets out the five mandatory eligibility criteria that each project must satisfy. For all projects there is a requirement for NAIF finance to be able to be repaid or refinanced.

The infrastructure that NAIF can finance is wide ranging and includes assets that facilitate the establishment or enhancement of business activity or increase economic activity in a region.

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 infrastructure or by materially enhancing existing infrastructure.

NAIF can provide up to 100 per cent of debt funding for an eligible project provided there is appropriate risk sharing. However, when determining which projects to fund, NAIF considers the potential of its investment to encourage private sector participation in financing the project. In contrast to private sector lending, NAIF's financing can, if necessary, be concessional, including longer loan tenor, or deferral of interest and principal repayments or security subordination. NAIF is only able to offer the minimum concessions necessary for a project to proceed.

NAIF can accept a higher risk than commercial lenders, particularly where the risk relates to factors that are unique to investing in northern Australia, including distance, remoteness and climate.

NAIF projects must be of public benefit (being broad based and must demonstrate benefits to the broader economy and community), beyond those captured by a project proponent. In offering any concessions, NAIF must have regard to the extent of the forecast public benefit.

An Indigenous Engagement Strategy demonstrating objectives for Indigenous participation, procurement and employment, reflecting the Indigenous population in the region must also be developed by the proponent for each NAIF project.

NAIF came into effect on 1 July 2016 as a corporate Commonwealth entity under the Northern Australia Infrastructure Facility Act 2016 (NAIF Act), which was passed with bipartisan support.

Other Commonwealth legislation including the Public Governance, Performance and Accountability Act 2013 (PGPA Act) also governs NAIF's operations.

The NAIF Act states that the objective of NAIF is to provide financial assistance to States and Territory for the construction of northern Australian economic infrastructure, that is infrastructure that provides a basis for economic growth and stimulates population growth in northern Australia.

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). The Minister has also issued a Statement of Expectations which outlines his expectations on the operation and performance of NAIF, beyond that considered by the legislative framework.

NAIF'S PURPOSE

NAIF's primary purpose is to accelerate infrastructure development and thereby drive transformational growth in northern Australia by innovative financing that:

- Generates public benefit including that outside of what is captured by the project proponent;
- Encourages longer term growth in the economy and population of northern Australia;

- Encourages private sector participation in the financing of northern Australia's infrastructure needs; and
- Facilitates sustainable Indigenous participation, procurement and employment outcomes.

NAIF is a key participant in the Australian Government's agenda to unlock the potential of northern Australia for the benefit of all Australians. NAIF looks to support projects and businesses in northern Australia to facilitate economic growth and help catalyse private sector investment.

NAIF'S VALUES

NAIF's people & culture strategy underpins the development, engagement and alignment of its people to deliver and execute on NAIF's strategy over the next four years and beyond. Central to this strategy are the following organisational values and behaviours:

- Collaboration
- Integrity
- Making a Difference
- Solutions Orientated

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.

Queensland Performance Report

Almost three-quarters of northern Australia's population live in Queensland. The State is the largest beneficiary of NAIF's approved loans to date, with \$913m in approved loans to eight projects in Queensland.

Across these projects, some 2,241 jobs will be provided or supported during either construction or ongoing operations. Reflecting the diverse nature of Queensland's economy, projects supported by NAIF in the State are in a range of industries and sectors.

PROJECTS SUPPORTED INCLUDE:

-  **A pumped storage hydro project** (Genex Power) at Kidston.
-  **James Cook University's Technology Innovation Complex** and student accommodation in Townsville.
-  **An upgrade of terminal facilities at Townsville Airport.**
-  **Support for agriculture with the construction of a beef processing facility** near Clermont, Central Queensland.
-  **Funding of social infrastructure through a multi-user community training centre,** run by the NQ Cowboys in Townsville.

2019-20 PERFORMANCE

This year NAIF approved \$767m worth of loans to six projects in Queensland: Mater Health (up to \$19.75m), James Cook University for student accommodation (up to \$46m), NQ Cowboys for its Community High Performance Centre (up to \$20m), Metro Mining's expansion project (up to \$47.5m), Signature Onfarm (up to \$24m) and Genex Power for its Kidston pumped hydro project (up to \$610m).

\$913M

In total approved NAIF loans (to 8 projects)

6

loans approved in 2019/20

Largest

beneficiary of NAIF approved loans

2,241

jobs will be provided or supported



This year NAIF approved loans to six projects of

\$767M

NAIF has contributed a loan to Mater Hospital of

\$19.75M



NAIF's first support for health-related infrastructure in Queensland

NAIF's \$19.75m loan to Mater Private Hospital is part of their three-stage redevelopment of their Pimlico campus in Townsville, valued at approximately \$52m. The hospital is a not for profit entity whose current operations contribute over \$190m per annum in economic activity to the North Queensland region.

NAIF is helping fund part of the second stage works which involve the development of a specialist

medical centre and a six-level car park facility, a key component of the overall development.

NAIF's funding will be used to finance the accelerated development of the car park which will assist in reducing congestion in surrounding neighbourhoods and improving employee safety.






Image / Mater Private Hospital Carpark

Northern Territory Performance Report

Darwin, the largest city in the Northern Territory, is the closest Australian capital city to growing Asian markets, connected through a 24/7 international airport and the only functional deep water port in northern Australia.

NAIF has helped unlock the Territory's economic potential with loans to projects across a range of sectors such as marine infrastructure, education, airport facilities and aquaculture. To date, NAIF has fully or conditionally approved nearly **\$800m** in support to projects with a total value of **\$1.4bn**. Around **\$2bn** of public benefit is forecast through these projects, alongside more than **2,613 jobs**.

PROJECTS SUPPORTED TO DATE INCLUDE:

-  Support for economic and educational development with funding to the Charles Darwin University Education and Community Precinct in Darwin.
-  Supporting economic growth through the funding of a new Ship Lift in Darwin.
-  Expansion of facilities at Humpty Doo Barramundi, helping grow the Northern Territory aquaculture sector. Phase one of the NAIF-supported project was completed this year.
-  Upgrades at airports (including Darwin Airport) to help Northern Territory Airports increase capacity and support export industries.
-  Improved infrastructure at Connellan Airport, operated by Voyages supporting tourism for the Yulara region.

2019-20 PERFORMANCE

This year NAIF approved \$451.5m worth of loans to two projects in the Northern Territory which are forecast to deliver a total 1071 jobs to the region:

- a loan of up to \$300m for the construction of the Darwin Shiplift and
- a loan of up to \$151.5m towards the Charles Darwin University Education and Community Precinct.

\$796M

total NAIF loans full or conditionally approved

2

Loans approved in 2019/20

\$2B

in total public benefit forecast through projects

2,613

forecasted jobs will be provided



This year NAIF approved loans to two projects of

\$451.5M

Supporting the Darwin Shiplift project with

\$300M

\$300m support for marine industry in Darwin

NAIF's \$300m loan to the Northern Territory Government for the construction of a new Shiplift and associated marine infrastructure in Darwin harbour will consolidate Darwin's position as a hub for marine maintenance and servicing in northern Australia.

The Shiplift will be situated on Northern Territory Government land in the East Arm precinct of Darwin harbour and will be operated by the Paspaley Group. A statutory open access and pricing arrangement will ensure common-user access to the facility for all other vessel owners and operators in the region.

The Shiplift will be capable of servicing large vessels and will be used to lift vessels out of the water so they can be serviced, repaired or stored, including for safety during cyclones.


NAIF's investment is forecast to deliver economic diversification, job creation, new roles for highly skilled workers and new opportunities for NT businesses.


Western Australia Performance Report


Western Australia currently produces more than fifty different commodities, more than any other state or territory in Australia.


Reflecting this, NAIF's eight approved investments in the State to date have largely been in support of the mining and resources sector.

PROJECTS INCLUDE:

 Funding for a number of **key energy and resource projects** in the state, among them the Alinta Energy Chichester Solar Gas Hybrid Project, Strandline Resources Coburn Heavy Mineral Sands Project (see case study opposite) and Sheffield Resources' Thunderbird Project.

 The development of a **marine support base** (Onslow).

 Support for a project that is part of the development with the potential to create a **new domestic industry** (Kalium Lakes' Beyondie Sulphate of Potash project)

 The construction of new **power-related infrastructure** in support of existing across a range of mining operations projects.

2019-20 PERFORMANCE

This year NAIF approved \$173m worth of loans to three projects in Western Australia. A forecast 745 jobs are estimated to be supported through these projects:

- A loan of up to \$150m to Strandline Resources for the Coburn Heavy Mineral Sands Project (see opposite)
- A loan of up to \$12.5m to AAMC First Iron Project and
- An additional Financing Mechanism of up to \$10.5m to support Kalium Lakes Limited's Beyondie Sulphate of Potash Project to meet additional forecast construction costs and contingencies for the project. Following a subsequent successful equity raising by Kalium Lakes Limited, the additional loan facility was not required by the company.

\$438M

total NAIF loans
fully approved

3

loans approved
in 2019/20

1,982

jobs forecast across
NAIF supported projects



This year NAIF approved loans to three projects of

\$173M

Supporting the Coburn Heavy Mineral Sands project with

\$150M

A loan of up to \$150m to Strandline Resources for the Coburn Heavy Mineral Sands Project

The Coburn Project – owned by Strandline Resources Limited – is expected to be one of the world's largest and most capital efficient mineral sands projects, with a strong zircon-titanium product suite.

NAIF's loan will be used for key infrastructure including a processing plant and equipment. The project is expected to generate up to \$922 million of net public benefit to the region over 25 years and generate up to 315 jobs during construction and up to 190 jobs during operations.

Products from the development will be used globally in items including ceramic tiles, refractory, paint, titanium metal and welding rod applications.

The Coburn project is one of a range of resources projects that NAIF has approved investment towards and provides an extra boost to the Australian Government's Critical Minerals agenda. NAIF has to date approved in loans to resource deals, across iron ore, bauxite and potash sectors.

Image / Strandline Resources, Coburn

Helping deliver economic impact in the north

Working with proponents to deliver public benefit is at the heart of NAIF's mission. We work with project proponents to encourage and ensure that NAIF's financial support will help bring a positive impact to local communities, the region around the project and northern Australia as a whole.

Delivering Positive Economic Impact to Northern Australia

Total forecast public benefit



2019/20 PROJECTS:

\$4B

PROJECTS SINCE INCEPTION:

\$6.3B

QLD \$2.0B
NT \$2.0B
WA \$2.2B

Total forecast jobs created or supported



2019/20 PROJECTS:

3,530

PROJECTS SINCE INCEPTION:

6,836

QLD 2,241
NT 2,613
WA 1,982

Across NAIF-supported projects, the amount of public benefit forecast to be delivered is \$6.3 billion. As important in the current economic environment, more than 6,800 jobs are forecast to be created or supported.

The 11 projects that NAIF approved loans to in 2019/20 are forecast to deliver more than \$4 billion in public benefit and create or support 3,530 jobs across construction and operations.

More detail can be read on this NAIF's Public Benefit Guideline at: bit.ly/3luv0Y7



Economic Impact

2019-20 Investment Decisions

NAIF's focus on public benefit is a key differentiator from other lenders. Here is a summary of positive forecast impacts supported by NAIF during the year.

Charles Darwin University, NT

ECONOMIC IMPACT
\$599.5M

JOBS
730 **80**
Construction Operations*

Strandline, WA

ECONOMIC IMPACT
\$922M

JOBS
315 **190**
Construction Operations

Shiplift, NT

ECONOMIC IMPACT
\$924M over asset life

JOBS
100 **more**
Construction During operations^

Australian Aboriginal Mining Corporation (AAMC), WA

ECONOMIC IMPACT
\$304M over mine life

JOBS
120 **120**
Construction Operations

James Cook University, QLD

ECONOMIC IMPACT
\$140M

JOBS
348 **221**
Construction Operations

Kalium Lakes, WA

ECONOMIC IMPACT
\$169M

JOBS
150 **60**
Construction Operations

NQ Cowboys, QLD

ECONOMIC IMPACT
\$202M

JOBS
213 **58**
Construction Operations

Metro Mining, QLD

ECONOMIC IMPACT
\$510M over mine life

JOBS
60
New Roles

Mater Health, QLD

ECONOMIC IMPACT
\$7.6M

JOBS
12 **2**
FTE Ongoing
Construction

Signature Onfarm, QLD

ECONOMIC IMPACT
\$63.5M

JOBS
200 **70**
Construction Operations

Genex Power, QLD

ECONOMIC IMPACT
\$814M to economy and community

JOBS
510 **20**
Construction Operations
including to supporting transmission line

* Operations number based on proponent info.

^ Described as such because of different figures between NAIF/NTG.

Indigenous Engagement

NAIF recognises the special relationship between Indigenous people* and country throughout northern Australia and acknowledge the continuing connection to land, waters and culture - continuing to pay their respects to Elders past and present.

All proponents applying for NAIF financing are required to provide an Indigenous Engagement Strategy** (IES) which set out objectives for participation, procurement and employment which reflect the regional Indigenous community***.

A satisfactory IES is one that provides appropriate opportunities for participation, procurement and employment which reflect the regional Indigenous community commensurate with the nature, scope and location of the project and the capacity and any existing operations of the proponent.

Our team works with project proponents to ensure each Indigenous Engagement Strategy is deliverable, realistic, measurable and reflective of the project. We continue to work with proponents following loan approval to track and support delivery of the proponent's strategy.

In addition to outcomes being achieved through proponent IES's, NAIF facilitates key relationships, driving connections across agencies and organisations to increase opportunities for greater Indigenous economic development outcomes across the North.

An example of this was a joint Memorandum of Understanding was signed between NAIF, Indigenous Business Australia and the Indigenous Land and Sea Corporation, to use as a platform to share potential collaborating opportunities and exchange experiences.

2019-20 REPORT

This year NAIF supported project proponents to develop commitments to a range of activities under their IES's:

1. **North Queensland Cowboys:** a 6.6% target for Indigenous participation during construction and 20% Indigenous employment in the merchandise and hospitality outlets during the operational phase (strengthen Dream, Believe, Achieve training and employment program).
2. **Mater Health Services North Queensland:** will establish an Aboriginal and Torres Strait Islander Reference Group, provision of scholarships for a Diploma of Nursing and development of a Reconciliation Action Plan.
3. **Signature Beef:** aiming for a 2% Indigenous employment target across construction operations, and will build Indigenous pastoral capacity including through a partnership with Black Fella Beef for preferential processing.
4. **Metro Mining:** Indigenous participation rate of 20% building up to 30% in year five of operations, implementation of the Traditional Owner Employment Strategy and Ankamuthi Community Liaison Officers.

* When referring to First Nations People and Aboriginal and Torres Strait Islander people NAIF uses the term Indigenous or Indigenous Australians – no disrespect or offence is intended.

** <https://naif.gov.au/wp-content/uploads/2018/11/Final-IES-Guideline-November-2018-.pdf>

*** NAIF Investment Mandate – Mandatory Criteria

“

Our team works with project proponents to ensure each Indigenous Engagement Strategy is deliverable, realistic, measurable and reflective of the project.”

5. **Charles Darwin University:** during construction CDU will seek to achieve a supplier use target of 3% for Indigenous businesses and an Indigenous employment target of 8.8%. An Indigenous procurement policy will be developed across university operations.
6. **Darwin Shiplift Project:** engagement with the Larrakia and agreed Terms of Reference covering specific economic opportunities and an Aboriginal employment target of 16% within the project team, with procurement opportunities aligned with the Territory Benefit Plan.
7. **JCU Student Accommodation:** target of 3% Indigenous employment during the combined design, construction and operation phases.

Further details of each project's Indigenous Engagement Strategy can be found in the case study section of the NAIF website.



Indigenous Engagement

Metro Mining: Case Study

NAIF's loan of \$47.5 million to Metro Mining for new infrastructure for the company to load larger vessels, as part of its planned Bauxite Hills Mine Stage 2 expansion project.



The mine employs **246 people**, but this new infrastructure will increase the total workforce at the mine to more than **300**. The Indigenous employment target of **20%** is already being achieved, which will stretch to **30%** by year five of the mine's operation. Retention strategies are of key importance for sustaining Indigenous employment levels and appropriately supporting an Indigenous workforce.

Working with the company, NAIF was able to support an Indigenous Engagement Strategy in which the company committed to implement a Traditional Owner Employment Strategy, preferential employment of Ankamuthi Traditional Owners (once core competencies are met) and support at least five Ankamuthi trainees per year.

Other Indigenous commitments include ongoing Liaison Committee meetings, **employment of two Ankamuthi Community Liaison Officers**, and support for Indigenous enterprise development opportunities.

\$47.5M

NAIF loan to support new infrastructure

30%

Indigenous employment target up from 20%

Pipeline & Opportunities

NAIF is active in the market, with our specialist Investment team working with a range of project proponents and potential investors to accelerate investment in projects across a range of key sectors to the northern Australian economy.

We recognise that not all these projects will ultimately be financed by NAIF, either because they secure private sector finance, are deferred, or do not meet the investment requirements of the NAIF.

Nevertheless, this pipeline is a strong signal of confidence in NAIF and of the potential opportunities in the region.

AT 30 JUNE 2020 THERE WERE

87 active enquiries

in the NAIF pipeline. This excludes the projects which have reached Contractual or Financial Close.

28 projects

in the due diligence phase of NAIF's assessment process.

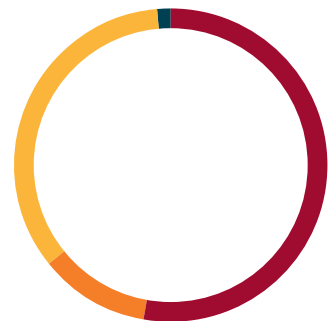
NAIF FOCUSES ON TWO TYPES OF TRANSACTIONS

1. Investment Ready Deals

- Helping to accelerate projects utilising NAIF's financing tools.

2. Transformational Projects

- Enabling infrastructure, creation of new industries, material changes to communities.
- Long lead time projects, where NAIF is part of the funding.



46
QLD
Projects

10
NT
Projects

30
WA
Projects

1
Cross
Jurisdictional
Project

Annual Performance Statements

INTRODUCTORY STATEMENT

The NAIF Board, as the accountable authority of the Northern Australia Infrastructure Facility (NAIF), presents the Financial Year (FY) 2019-20 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 reflect the performance of the entity, and comply with subsection 39(2) of the PGPA Act.

PURPOSE

NAIF's primary purpose is to accelerate infrastructure development and thereby drive transformational growth in northern Australia that:

- Generates public benefit including that outside of what is captured by the project proponent;
- Encourages longer term growth in the economy and population of northern Australia;
- Encourages private sector participation in the financing of northern Australia's infrastructure needs; and
- Facilitates sustainable Indigenous participation, procurement and employment outcomes.

This purpose supports NAIF in achieving its outcome as outlined in the FY2018-19 DISER Portfolio Budget Statement page 216 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 for FY2019-20 are included in figure 1 below. NAIF met all its eight performance measures when considering allowable activities in a COVID-19 environment. Some measures in the Stakeholder Activity KPI which required travel and group gatherings were unable to be met fully due to COVID-19 restrictions, however activities continued in a virtual environment.

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

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

NAIF has made significant progress over the 2019-20 financial year, with the Board making 11 Investment Decisions to offer loans totalling \$1.4bn, to support projects with a total capital value of \$2bn. The Investment Decisions were for projects spread across northern Australia with \$767m committed for Queensland projects, \$452m committed for Northern Territory projects and \$163m committed for Western Australian projects.

Source of Performance Criterion: NAIF Corporate Plan FY2019-20, page 20-21.

Figure 1: NAIF Performance Summary for FY 2019-20

Performance Criterion	Measure	Outcome
1. Public benefit	<i>Net public benefit for northern Australia on each project funded</i>	<p>Achieved.</p> <p>Each of the Investment Decision projects has been forecast to generate public benefit. The total public benefit forecast on the eleven approved projects totals \$4.0bn.</p> <p>Over the eleven Investment Decisions, the forecast quantified public benefit comfortably exceeds the cost of concessions.</p> <p>For each Investment Decision in the period, a case study has been published on NAIF's website outlining examples of forecast public benefit. They can be viewed here https://naif.gov.au/case-studies/.</p> <p>737 jobs have been created or supported in FY19-20 as a result of the six projects that have commenced drawdown this financial year. Due to the impact of COVID-19, capex linked to one project in the airport sector was deferred until operating conditions improve.</p>
2. Indigenous engagement	<i>Sustainable Indigenous participation, procurement and employment</i>	<p>Achieved.</p> <p>An Indigenous Engagement Strategy was developed by the proponent for each Investment Decision which meets the requirements of the NAIF Investment Mandate.</p> <p>For each Investment Decision in the period a case study has been published on NAIF's website outlining examples of proposed Indigenous engagement strategies. They can be viewed here https://naif.gov.au/case-studies/.</p>

continued...

Performance Criterion	Measure	Outcome
3. Investments Decisions by NAIF Board	<i>Number of Investment Decisions per annum</i>	Achieved. Eleven ¹ Investment Decisions made against a target of between 7-12.
	<i>Dollar value of NAIF Investment Decisions per annum</i>	Achieved. \$1.4bn ² of new investment commitments for those FY19-20 Investment Decisions by NAIF against a target of between \$1bn - \$2bn.
	<i>Total capital value of projects supported per annum</i>	Achieved. \$2.0bn ³ aggregate total capital value of projects supported by new NAIF investment commitments against a target of between \$1.25bn \$3bn.
	<i>Over five-year timeframe to 30 June 2021, demonstrate industry and geographic spread across Investment Decisions made</i>	NAIF has made excellent progress towards achieving this KPI by 30 June 2021. In the four years to date, the NAIF Board has made Investment Decisions to commit loan capital of \$2.1bn, the spread by State is - QLD: 43%, NT: 37% and WA: 20%. The sector spread after four years is energy: 33%, transport: 25%, social infrastructure:16%, agriculture & water: 1% and resources: 25%.
4. Effective risk management	<i>Compliance with Risk Appetite Statement</i>	Achieved. NAIF's internal auditor, McGrathNicol has confirmed compliance with NAIF's Risk Appetite Statement (RAS) in relation to the Investment Decisions made during the reporting period.
5. Encourage private sector contribution to financing projects	<i>Number of projects involving private sector financing</i>	Achieved. 73% of FY19-20 Investment Decisions had private sector financing in addition to NAIF financing, against a target of 50%.

1 This includes an Investment Decision to offer Kalium Lakes project a \$10.5m contingency facility to ensure that the project would have the best chance of progressing if their proposed equity raising was not fully subscribed. Due to a successful equity fund raising, this facility was not ultimately needed by Kalium Lakes and therefore it is not included in the NAIF commitments \$ amount.

2 This does not include the \$ amount for Kalium Lakes Investment Decision (refer to footnote 1).

3 Does not includes the total capital value of the Kalium Lakes Investment Decision (refer to footnote 1).

Performance Criterion	Measure	Outcome
6. Raise awareness of NAIF value through dissemination of information to industry stakeholders	<i>Level of communication and stakeholder engagement activity</i>	<p>Partially Achieved.</p> <p>Due to COVID-19 restrictions travel and group gatherings were difficult to achieve.</p> <p>In person Board meetings were held in two of the three NAIF jurisdictions during the financial year (Broome, WA and Mt Isa, QLD). A meeting was scheduled for Darwin, NT in March 2020, however had to be cancelled due to COVID-19 travel restrictions.</p> <p>In a year disrupted by COVID-19, NAIF representatives presented or spoke at 18 small group or conference events against a target of 20. Fourteen of these 18 presentations were in the first half of the financial year. During the period of COVID-19 related restrictions, NAIF presented at four webinars to industry groups and organisations.</p> <p>There were four newsletters sent out during the year, each to a minimum of 2,000 NAIF stakeholders.</p> <p>There was a total of 28,689 unique viewers of the website over the year, an increase of 62% on the previous year.</p>
7. Building diverse pipeline of potential infrastructure projects	<i>Demonstrate industry and geographic spread of potential projects in the NAIF pipeline</i>	<p>Achieved.</p> <p>As at 30 June 2020:</p> <ul style="list-style-type: none"> • There were 28 projects that had reached NAIF's Due Diligence stage. • The NAIF pipeline categories were diverse from both an industry and geographic spread.
8. Achieve sound financial performance	<p><i>Operating expenditure is within the departmental appropriation budget</i></p> <p><i>At an Investment Decision portfolio level, over the life of the NAIF supported loans - transaction revenue exceeds the operating costs and Commonwealth cost of borrowing</i></p>	<p>Achieved.</p> <p>NAIF's operating expenses were within the appropriation budget including the use of retained surpluses from previous year's budget underspend.</p> <p>On track.</p> <p>At an Investment Decision portfolio level, over the life of the NAIF supported loans (both currently approved and projected), transaction loan revenue is forecast to exceed NAIF operating costs and Commonwealth cost of borrowing.</p> <p>NAIF's transaction revenue over the financial year was \$6.3m, representing a \$5.3m increase from FY18-19 and 58% of operating expenses.</p>

ANALYSIS OF PERFORMANCE CRITERIA

Figure 2: Summary of Investment Decisions made in FY19-20

Proponent	Jurisdiction	Infrastructure	NAIF Loan Investment Decision \$	Total Project Size \$
Genex Power	Kidston, QLD	Pumped storage hydro	\$610m	Commercial in confidence
Aust Aboriginal Mining Corp (AAMC)	Northwest of Newman, WA	Iron ore project	\$12.5m	\$44.8m
Signature Onfarm	Clermont, QLD	Beef processing facility with onsite accommodation	\$24m ⁴	\$37m
Metro Mining	North of Weipa, QLD	New floating terminal	\$47.5m	\$56.6m
NQ Cowboys	Townsville, QLD	Community, training and high performance centre	\$20m	\$35m
NT Government (shiplift)	Darwin, NT	Shiplift and associated marine industry infrastructure	\$300m	\$400m
James Cook University (JCU)	Townsville, QLD	Student accommodation	\$46m	\$53m
Mater Health	Townsville, QLD	Car park as part of hospital redevelopment	\$19.8m	\$52m
Kalium Lakes ⁵	South of Newman, WA	Sulphate of potash project	\$10.5m	\$85m
Charles Darwin University (CDU)	Darwin, NT	CBD city campus	\$151.5m	\$250m
Strandline Resources	South of Denham, WA	Heavy mineral sands project	\$150m	\$320m

⁴ NAIF's Board made an Investment Decision for up to \$25m, however subsequent facility agreement is for an amount of \$24m

⁵ Refer footnote 1

1. & 2. 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 which clearly outlines the requirements of the NAIF Board. The potential benefits vary for each Project and have been assessed spanning different periods depending on the life of the asset. Benefits and costs to the Proponent and 'Outside of the Proponent' are assessed quantitatively where possible to come to a net public benefit number. Where it is not possible to value costs and benefits in monetary terms, they are considered qualitatively. Construction jobs and operational jobs are also forecast.

The eleven FY19-20 Investment Decisions totaling \$1.4 billion are forecast to generate \$4 billion of public benefit to the northern Australia economy which is a multiplier of 2.9 for every NAIF loan dollar committed. The projects funded by NAIF are forecast to support 3,530 jobs in either the construction or operational phase which will contribute to economic and population growth in the regions of those projects.

Each of the FY19-20 Investment Decision 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. Refer to the NAIF Indigenous Engagement Strategy Guideline on NAIF's website. 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.

More specific details on the public benefit assessed and IES commitments for each project can be found in the case studies for each project on NAIF's website and on the dedicated economic impact and Indigenous Engagement pages in this report.

3. INVESTMENTS IN INFRASTRUCTURE PROJECTS IN NORTHERN AUSTRALIA

In making the eleven FY19-20 Investment Decisions, NAIF met its target of between 7-12 transactions. This is an increase of 83% on the six decisions made last financial year. The 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 They were also diversified across sectors, namely energy (Genex), resources (AAMC, Metro Mining, Kalium Lakes and Strandline), transport (Darwin Shiplift), social infrastructure (NQ Cowboys, JCU, Mater Health and CDU) and agriculture & water (Signature Onfarm).

NAIF committed new investment finance of \$1.4 billion through the FY19-20 Investment Decisions for projects against a target of \$1 billion - \$2 billion, this is an increase of 289% on last financial year. The total capital value of those projects supported was \$2 billion against a target range of \$1.25 billion to \$3 billion, and a 44% increase on last financial year.

4. EFFECTIVE RISK MANAGEMENT

Compliance with NAIF's Risk Appetite Statement (RAS) for the eleven FY19-20 Investment Decisions has been independently audited by NAIF's internal auditor McGrathNicol. The internal audit confirmed compliance with NAIF's RAS for the Investment Decisions made during the reporting period.

NAIF's RAS provides a clear articulation of the target level of risk in executing the NAIF's strategic objectives. It guides risk appetite, identifies tolerance measures (including for making NAIF Investment Decisions) and has been 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 higher risk appetite 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.

In line with best practice, NAIF adopts a continuous improvement approach and regularly reviews its risk management framework and policies by considering emerging trends and risks, changes to existing risks and any changes to NAIF's Investment Mandate and Government Policy. In the period, this included a detailed review of the Board's RAS to ensure it remained appropriate.

5. ENCOURAGE PRIVATE SECTOR CONTRIBUTION TO FINANCING PROJECTS

Of the eleven FY19-20 Investment Decisions, eight or 73% have private sector financiers also providing finance for the project in addition to NAIF's loan. This meets NAIF's target of greater than 50 percent of projects supported with private sector finance.

6. RAISE AWARENESS OF NAIF VALUE THROUGH DISSEMINATION OF INFORMATION TO INDUSTRY STAKEHOLDERS

This year NAIF refreshed its approach to stakeholder relations and communications, with a new dedicated stakeholder relations and communications function being established in 2020.

New strategies for stakeholder relations and communications were approved by the Board which place a focus on building and maintaining strong relationships with government, regional and industry stakeholders. Reflecting the new strategies and following a 12-month workplan, stakeholder activities in FY19-20 have largely focused on the following areas:

- Meetings and engagement relating to the potential extension of NAIF's mandate beyond 2021;
- Activities to support the progression of deals and projects;
- Meetings and engagement with Members of Parliament, both at a state and federal level
- Regular consultation with Commonwealth departments and agencies and broader networks including the Regional Development Australia network, Development Commissions, and the northern Australian based universities; and
- Meetings with key industry stakeholders and organisations. Engagement was enhanced this year with several organisations and industry bodies. These included, however were not limited to, organisations such as IBA, ILSC, CEFC, ARENA, Infrastructure Australia, IAQ, QIC, Advance Cairns and the Red Meat Advisory Council.

Although in person stakeholder activities were limited in the last four months of the year due to COVID-19 restrictions, NAIF still engaged in significant stakeholder activity including:

- NAIF was a frequent contributor to targeted industry and sector-specific conferences and events during the year. These provided an opportunity to continue to build the understanding about NAIF's role in the development of northern Australia;

- NAIF participated as a key note speaker, presenter, panel member or delegate in 18 events covering various sectors and interest areas relevant to NAIF's mandate including infrastructure, engineering, construction, procurement, transport, energy, agriculture, tourism, water, mining and resources, regional growth, economic development and major projects;
- NAIF's executive engage frequently with other lenders and equity financiers, project sponsors, advisers and participants through both pipeline development and due diligence assessment processes. Opportunities to explain the NAIF mandate and discuss with other financiers how NAIF may be able to work with other lenders and financiers have been pursued;
- Regional communities and their leaders are afforded opportunities to meet NAIF Board members and executives to discuss their strategic planning and infrastructure priorities. This year dedicated stakeholder functions were held alongside Board meetings in Broome and Mt Isa;
- The NAIF Board members and NAIF senior executives have continued to meet regularly with Western Australian, Northern Territory and Queensland government stakeholders to discuss upcoming projects and their priorities. Those associations have continued to strengthen including through making further Investment Decisions in each jurisdiction and progressing projects through the final assessment stages.
- NAIF has met with a range of Indigenous groups, businesses and agencies throughout the year to develop its understanding of our Indigenous stakeholders and the role of NAIF in broader Indigenous economic development opportunities in the north, including contributing to the Indigenous Reference Group discussions at the Northern Australia Ministerial Forum. A Memorandum of Understanding was agreed with Indigenous Business Australia and the Indigenous Land and Sea Corporation to explore opportunities for collaboration and therefore increase investment in Indigenous enterprise.
- NAIF has also engaged with a range of Traditional Owner groups, Prescribed Bodies Corporate, Native Title Representative Bodies, Indigenous businesses, and agencies (federally and across the jurisdictions) in relation to specific project IES prior to the Board making its Investment Decisions, notably the National Indigenous Australians Agency;
- NAIF this year issued or worked with proponents on 38 media releases about NAIF transactions. NAIF



Alice Springs Airport

views the media as an important method of delivering transparent information about our investments on behalf of taxpayers, and to help inform and educate about our role in the development of northern Australia; and

- NAIF continues to grow its digital reach to provide increased and timely access to information about our activities, across the NAIF website, Twitter, and LinkedIn. The NAIF website recorded 28,689 unique viewers. NAIF's LinkedIn audience grew more than 90 per cent this financial year (to more than 850 followers), reflecting the greater focus placed on leveraging this channel to promote news stories about NAIF.

7. BUILDING DIVERSE PIPELINE OF POTENTIAL INFRASTRUCTURE PROJECTS

NAIF's pipeline is reported at two different stages:

- Active Enquiry (where there has been early stage interaction between the Proponent and NAIF to determine whether a project may be suitable for NAIF funding); and
- Due Diligence (where there has been comprehensive determination that a project has the potential to qualify for NAIF funding and in depth assessment begins prior to going to the NAIF Board for an Investment Decision).

Both the Active Enquiries and projects in Due Diligence are diverse in terms of both jurisdiction and industry sector. For example, Due Diligence projects are spread across NAIF's jurisdictions as follows - WA: 61%, QLD: 21%, NT: 18%, and diversified across sectors as follows – Resources: 43%, Agriculture & Water: 21%, Energy: 18%, Transport: 14%, Social Infrastructure: 4%.

8. ACHIEVE SOUND FINANCIAL PERFORMANCE

NAIF's external auditor issued an unmodified audit opinion on NAIF's FY19-20 Financial Statements.

NAIF has carefully managed expenses ensuring operating expenses were within NAIF's appropriated budget including the use of retained surpluses from previous year's budget underspend.

For each of the eleven FY19-20 Investment Decision commitments, contracted revenue for the NAIF financial assistance will include an establishment fee (payable at or around financial close) and an interest rate above the Commonwealth borrowing rate. Pricing of individual financing decisions takes into account NAIF's target to cover the cost of borrowings and NAIF's operating expenses at an Investment Decision portfolio level over the life of the NAIF loans supported by its Investment Decisions (both currently approved and projected).

Corporate Governance

ACCOUNTABILITY

The responsible Ministers for the FY19-20 period were:

- 1 July 2019 to 3 Feb 2020 - Senator the Hon. Matthew Canavan, Minister for Resources and Northern Australia
- 6 Feb 2020 – The Hon. Keith Pitt, MP, Minister for Resources, Water and Northern Australia

The duties of the responsible Minister in relation to NAIF are set out in the NAIF Act⁶. These include that the Minister appoints NAIF's Board and provides 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 person⁷.

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 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.

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.

NAIF maintains a program of periodic independent expert review of material changes to core governance policies, as part of the annual policy review schedule.

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. This current Charter is available on the NAIF website.

BARC CHARTER

The NAIF Board constituted the Board Audit and Risk Committee (BARC), to advise the Board on 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 Chief Executive Officer (CEO) and the Chief Financial Officer of NAIF cannot be members of the Committee. All Board members are welcome to attend 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.

PEOPLE AND REMUNERATION COMMITTEE

The NAIF Board established a People and Remuneration Committee (PRemCo) effective 1 July 2019 which operates under a People and Remuneration Committee Charter. The primary role of the PRemCo is to provide oversight of NAIF's people, remuneration policies and strategies. All Board members are welcome to attend any PRemCo meeting, with outcomes from PRemCo meetings reported to the Board as a standing agenda item. The current PRemCo Charter is available on the NAIF website.

⁶ NAIF Act sections 9,11,12,15,16

⁷ NAIF Act section 9(4)

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 2020-2021, outlines NAIF's plan for achievement of its key business strategies, and is available on the NAIF website. The Corporate Plan 2019-2020 covering the reporting period is also available on the NAIF website.

CODE OF CONDUCT

NAIF maintains a Code of Conduct that requires the observance of ethical guidelines by all NAIF staff and the Board.

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.

In general terms where a Director has an actual, apparent or potential conflict of interest in relation to a project under consideration, that Director does not receive papers and does not participate in discussions on that transaction. A Conflicts of Interest register is maintained to record Board members' disclosed interests. Board meeting minutes record recusals due to disclosed conflicts as they occur. A register of staff Conflicts of Interest is also maintained with processes to manage relevant conflicts implemented as required.

COMMERCIAL-IN-CONFIDENCE

NAIF is keenly aware of its responsibility as a steward of public resources to be as transparent as reasonably practicable.

NAIF's aims to publish information where doing so does not compromise the interests of the Commonwealth or risk breaching NAIF's legislated obligation to have regard to industry best practice. This includes the obligation to protect commercially sensitive information, and arises from an understanding that the Commonwealth's own interests (including the protection of its reputation) are best served by the protection of confidential information. Confidentiality helps avoid disclosures that might deter proponents, or that might lead private financiers to conclude they can lessen their exposure to a project, in turn increasing demands on the public purse or lessening the achievement of NAIF's objectives.

NAIF's current confidentiality protocols which it applies in the public interest, is maintained across all projects. NAIF can release certain information, when releasing the information is agreed between the proponent and NAIF.

NAIF is required to publish on its website, within 30 business days of an Investment Decision being made, certain information regarding all transactions, subject to commercial confidentiality (refer to figure 4 Summary of Proposal Notices). During the reporting period NAIF published this information in line with legislative requirements.

ANTI-MONEY LAUNDERING/COUNTER TERRORISM FINANCING (AML/CTF)

NAIF is required to have an AML/CTF program in place which aims to identify and manage money laundering and terrorism financing risks.

NAIF has enrolled with the Australian Transaction Reports and Analysis Centre (AUSTRAC) and developed a comprehensive AML/CTF program. The AML/CTF 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 with relevant legislative, regulatory or policy obligations during the reporting period.

All incidents in FY19-20, recorded in the NAIF Incident Register, in accordance with NAIF's Incident Management Policy were satisfactorily addressed with no systemic issues identified.

QUARTERLY RISK MANAGEMENT AND COMPLIANCE REPORT

NAIF's quarterly Risk Management and Compliance Report (RMAC Report) provides ongoing monitoring and reporting of NAIF's Key Enterprise Risks (KERs). It includes an analysis of the residual risk rating, tolerance measures and control effectiveness for each KER including any proposed changes from the previous quarter.

Commentary is included for each KER highlighting relevant activity over the current quarter and whether this activity has impacted the residual risk rating.

Should a KER be assessed as outside appetite, for example due to control failures and/or tolerance breaches, an action plan to address deficiencies is developed and monitored by the risk owner.

BARC endorsed the RMAC Reports for Board approval for each quarter of FY19-20.

INDUCTION PROGRAM

All new NAIF Directors and staff during the FY19-20 period underwent an induction program, which included 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 is complemented by tailored face-to-face training. In FY19-20 NAIF achieved 100 percent compliance with completion of the required online training sessions.

INTERNAL AUDIT

McGrathNicol is NAIF's internal auditor. The internal auditor has a three-year Strategic Workplan. 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 Australian National Audit Office (ANAO), NAIF's external auditor, confirmed that NAIF's FY19-20 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 FY19-20 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 addition, the Minister has provided NAIF with a Statement of Expectations which outlines in a formal and public way the Minister's expectations on the operation and performance of NAIF beyond that considered by the legislative framework. The NAIF Chair has provided the Minister with a Statement of Intent outlining how NAIF will direct its operations to meet the Minister's and Government's expectations.

LEGISLATIVE REVIEW OF THE NAIF ACT

Section 43 of the NAIF Act requires a review of NAIF's operations to occur as soon as possible after 1 July 2019. This review was required to cover among other things:

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

This review has been ongoing throughout the reporting period, however on 17 July 2020 the responsible Minister announced NAIF's extension for a further five years to 30 June 2026, which is subject to finalisation of legislation. The broader statutory review is still underway with outcomes expected to be announced before the end of the calendar year.

ANAO PERFORMANCE AUDIT OF NAIF

In April 2019, the Australian National Audit Office (ANAO) tabled its audit report with six key recommendations to improve the effectiveness of NAIF's governance and integrity framework.

NAIF has undergone a wide-ranging change program, including initiatives to enhance the operational and governance support of NAIF's growing investment activity. These initiatives will address the ANAO findings and key recommendations.

The NAIF Board has appointed an independent firm to monitor progress in addressing the ANAO recommendations and report back to the Board.

The change program is well underway with most of the initiatives outlined opposite in Figure 3 now completed. The appointed independent firm is expected to report to the Board on the outcomes from the initiatives and whether the ANAO recommendations have been substantially addressed, by the end of the calendar year.

Figure 3: Progress against ANAO Recommendations

ANAO recommendations	Initiatives
<p>Publish Investment Criteria</p> <p>NAIF publish criteria and all information necessary for applicants to submit complete applications for grants of financial assistance.</p>	<ul style="list-style-type: none"> Refreshed functionality and content of NAIF website. Improved collateral including updated fact sheets that clearly and succinctly describe NAIF's financing proposition. Improvements to information provided to proponents at the initial investment review stage.
<p>Information Governance</p> <p>NAIF develop an information governance framework, electronic data and records management system, and appropriate records disposal authorities in line with National Archives of Australia requirements.</p>	<ul style="list-style-type: none"> Records and Information Policy. National Archives approved NAIF Records Authority. Formation of an Information & Records Governance Committee. Implementation of SharePoint document management system.
<p>Demonstrate Investment Impact</p> <p>NAIF publish more information about decisions, public benefit assessments, environmental assessments and Indigenous engagement strategies.</p>	<ul style="list-style-type: none"> Board approved Communications Plan and Stakeholder Engagement Plan. Website content upgraded to include case studies for each Board approved Investment Decision. NAIF strategic objectives, Corporate Plan and Annual Report all have a clear focus on the positive impact and outcomes of NAIF investment activities.
<p>Non-Official E-Mail Accounts</p> <p>NAIF cease the use of all non-official email accounts and servers to conduct official business.</p>	<ul style="list-style-type: none"> Non-official email accounts are no longer used for NAIF business.
<p>Consistent and Transparent Rationale for Decision Making</p> <p>NAIF select projects at each assessment stage on a consistent and transparent basis in accordance with published criteria, and retain adequate documentation to record the rationale for decisions made and actions undertaken.</p>	<ul style="list-style-type: none"> Redesign of NAIF investment assessment and approval process for greater clarity to project proponents. Updated internal processes to streamline investment origination, approval, execution and portfolio management functions. Establishment of a formal Investment Review Group to review investment proposals and ensure consistent approach to decision making. Updated formats of NAIF investment proposal papers and Board resolutions to ensure consistent and documented rationale for investments.
<p>Performance Management</p> <p>NAIF revise its performance measures and targets to provide clearer accountability and transparency in the measurement of its performance, and measure and report on the realisation of public benefit.</p>	<ul style="list-style-type: none"> Corporate KPI's, as published in the Corporate Plan for both 2019-20 and 2020-21 drive accountability in NAIF performance against its strategic objectives, including public benefit outcomes. Board approved Employee Performance Management and Development Policy, including half-yearly staff performance reviews. Quarterly dashboard reporting to ensure accountability and monitor achievement of 2020-21 Corporate KPI's.

NAIF ACT – SECTION 42 REPORTING

For the purpose of s42 of the NAIF Act NAIF reports as follows.

a. **Investment Mandate changes:** There were no Investment Mandate changes during the period.

b. **Summary of proposal notices given to the**

Minister: NAIF must give the responsible Minister a written proposal notice under section 11(2) of the NAIF Act for each project on which it proposes to provide financial assistance. NAIF provided notices for the eleven Investment Decisions made by the NAIF Board between 1 July 2019 and 30 June 2020.

Figure 4: Summary of proposal notices

Proponent	Jurisdiction	Project	Max. value of NAIF Investment Decision
Genex Power Ltd	Near Einasleigh, Qld	Kidston Project (Stage 2)- pumped storage hydro project with integrated solar project. Reuses existing mine pits for storage of power.	\$610m
Signature Onfarm Pty Ltd	Clemont, Qld	Greenfield on-farm specialist service beef processing facility.	\$25m
Australian Aboriginal Mining Corporation Pty Ltd	Pilbara region, WA	Metal ore mining	\$12.5m
Metro Mining Ltd	Western Cape York, Qld	Expansion of existing Bauxite Hills Mine	\$47.5m
Cowboys Rugby League Football Ltd	Townsville, Qld	Townsville Community Training and high-performance centre	\$20m
Northern Territory Government	Darwin, NT	Darwin Ship Lift and Marine Industry Project	\$300m
James Cook University	Townsville, Qld	Construction of a student accommodation facility in Townsville JCU Campus	\$46m
Mater Health Services North Queensland Ltd	Townsville, Qld	New multi-deck carpark at the Mater Hospital's Pimlico campus	\$19.75m
Kalium Lakes Potash Pty Ltd⁸	Beyondie (Pilbara), WA	Beyondie sulphate of potash project	\$10.5m
Strandline Resources Ltd	North of Geraldton, WA	Coburn Heavy Mineral Sands Project	\$150m
Charles Darwin University	Darwin NT	Transfer of significant portion of CDU's existing Casuarina Campus to the Darwin CBD	\$151.5m

⁸ See footnote 1.

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:**

Figure 5 below provides a summary of each project supported by an FY19-20 Investment Decision.

Figure 5: Summary of financial assistance approved during the period

Project ⁹	Tenor (years)	Senior	Subordinated	Secured	Interest rate concession	Interest capitalisation	Interest only
Genex Power	30.25	✓		✓	✓	✓	
Signature Onfarm	12.75	✓	✓	✓	✓	✓	
AAMC	1.5 - 3	✓		✓	✓		✓
Metro Mining	9	✓		✓	✓	✓	
Cowboys	15	✓		✓	✓	✓	✓
Darwin Shiplift	28	✓			✓	✓	✓
JCU	25	✓			✓	✓	✓
Mater Health	20	✓		✓	✓	✓	
Kalium Lakes	7	✓		✓		✓	
Strandline	15.5	✓		✓	✓	✓	
CDU	27.5	✓	✓		✓	✓	

Each loan pays an upfront facility fee and an interest rate above the Commonwealth cost of borrowing which represents returns to the Commonwealth.

The risks to the Commonwealth are 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.

- 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.

INDEMNITIES AND INSURANCE

Insurances provided by Comcover and Comcare have general application that includes Board members and NAIF staff as per the ordinary insurances required of Commonwealth entities. Total premiums paid during the reporting period were \$18,960.

⁹ See proponent names and project details in Figure 4 Summary of Proposal Notices

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 and to identify how the outcome of enabling economic growth in northern Australia contributes to ecologically sustainable development. NAIF achieves this outcome by facilitating private sector investment in economic infrastructure through the provision of concessional financing delivered through the State and Territory Governments.

NAIF's activities accord with ESD principles through NAIF applying its Environmental and Social Review of Transactions Policy (ESR Policy) and as outlined in the Environmental Footprint section below. NAIF furthers the principles of ESD through encouraging private sector investment in Northern Australian economic infrastructure projects which have been assessed by NAIF in accordance with its ESR Policy. The environmental and social impacts of Investment Proposals are assessed through environmental and social due diligence on each project. For each project funded by NAIF, the requirement for environmental and social due diligence has been satisfied prior to funding.

Figure 6: 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 work from home, interstate meetings and training. • After hours lighting and air conditioning. • As at 30 June 2020, 35 per cent of the Sydney office energy is Green Power.
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. • Central bin facilities only, no personal bins to encourage low waste production • Electronic distribution of papers and briefings to Board Directors.

Refer to Export Finance Australia Annual Report FY19-20 for further details regarding Sydney office efficiencies and DISER Annual Report FY19-20 and Supplementary Environmental Report for further details on Brisbane office efficiencies and the Austrade Annual Report FY19-20 for further details on their office efficiencies.

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. NAIF has 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 as being consistent with best practice and is subject to regular ongoing review.

ENVIRONMENTAL FOOTPRINT

In FY19-20 NAIF operated from four office locations:

- a head office in Cairns, Queensland;
- in Sydney, New South Wales, where NAIF has a service level agreement (SLA) with Export Finance Australia;
- Brisbane, Queensland where NAIF accesses two desks through DISER; and
- Perth, Western Australia where NAIF accesses one desk through the Export Finance Australia agreement with Austrade.

Board

BOARD SKILLS

NAIF's Board of Directors is appointed by the responsible Minister. All NAIF Board Directors have relevant experience as required under section 15 of the NAIF Act. The Board incorporates a broad range of skills and knowledge, combined with the extensive experience necessary to make Investment Decisions. The Board members 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 FY19-20 and up to time of publication were:

Figure 7: Changes to NAIF Board, BARC and PRemCo membership

Date	Change
1 July 2019	Ms Belinda Murphy appointed Board Member
9 July 2019	Changes to NAIF BARC membership: <ul style="list-style-type: none"> • Mr Justin Mannolini appointed BARC Chair replacing Mr Bill Shannon, who continues as a BARC member • Ms Belinda Murphy appointed BARC member, replacing Ms Karla Way-McPhail
9 July 2019	Appointment of PRemCo membership: <ul style="list-style-type: none"> • Ms Karla Way-McPhail appointed inaugural PRemCo Chair • Mr Barry Coulter and Ms Kate George appointed inaugural PRemCo members

BOARD PROFILES AND PHOTOS



MR KHORY McCORMICK

Chair
DUniv, BA, LL.M

Appointed Chair on 1 August 2018 for the period to 30 June 2021.

Acting Chair 10 May 2018 - 31 July 2018.

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

EXPERTISE

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

PREVIOUS ROLES

- Deputy Chair, Singapore International Dispute Resolution Academy
- Professor of Strategic Law, Griffith University
- Australian delegate, United Nations Commission on International Trade Law Working Group II (UNCITRAL)
- Vice President, Australian Centre for International Commercial Arbitration
- 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

Recipient of a number of awards including a Doctorate of the University (Griffith University)



MR BILL SHANNON

Director
BEc, CA, FGIA, FCIS

Reappointed on 1 July 2019 for the period to 30 June 2021.

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
- Director & Audit Committee Member of Terrain NRM
- Director, Droughtmaster Stud Breeders Society Limited
- 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
- Local Government

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 JUSTIN MANNOLINI

Director
BComm, LLB, LLM, GAICD, SF Fin

Reappointed on 1 July 2019 for the period to 30 June 2021.

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
- Non-Executive Director, iCentana Limited

EXPERTISE

A lawyer with over 25 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

- 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

Reappointed on 1 July 2019 for the period to 30 June 2021.

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
- Chief Executive Officer of The Real Group Foundation Ltd
- Chief Executive Officer of The Rocks Bar & Restaurant and The Rocks Café
- Chief Executive Officer of Central Queensland Waste Management
- Chief Executive Officer of Hooked Fishing Charters
- Chief Executive Officer of Jet Dry Cleaning (CQ)
- Chief Executive Officer of The Keppel Barge
- Director, Capricorn Helicopter Rescue Service Ltd

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
- Hospitality
- Tourism
- Transport
- Marine

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



MR BARRY COULTER AO

Director
FAIM

Reappointed on 1 July 2019 for the period to 30 June 2021.

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 Airmorth
- 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.



MS BELINDA MURPHY

Director

Appointed on 1 July 2019 for the period to 30 June 2021.

CURRENT ROLES

Queensland Reconstruction Authority board member

EXPERTISE

Extensive experience in Local Government in Queensland both operationally and as elected Mayor of McKinlay Shire for eight years.

Graduate degree in Public Sector Management, AICD Finance & Governance short course and currently completing AICD Directors course.

PREVIOUS ROLES

- Elected Mayor of McKinlay shire
- Chair of Outback Queensland Tourism Association
- Local Government of Qld Association Policy Executive

SECTOR EXPERIENCE

- Local Government
- Community services
- Tourism
- Governance
- Finance

NORTHERN AUSTRALIA

Has lived in North Western Queensland for over 20 years, leading to a strong understanding of the challenges and opportunities in the region. Experience in livestock and transport industry. Extensive hands on experience both in an operational and leadership role as Mayor.

MEMBERSHIPS AND AFFILIATIONS

Member of Australian Institute of Company Directors



MS KATE GEORGE

Director
LLB

Appointed on 29 March 2019 for the period to 30 June 2021.

CURRENT ROLES

- Director, PwC, Indigenous Consulting
- Director, Warlparringu Pty Ltd
- Director, Claypan Services Pty Ltd
- Member of Northern Region TAFE Governing Council

EXPERTISE

Legal background and has extensive experience working in the resources industry, regional and Indigenous business, and infrastructure and asset management. Also experienced as a Board Member.

PREVIOUS ROLES

- Principal Consultant, Claypan Services
- CEO, Kariyarra Mugarinya Property Joint Venture
- Ministerial Advisor State and Federal Governments

SECTOR EXPERIENCE

- Aboriginal affairs – policy and programs
- Land development – residential
- Education – training and employment strategies
- Government – worked at both State and Federal level

NORTHERN AUSTRALIA

A Putejorra woman involved in Aboriginal affairs for over 40 years including holding senior public service positions. Working on land access agreements and development opportunities with traditional owners, government and resources sector across northern Australia including the Pilbara.

AWARDS

- Honorary Doctorate of Laws from Edith Cowan University
- Inaugural inductee in the WA Women's Hall of Fame

MEMBERSHIPS AND AFFILIATIONS

Graduate of the Australian Institute of Company Directors.

BOARD AUDIT AND RISK COMMITTEE

NAIF's BARC held four meetings during the reporting period, with Committee Chair Mr Justin Mannolini supported by Directors Mr Bill Shannon and Ms Belinda Murphy.

Representatives of NAIF's internal auditors, McGrathNicol, participated in one of the BARC meetings to discuss the outcomes of completed internal audits and to discuss and review the forward internal audit work plan.

PEOPLE REMUNERATION COMMITTEE

NAIF's PRemCo held six meetings during the reporting period, with Committee Chair Ms Karla Way-McPhail supported by Directors Mr Barry Coulter and Ms Kate George.

BOARD MEETINGS ATTENDED

Under the NAIF Act the Board is required to meet a minimum of twice each financial year. The Board met thirteen times during the reporting period. Meetings were held in northern Australia including Broome and Mount Isa. In addition, two meetings were held in Brisbane and Sydney and one in Canberra. Five of the Board meetings were held by video conferencing and one by phone.

Figure 8: Summary of Board Member meeting attendance in FY19-20

Board Member	Board Meeting		BARC Meeting Attended ¹⁰	PRemCo Meeting Attended ¹¹
	Eligible	Attended		
Khory McCormick	13	13		
Bill Shannon	13	13	4	
Barry Coulter	13	13		6
Justin Mannolini	13	13	4	
Karla Way-McPhail	13	13		6
Kate George	13	12		6
Belinda Murphy	13	12	4	

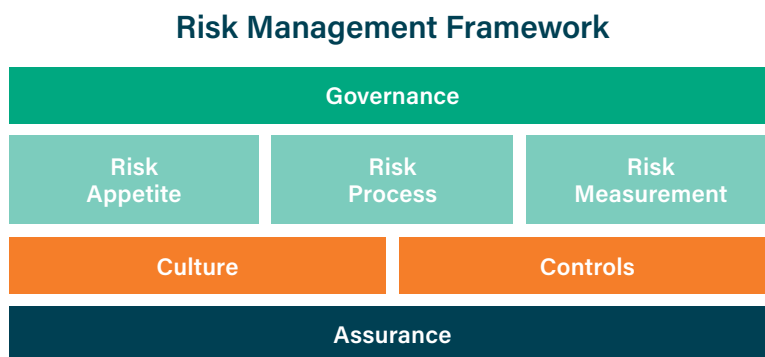
10 This shows the attendance of BARC members at the 4 meetings held, other NAIF Directors may attend these meetings, but it is not a requirement

11 This shows the attendance of PRemCo members at the 6 meetings held, other NAIF Directors may attend these meetings, but it is not a requirement

Risk Management

NAIF's approach to risk management is consistent with the International Standard for Risk Management ISO 31000 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 9 illustrates the key elements of NAIF's Risk Management Framework (RMF).

Figure 9: NAIF's Risk Management Framework



GOVERNANCE

The Board has overarching responsibility for NAIF's RMF, supported by the BARC. The Board plays a key role in setting 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 Board, the RAS and RMF, risk policies, systems, processes and controls, and fostering a risk-aware culture. The executive reports to the BARC, which in turn advises the Board, on the effectiveness of the RMF and the management of NAIF's Key Enterprise Risks (KERs).

An Enterprise Risk Forum, comprising the CEO, risk owners and other executives who work across the organisation, meets quarterly to discuss the status of KERs, emerging risks or opportunities and incidents. This forum informs the Quarterly Risk Management and Compliance (RMAC) report presented to the BARC for endorsement and recommendation to the Board.

RISK APPETITE

The NAIF Board recognises the importance of maintaining a documented Risk Appetite Statement (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. A review of the RMF and RAS is completed annually.

The RAS is not a public document as it describes in detail the way NAIF's risk appetite and tolerances (qualitative and quantitative) are established and controlled and as such is considered commercially sensitive.

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 KERs 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;
- rewarding appropriate risk-taking behaviours and challenging inappropriate behaviours via feedback and performance reviews; and
- adequate disclosure of incidents through 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 KER 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 conducted to provide the Board with confidence that operations are aligned with approved policy.

OUR KEY RISKS

NAIF's primary focus is on its Investment Decisions and NAIF has structures in place to manage the risks associated with this function including detailed due diligence and credit approval processes. In addition, NAIF manages a comprehensive list of strategic, governance and operational risks. NAIF's key risks (refer figure 13) 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 & Regulatory:** compliance with relevant obligations such as confidentiality, conduct and fraud; and
- **Operational:** risks associated with running a viable and efficient business including resourcing, business continuity, outsourcing and health and safety.

Figure 10: NAIF Key Enterprise Risks

Key Enterprise Risks

STRATEGIC

- Strategic Planning
- Stakeholder Relations
- Political Risk

INVESTMENT DECISIONS

- Project Assessment
- Credit
- Concentration Risk

GOVERNANCE, LEGAL & REGULATORY

- Jurisdiction
- Governance
- Compliance
- Conduct
- External Fraud

OPERATIONAL

- Information Integrity
- Information Security
- Outsourcing
- Business Continuity
- People
- Health & Safety
- Organisational Finance

People

ORGANISATIONAL STRUCTURE AND LOCATION

NAIF's head office in Cairns allows the CEO and Employees to develop strong relationships across northern Australia. NAIF also has Employees co-located with Export Finance Australia at its head office in Sydney, with DISER in Brisbane and with Austrade in Perth.

As at 30 June 2020 NAIF's Executive Team includes the CEO and six direct reports. The Executive Directors in the Investment team are focused on developing opportunities across NAIF's northern Australian jurisdictions (Queensland, Northern Territory and Western Australia). They are supported by investment team members who undertake due diligence, financial analysis and contract negotiation. Additional specialists across the organisation have responsibilities for corporate planning and reporting, communications and stakeholder engagement, governance and risk, and human resource functions.

SERVICE LEVEL AGREEMENT (SLA) WITH EXPORT FINANCE AUSTRALIA

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

As an experienced financier, Export Finance Australia 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 more effectively and faster than it would have otherwise. Shared learnings across teams has also been a key benefit to both organisations.

The services provided by Export Finance Australia 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, financial management and reporting, human resources, information technology and communication, and property management.

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

During FY19-20, NAIF utilised 38 Export Finance Australia Employees in various capacities including the Chief Financial Officer, Chief Human Resources Officer, Project Finance Environment and Technical Review, Chief Credit Officer and Portfolio Management.

Export Finance Australia 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, this includes expertise advising both public and private sector counterparts. NAIF has also recruited people with specialist legal, stakeholder relations and communications, risk and governance, Indigenous engagement and corporate administration expertise.

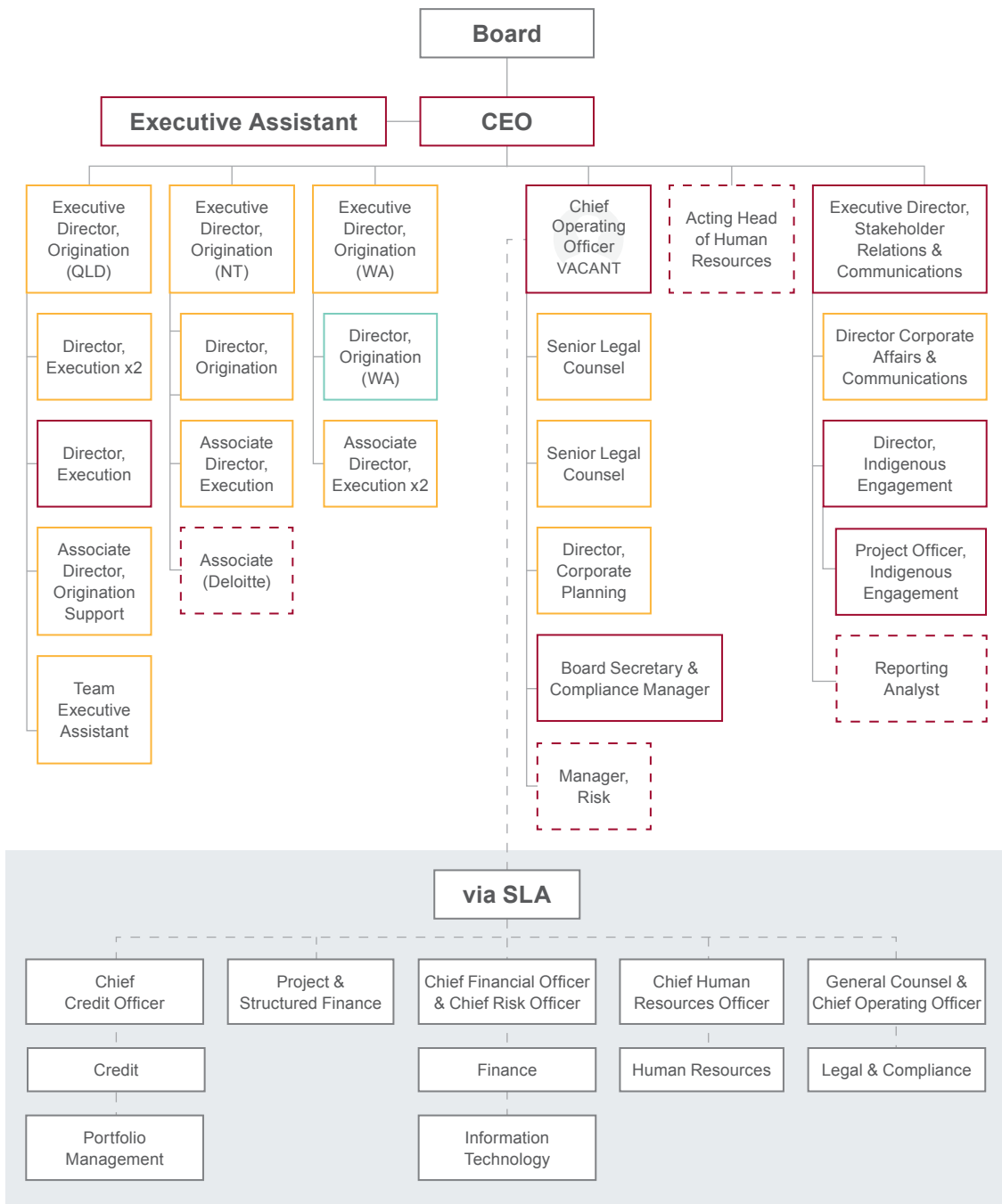
NAIF is committed to providing a learning and performance culture where its people have support to succeed and grow.

WORKFORCE DEMOGRAPHICS

As at 30 June 2020, NAIF had 22.4 Full Time Equivalent (FTE) Employees. A reduction of 2.6 FTE Employees since 30 June 2019.

One Australian Government Average Staffing Level position, representing the CEO position, as reported in the Portfolio Budget Statements.

Figure 11: NAIF Organisational Structure (as at 30 June 2020)



Key:

- NAIF employees QLD based
- NAIF employees NSW based
- NAIF employees WA based
- Contractor, QLD based

Figure 12: Number of FTE Employees

	30 June 2020	30 June 2019
Total FTE staff	22.4	25

Figure 13: Number of Full-Time / Part-Time Employees (by headcount)

	30 June 2020	30 June 2019
Full-Time Employees	20	22
Part-Time Employees	3	4

Figure 14: Location of Employees (by headcount)

	30 June 2020	30 June 2019
Cairns	6	4
Brisbane	1	3
Sydney	15	18
Perth	1	1

DIVERSITY AND INCLUSION

It is a strategic priority for NAIF to build and maintain a diverse workforce with the technical skills to fulfill 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.

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.

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 included one Indigenous Employee working in the Cairns head office.

Figure 15: NAIF gender diversity profile at 30 June 2020

Classification	Female FTE's		Male FTE's		Total	
NAIF Employees	9.4	42%	13	58%	22.4	100%

Figure 16: NAIF workforce diversity at 30 June 2020

Classification	NESB ¹² Headcount		ATSI ¹³ Headcount		PWD ¹⁴	
NAIF Employees	6.0	26%	1	4%	1	4%

¹² NESB = Non English speaking background (or with parents from a non-English speaking background).

¹³ ATSI = Aboriginal or Torres Strait Islander background.

¹⁴ PWD = person with a disability.

LEARNING AND DEVELOPMENT

Through NAIF's own training program and through the EFA SLA, NAIF Employees are provided with access to a learning and development curriculum. Employees receive initial induction through Human Resources, and then 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 identify development plans for the year ahead.

NAIF encourages its Employees to attend, participate and present at thought leadership and industry conferences, to share what they have learnt.

EMPLOYEE BENEFITS

Flexible Working

NAIF offers an agile working environment to provide its Employees 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 Export Finance Australia's wellbeing programs, which promote improved health awareness, self-management skills and healthy work practices.

Through Export Finance Australia, 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.

All NAIF Employees and their families that live in the same household were offered a complimentary influenza vaccination as part of the commitment to health and wellbeing of Employees.

Work, Health and Safety

While NAIF's Employees are predominantly located in NAIF's Cairns head office, Export Finance Australia's Sydney office, DIIS's Brisbane office or Austrade Perth office, they travel across northern Australia, to Canberra

and other capitals as well using NAIF's technology options for remote learning. During the COVID-19 pandemic NAIF's ability to further utilise technology options ensured remote working allowed NAIF to continue without interruption during this challenging period.

NAIF's office space 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. Ergonomic assessments with trained professionals are undertaken.

NAIF works closely with Export Finance Australia 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 has a designated First Aid Officer and Fire Warden in its Sydney and Cairns office and first aid training is also offered to additional Employees.

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.

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.

EXECUTIVE REMUNERATION POLICIES AND PRACTICES

In accordance with the requirements of the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) and the Department of Finance Resource Management Guide (RMG)-137 Commonwealth entities Executive Remuneration Reporting Guide for Annual Reports, NAIF reports on its policies which support its remuneration practices.

Table 17 lists the Key Management Personnel (KMPs) for FY19-20. It includes all Non-Executive Directors and those Executives deemed to be KMP by the Board, namely the CEO. These individuals are identified as KMPs consistent with the definition in the Australian Accounting Standards Board (AASB) 124 Related Party Disclosures.

A further five Employees are classified as senior executives and eight as other highly paid Employees

for the purposes of the Commonwealth's remuneration reporting. Refer to table 20 and table 21 following. Senior executives are defined as those executives, other than KMPs who are responsible for making decisions, or having substantial input into decisions, that affect the operations of the entity. Other highly paid staff are Employees who are neither KMP nor senior executives and whose total remuneration exceeds the \$225,000 threshold for the FY19-20 reporting period.

Table 17: FY19-20 KMPs

Name	Title	KMP Status	FY19-20 Status
Board			
Mr Khory McCormick	Chair	Full Year	Current
Mr Bill Shannon	Director	Full Year	Current
Ms Karla Way-McPhail	Director	Full Year	Current
Mr Barry Coulter	Director	Full Year	Current
Mr Justin Mannolini	Director	Full Year	Current
Ms Kate George	Director	Full Year	Current
Ms Belinda Murphy	Director	Full Year	Current
Management			
Mr Chris Wade	Chief Executive Officer	Part Year	Current
Ms Laurie Walker	Chief Executive Officer	Part Year	Not Current
Ms Carol Bellettini	Chief of Staff	Part Year	Not Current
Mr Adam Thatcher	General Counsel	Part Year	Not Current

The following changes were made to KMPs from the previous year:

- Ms Belinda Murphy was appointed Director 1 July 2019.
- Ms Laurie Walker ceased employment 31 October 2019.
- Ms Carol Bellettini ceased employment 21 May 2020.
- Mr Adam Thatcher ceased employment 20 May 2020.

REMUNERATION

To achieve its business outcomes, as outlined in the Corporate Plan and as more broadly set through Government direction including the Investment Mandate and Statement of Expectations, NAIF needs to be able to attract, reward and retain skilled Employees.

NAIF's Employee Remuneration Policy and processes are directed to supporting that outcome, recognising that NAIF works within an acceptable cost framework and complies with relevant Commonwealth Government's policies for its statutory agencies.

NAIF's Employees include specialist project financiers (investment specialists, financial analysts and project finance legal advisers). Other roles include support for strategy, budgeting, audit, government and Indigenous stakeholder engagement, corporate planning and reporting, communications and team support.

NAIF Employees are employed on common law contracts. NAIF Employees are not considered public servants and are not covered by the Australian Public Service Act 1999.

Remuneration for all Employees (excluding the CEO) consists of two components; a Fixed Annual Remuneration (FAR) and 'at risk' remuneration delivered through a Short-Term Incentive (STI) program. The FAR aims to reward Employees for executing the core requirements of their role. The STI program is an 'at risk' annual incentive opportunity where an STI payment may be awarded to ensure alignment with strategic objectives. Both FAR and STI remuneration determinations are made balancing relevant corporate and individual key performance indicators (KPIs') outcomes. The STI program is known as an Annual Performance Incentives.

FIXED ANNUAL REMUNERATION (FAR)

FAR is comprised of base salary, superannuation contributions and any non-cash benefits.

The following principles, outlined in the NAIF Employee Remuneration Policy underpin NAIF's setting of appropriate FAR:

- Market salary will be determined by comparing each Employee's salary, to salary data from the financial services sector to provide independent benchmarking in determining appropriate remuneration for roles across the organisation. NAIF uses data obtained from the Financial Institutions Remuneration Group (FIRG).

- The FIRG data incorporates the salaries paid by other financial institutions for comparable roles or job families. This takes into account the complexity of the role. Remuneration benchmarking aims to position total remuneration competitively against comparable organisations. The guiding principle is to position total FAR remuneration towards the mid-point of the benchmark for comparable roles in the Australian market, whilst having regard to (and complying where required) with broader Government remuneration related policies such as the Australian Public Service Commission (APSC) Workplace Bargaining Policy.
- An individual's skills and experience. Within each job family, the FIRG material recognises that individuals will bring different levels of competence to a role, and that an individual's competence changes over time.
- End of year performance discussions.

STI PROGRAM - ANNUAL PERFORMANCE INCENTIVES

The provision of Annual Performance Incentives is discretionary. Incentives are considered, where corporate and individual KPIs are met and the organisations values have been demonstrated over the course of the year.

NAIF values a number of financial and non financial outcomes and behaviours and actions in considering Incentives recommendations. Certain performance gateways are required to be achieved by the individual before any STI payment can be earned being a minimum overall performance rating on KPIs which include risk and behavioural KPIs.

Incentives payments are pro-rata based on Employee Full Time Equivalent (FTE) status and tenure, factoring in the date of commencement and extended periods of leave. Incentives for Employees who commenced after 1 January are only considered in exceptional circumstances.

Following a review of Corporate KPI's level of achievement, PRemCo recommends to the Board the STI allocation pool. The STI pool is determined at the discretion of the Board.

Following the year end annual performance review process and STI pool allocation, the CEO and HR reviews and applies the STI Framework. Employees must have been an Employee of NAIF prior to 1st January to be eligible to participate.

SALARY INCREASES

NAIF works within the parameters of the Remuneration and Funding Declaration (Declaration) under the Workplace Bargaining Policy approved by the APSC Commissioner. The Declaration sets out the maximum amount to be awarded in non-promotional salary package increases. A funding declaration was approved for remuneration increases of up to six percent averaged over three years for the September 2017 to September 2019 period. The new funding declaration was approved for remuneration increases of up to six percent averaged over three years for the September 2020 to September 2023 period.

Employees who commence after 1 January are not eligible for a salary review in September of their starting year. Employees on extended leave including parental leave must be considered for a remuneration increase. This principle is consistent with best practice as a mechanism to assist in reducing the gender pay gap.

Salary increases are recommended by HR and approved by the CEO having regard to the individual performance, career progression and comparable market data.

DIRECTORS REMUNERATION

All NAIF Directors are appointed by the Commonwealth Government through the responsible Minister. These appointments are made in accordance with s15 of the NAIF Act. Board Fees for Directors are set and paid according to the determination of the independent Commonwealth Remuneration Tribunal (the Tribunal). This includes fees for Directors as well as those Directors appointed as members of the NAIF Board Audit and Risk Committee (BARC). NAIF has no role in determining the level of the Board Director fees. Statutory superannuation is paid in addition to the fees set by the Tribunal.

Table 18: Remuneration Tribunal (the Tribunal) Board and Committee fees (excluding superannuation) for FY19-20

Position	Annual Fee set by the Tribunal	Note
NAIF Chair	\$119,890	
NAIF Director	\$59,600	Mr Coulter AO received an annual member fee of \$46,530 instead of \$59,600.
NAIF BARC Chair	\$16,320	
NAIF BARC Member	\$8,160	

CEO REMUNERATION

The CEO position is classified as a Full-Time Public Office holder under the Tribunal Determinations.

In accordance with the Tribunal Determination 2019 total remuneration for the Chief Executive Officer was \$435,720. In accordance with the Tribunal's determination the CEO position is not entitled to participate in the STI Program.

and strategies. The establishment of the PRemCo is consistent with outcomes of discussions with the ANAO during the NAIF Performance Audit completed in 2019.

Employee remuneration decisions, within NAIF, consistent with the NAIF Employee Remuneration Policy are determined as follows:

The CEO:

- is responsible for implementing NAIF performance management and remuneration policies and practices.
- ensures KPIs are set for all Employees to support the NAIF's key strategic initiatives as detailed in the NAIF Corporate Plan. Year end review of performance against the KPIs is completed by people leaders with all Employees.

REMUNERATION GOVERNANCE ARRANGEMENTS

The NAIF Board established a People Remuneration Committee (PRemCo) effective 1 July 2019 which operates under a People Remuneration Committee Charter. The primary role of the PRemCo is to provide oversight of NAIF's people, remuneration policies

- with HR and the Executive Team, conducts a moderating review to ensure consistent application of performance ratings.
- prepares a recommended STI pool provision for review by PRemCo and recommendation to the Board. The size of the STI pool provision is based on achievement of the corporate KPI's and budget allocations.
- with HR applies the performance management ratings and STI framework to all Employees.
- with HR provides PRemCo analysis including a summary of the allocated performance outcomes and STI payments.

The PRemCo:

- considers the recommendations presented by the CEO.

- provides advice to the Board as to whether to endorse the STI pool at the July / August Board meeting each year.

The Board:

- is responsible for ensuring that NAIF has coherent policies and practices that fairly and responsibly manage the performance and remuneration arrangements for the NAIF Employees including through the following steps.
- considers recommendations made by the CEO and PRemCo in that regard and at the Board's discretion approves the payment of a Bonus pool.

FY19-20 REMUNERATION INFORMATION

The following tables details the remuneration paid to NAIF KMPs, senior executives and other highly paid staff in FY19-20.

Table 19: Remuneration paid to KMPs in FY19-20

	\$
Short term benefits:	
Salary	1,327,099
STI Performance Incentives	-
Other benefits and allowances (Incl annual leaves)	38,531
Total short term benefits	1,365,630
Superannuation	131,295
Total post employment benefits	131,295
Long service leave	3,316
Total other long term benefits	3,316
Termination benefits	204,386
Total key management personnel remuneration	1,704,627

Name	Position title	Salary	Annual leave adjustment	Short term benefits			Post employment benefits	Other long term benefits		Termination benefits	Total remuneration
				Base salary	STI Incentives	Other benefits & allowances	Superannuation contributions	Long service leave	Other long term benefits		
Khory McCormick	Board	119,890	-	119,890	-	-	11,390	-	-	-	131,280
Justin Mannolini	Board	75,774	-	75,774	-	-	7,198	-	-	-	82,972
William Shannon	Board	68,440	-	68,440	-	-	6,502	-	-	-	74,942
Karla Way-McPhail	Board	60,280	-	60,280	-	-	5,727	-	-	-	66,007
Kate George	Board	59,600	-	59,600	-	-	5,662	-	-	-	65,262
Belinda Murphy	Board	66,249	-	66,249	-	-	6,294	-	-	-	72,543
Barry Coulter	Board	46,530	-	46,530	-	-	4,420	-	-	-	50,950
Laurie Walker	CEO	135,777	8,974	144,751	-	-	17,544	-	-	-	162,295
Christopher Wade	CEO	178,493	12,205	190,698	-	10,000	16,957	3,316	-	-	220,971
Adam Thatcher	General Counsel	303,293	1,225	304,518	-	-	24,767	-	-	116,672	445,957
Carol Bellettini	Chief of Staff	212,773	6,127	218,900	-	-	24,834	-	-	87,714	331,448
Total		\$1,327,099	\$28,531	\$1,355,630	-	\$10,000	\$131,295	\$3,316	-	\$204,386	\$1,704,627

INDEPENDENT REVIEW OF NAIF'S STAFF REMUNERATION POLICY AND ASSOCIATED PRACTICES

Following the completion of the ANAO Performance Audit (refer Corporate Governance section), NAIF completed an independent review of its remuneration procedures and policies.

The intention of the review was to confirm the NAIF Employee Remuneration Policy and associated policies including position mapping remain appropriate taking into account the unique operating environment of the NAIF including its legislative mandate and timeframes,

the commercial market in which NAIF operates as a gap financier and the requirements of the NAIF Investment Mandate to have regard to Australian best government governance principles, and Australian best practice corporate governance for Commercial Financiers.

The scope for the review was prepared in FY18-19 and work by a selected independent adviser was completed in FY19-20. Findings from this review contributed to the review of NAIF's human resources remuneration and associated policies and practices as part of the broader response to matters raised by the ANAO in discussions with NAIF.

Table 20: Remuneration paid to senior executives in FY19-20

Remuneration band	Number of Senior Executive Staff	Short term benefits			Post employment benefits	Other long term benefits	Termination Benefits	Total Remuneration	
		Average base salary (\$)	Average STI Incentives (\$)	Average other benefits & allowances (\$)				Average total remuneration (\$)	
\$0 – \$225000	2 ¹⁵	103,008	-	-	9,900	290	-	113,198	
\$400001 – \$425000	2	330,921	42,500	-	25,551	7,991	-	406,962	
\$425001 – \$450000	1	342,890	63,000	-	30,044	7,991	-	443,925	
	5								

Table 21: Remuneration paid to other highly paid staff in FY19-20

Remuneration band	Number of Senior Executive Staff	Short term benefits			Post employment benefits	Other long term benefits	Termination Benefits	Total Remuneration	
		Average base salary (\$)	Average STI Incentives (\$)	Average other benefits & allowances (\$)				Average total remuneration (\$)	
\$225000 – \$250000	1	210,228	2,500	6,771	19,237	5,000	-	243,736	
\$275001 – \$300000	5	237,400	15,410	4,643	22,616	4,566	-	284,636	
\$300001 – \$325000	1	249,432	23,000	-	22,658	5,936	-	301,026	
\$325001 – \$350000	1	261,862	40,500	-	23,530	6,164	-	332,056	
	8								

¹⁵ These two senior executives were employed for only part of the financial year

Financial Statements

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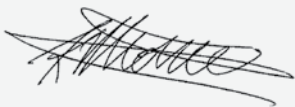


Statement by Board Members, Chief Executive Officer and Chief Financial Officer

In our opinion, the attached financial statements for the year ended 30 June 2020 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 the northern Australia Infrastructure Facility (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
10 September 2020



Christopher Wade
CHIEF EXECUTIVE OFFICER
10 September 2020



Stuart Neilson
CHIEF FINANCIAL OFFICER
10 September 2020

Independent Auditor's Report



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INDEPENDENT AUDITOR'S REPORT

To Minister for Resources, Water and Northern Australia

Opinion

In my opinion, the financial statements of the Northern Australia Infrastructure Facility ('the Entity') for the year ended 30 June 2020:

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Entity as at 30 June 2020 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following as at 30 June 2020 and for the year then ended:

- Statement by Board Members, Chief Executive Officer and Chief Financial Officer;
- Statement of Profit or Loss and Other 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 Entity 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 (including Independence Standards)* (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 Entity, the Board is responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under the Act. The Board is also responsible for such internal control as the Board determines is necessary to enable the preparation 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 ability of the Entity 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.

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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 the Accountable Authority 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



Rahul Tejani
Executive Director
Delegate of the Auditor-General

Canberra
14 September 2020

Statement of Profit or Loss and Other Comprehensive Income

For the period ended 30 June 2020

*commentary below

	Note	2020 \$'000	2019 \$'000	Original Budget \$'000
NET COST OF SERVICES				
Expenses				
Employee Benefits	1.1A	7,544	7,202	7,267
Suppliers	1.1B	3,130	2,836	3,103
Depreciation on right of use assets	2.2A	118	-	-
Finance costs	1.1C	1	-	-
Total expenses		10,793	10,038	10,370
Own-Source Income				
Own source revenue	1.2A	18	56	30
Net cost of services		(10,775)	(9,982)	(10,340)
Revenue from Government	1.2B	10,340	9,505	10,340
Total comprehensive income/(loss) attributable to the Australian Government		(435)	(477)	-

*The original budget for the 2019-20 financial year shown here of \$10.370 million is the budget presented to Parliament in the 2019-20 Portfolio Additional Estimates. This budget was prepared in March 2019 before the 2018-19 financial year had ended and before any Government approvals had been received to carry forward any underspend from the previous year.

Following the end of the 2018-19 financial year, the Board approved a revised budget in December 2019 for the 2019-20 financial year. That budget was the original budget of \$10.370 million plus the underspend of \$1.632 million from 2018-19 financial year bringing the total expense budget to \$12.002 million.

In 2019-20, only \$10.793 million of the \$12.002 million budget was expensed leaving an underspend of \$1.209 million. Including other minor adjustments of \$17,000, the total underspend for 2019-20 was \$1.192 million.

At the date of these accounts, no decision had been made by Government as to whether the \$1.192 million underspend will be approved to carry forward in 2020-21.

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

Statement of Financial Position

For the period ended 30 June 2020

	Note	2020 \$'000	2019 \$'000	Original Budget \$'000
ASSETS				
Financial assets				
Cash	2.1A	3,635	5,275	4,064
Other receivables	2.1B	155	33	40
Total financial assets		3,790	5,308	4,104
Non-financial assets				
Right of Use Assets	2.2A	88	-	-
Other non-financial assets	2.2B	12	23	-
Total non-financial assets		100	23	-
Total assets		3,890	5,331	4,104
LIABILITIES				
Payables				
Suppliers	2.3A	1,410	2,668	2,528
Other payables	2.3B	81	47	-
Total payables		1,491	2,715	2,528
Interest bearing liabilities				
Lease liabilities		92	-	-
Total interest bearing liabilities		92	-	-
Provisions				
Employee leave & other entitlements		1,115	984	1,576
Total provisions		1,115	984	1,576
Total liabilities		2,698	3,699	4,104
Net assets		1,192	1,632	-
Equity				
Retained surplus		1,192	1,632	-
Total equity		1,192	1,632	-

The retained surplus is partly explained by timing differences associated with recruitment and related activities being delayed. During 2019-20, NAIF underwent significant change with the appointment of a new CEO. The board deferred a number of initiatives and staff hires until the new CEO commenced on the 20th January 2020.

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

Statement of Changes in Equity

For the period ended 30 June 2020

	Retained Surplus		Original Budget \$'000
	2020 \$'000	2019 \$'000	
RETAINED SURPLUS			
Opening balance as at 1 July	1,632	2,109	-
Adjustment on initial application of AASB 16	(5)	-	-
Adjusted opening balance	1,627	2,109	-
Comprehensive income			
Surplus/(Deficit) for the period	(435)	(477)	-
Total comprehensive income/(loss)	(435)	(477)	-
Closing balance as at 30 June	1,192	1,632	-

Budget figures assumed all of the underspend of \$2.109 million would be spent in the 2018-19 financial year, whereas an amount of \$1.632 million was rolled into the 2019-20 financial year.

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

Cash Flow Statement

for the period ended 30 June 2020

	2020 \$'000	2019 \$'000	Original Budget \$'000
OPERATING ACTIVITIES			
Cash received			
Receipts from Government	10,319	9,505	10,340
Interest	18	56	30
Sundry	-	-	-
Total cash received	10,337	9,561	10,370
Cash used			
Employees	7,380	6,980	6,925
Suppliers	4,476	2,424	3,456
Total cash used	11,856	9,404	10,381
Net cash from operating activities	(1,519)	157	(11)
FINANCING ACTIVITIES			
Cash used			
Principal payments of lease liabilities	121	-	-
Total cash used	121	-	-
Net cash from financing activities	(121)	-	-
Net increase/(decrease) in cash held	(1,640)	157	(11)
Cash at the beginning of the reporting period	5,275	5,118	4,075
Cash at end of the reporting period	3,635	5,275	4,064

The major variance is that NAIF has paid a higher amount to suppliers and has a corresponding lower amount of liabilities to suppliers on the balance sheet.

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

Overview

For the period ended 30 June 2020

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

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.

The adoption of new standards and amendments that came into effect for this financial year did not have a significant financial impact on the Financial Statements.

AASB16: Leases requires a single lease accounting model for lessees with most leases recognised on the balance sheet. NAIF applied the modified retrospective approach in transitioning to the new standard hence the comparative information were not restated.

NAIF leases an office space in Cairns and on 1 July 2019, NAIF recognised a right-of-use (ROU) asset of A\$206,000, a lease liability of A\$211,000, and a net reduction to opening retained earnings of A\$5,000.

The lease liability was initially measured at the present value of scheduled future lease payments, discounted using the Australian Government's incremental borrowing rate as prescribed by the Department of Finance of 0.95%. The ROU asset was initially measured at cost, which is the initial amount of the lease liability increased by initial direct costs, prepaid lease payments and estimated costs to restore, and reduced by lease incentives received.

The ROU asset is depreciated using the straight-line method to the end of the lease term and the lease liability is measured at a mortgaged cost using the effective interest method.

Taxation

NAIF 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 2020

Leases

Leased Right Of Use (ROU) assets are capitalised at the commencement date of the lease and comprise of the initial lease liability amount, initial direct costs incurred when entering into the lease less any lease incentives received. These assets are accounted for as separate asset classes to corresponding assets owned outright, but included in the same column as where the corresponding underlying assets would be presented if they were owned.

The depreciation rates for ROU assets are based on the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term.

NAIF maintains office space for staff based in Sydney through a service level agreement (SLA) with Export Finance Australia. The right to direct the use of the office space remains with Export Finance Australia, hence no ROU and lease liability have been recognised in the balance sheet.

NAIF maintains office space in Perth through a service level agreement (SLA) with the Australian Trade and Investment Commission (Austrade). The right to direct the use of the office space remains with the Austrade, hence no ROU and lease liability is recognised on the balance sheet.

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 estimated to be taken in the future by NAIF employees is less than the annual entitlement for sick leave.

NAIF's employees 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 2020 represents outstanding contributions.

COVID-19

NAIF derives income mainly from pre-determined revenue from the Government and is relatively insulated from the immediate downturn due to COVID-19. NAIF has been able to continue to operate remotely as needed in the current environment. There has been no material impact to the financial performance of NAIF as a result of COVID-19. As the situation is fluid and rapidly evolving, it is not practicable to predict any potential future impact of the outbreak on NAIF.

Events after the reporting period

There were no significant events occurring after the reporting period that impact the NAIF's Financial Statements for the year ending 30 June 2020.

Notes to and forming part of the Financial Statements

For the period ended 30 June 2020

Financial Performance

	2020 \$'000	2019 \$'000
NOTE 1.1 EXPENSES		
1.1A Employee Benefits		
Wages and salaries	6,375	6,331
Superannuation defined contribution plans	572	555
Leave and other entitlements	393	316
Separation and redundancies	204	-
Total employee benefits	7,544	7,202

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

1.1B Suppliers		
Services provided by Export Finance Australia	760	768
Professional fees	531	534
Consultants	489	206
Travel	422	412
Property costs	292	470
Computer and communication costs	224	127
Contractors	172	139
Advertising and promotional costs	83	11
Insurance	33	28
Credit information	11	4
Other	113	137
Total suppliers	3,130	2,836
1.1C Finance costs		
Interest on lease liabilities	1	-
Total finance costs	1	-

NAIF has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated.

Notes to and forming part of the Financial Statements

continued

For the period ended 30 June 2020

	2020 \$'000	2019 \$'000
Operating lease payable		
Within 1 year	-	120
Between 1 to 5 years	-	90
Total operating lease commitments	-	210

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. At this stage NAIF has not made any determination as to whether they will be extending the lease.

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

NAIF has brought this lease onto the balance sheet under AASB 16 and has applied the modified retrospective approach and therefore the comparative information has not been restated.

NOTE 1.2 REVENUE		
1.2A Own source revenue		
Interest	18	56
Sundry	-	-
Total own source revenue	18	56
1.2B Revenue from Government		
Department of Industry, Science, Energy and Resources		
Corporate Commonwealth entity payment	10,319	9,505
Corporate Commonwealth entity receivable	21	-
Total revenue from Government	10,340	9,505

Funding received or receivable from the Department of Industry, Science, Energy and Resources (DISER), are appropriated to NAIF as a Corporate Commonwealth Entity payment item and 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 2020

	2020 \$'000	2019 \$'000
NOTE 2.1 FINANCIAL ASSETS		
2.1A Cash		
Cash at bank	3,635	5,275
Total cash	3,635	5,275

Cash is held on deposit and is available at call

2.1B Other Receivables		
Appropriations receivable	21	-
Goods and services tax	134	33
Total other receivables	155	33

NOTE 2.2 NON-FINANCIAL ASSETS

2.2A Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment

	Plant and equipment \$'000
AS AT 1 JULY 2019	-
Recognition of right of use asset on initial application of AASB 16	206
Adjusted total as at 1 July 2019	206
Depreciation on right-of-use assets	118
Total as at 30 June 2020	88
Total as at 30 June 2020 represented by	
Gross book value	206
Accumulated depreciation	118
Total as at 30 June 2020	88
Carrying amount of right-of-use assets	88

Refer Overview section for accounting policy on property, plant, equipment and leases.

Notes to and forming part of the Financial Statements

continued

For the period ended 30 June 2020

	2020 \$'000	2019 \$'000
2.2B Other non-financial assets		
Prepayments	12	23
Total other non-financial assets	12	23
NOTE 2.3 PAYABLES		
2.3A Suppliers		
Trade creditors and accruals	1,410	2,668
Total suppliers	1,410	2,668

Supplier 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	75	44
Superannuation	6	3
Total other payables	81	47

The liability for salaries and wages and superannuation recognised represents outstanding amounts for the final fortnight of the financial year.

NOTE 2.4 INTEREST BEARING LIABILITIES		
2.4A Leases		
Lease liabilities	92	-
Total lease	92	-

NAIF has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated.

Total cash outflow for leases for the year ended 30 June 2020 was \$120,000.

Refer Overview section for accounting policy on leases.

Notes to and forming part of the Financial Statements *continued*

People and Relationships

For the period ended 30 June 2020

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, Chief of Staff, General Counsel, the Minister for northern Australia, and the Portfolio Minister.

The 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. NAIF key management personnel remuneration is:

	2020 \$	2019 \$
Short-term employee benefits	1,365,630	1,473,144
Post-employment benefits	131,295	130,498
Other Long-term employment benefits	3,316	23,450
Termination benefits	204,386	-
Total key management personnel remuneration expenses	1,704,627	1,627,092
Total number of key management personnel that are included in the above table are:	11	10

Included in the 11 key management personnel are the former Chief Executive Officer, Chief of Staff, and General Counsel who all departed during the year. The number of key management personnel at 30 June 2020 was 8 comprising the new Chief Executive Officer and 7 Directors.

Short-term employee benefits include salary, annual leave, variable remuneration, other benefits and allowances. Post-employment benefits relates to superannuation. Other long-term benefits principally relates to long service leave.

This table has been based on the requirements stipulated in the Resource Management Guide No. 138 Commonwealth entities Executive Remuneration Reporting Guide for Annual Reports.

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

Notes to and forming part of the Financial Statements *continued*

For the period ended 30 June 2020

3.2 RELATED PARTY RELATIONSHIPS

NAIF 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.

Where a NAIF Board member has an actual, apparent or potential conflict of interest in relation to a potential investment decision, that member does not receive papers or participate in discussions on that transaction. A conflicts of interest register is maintained to record Board members' disclosed interests. Minutes from Board meetings record recusals as and when they occur.

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.

NOTE 4: OTHER INFORMATION

	2020 \$'000	2019 \$'000
Note 4.1: Aggregate assets and liabilities		
Assets expected to be recovered in:		
No more than 12 months	3,890	5,331
More than 12 months	-	-
Total assets	3,890	5,331
Liabilities expected to be settled in:		
No more than 12 months	2,471	3,519
More than 12 months	227	180
Total liabilities	2,698	3,699
Total aggregated assets and liabilities	1,192	1,632

Index of Statutory Reporting Requirements

The Board of NAIF is obligated under section 46 of PGPA Act to prepare an annual report and the PGPA Rule sets out the mandatory content requirements.

Part A – Public Governance, Performance and Accountability Act 2013

Section	Subject	Location within Report	Page
Public Governance, Performance and Accountability Rule Sec 17BE			
s 17BE(a)	Details of the legislation establishing the body	Vision, Purpose, Role	10
s.17BE(b)(i)	A summary of the objects and functions of the entity as set out in legislation	Vision, Purpose, Role Annual Performance Statement	10 24
s17BE(b)(ii)	The purposes of the entity as included in the entity's corporate plan for the reporting period		
s.17BE(c) – (f)	The annual report must provide details of:	Corporate Governance	32
	<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. 	<ul style="list-style-type: none"> Accountability Ministerial Directions Not Applicable NAIF Act – section 42 Reporting 	32 34 36
s.17BE(g)	The annual report must include NAIF's Annual Performance Statements.	Annual Performance Statement	24
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 	34
s.17BE(j)	The annual report must detail particulars of the Board.	Board <ul style="list-style-type: none"> Board Profiles and Photos 	40
s.17BE(k) – (l)	The annual report must detail particulars of NAIF's organisational structure and outline the location of the NAIF's major activities or facilities. Statistics on NAIF's employees including the following:	People <ul style="list-style-type: none"> Organisational structure and location Workforce demographics 	49 50
	<ul style="list-style-type: none"> Full-time employees; Part-time employees; Gender; Staff location. 		
s.17BE(m)	The annual report must outline the main corporate governance practices of NAIF.	Corporate Governance	32
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 <ul style="list-style-type: none"> Legislative Reporting 	34

Section	Subject	Location within Report	Page
s.17BE(t)	The annual report must detail any indemnity applied during the financial year.	Corporate Governance • Legislative Reporting	37
s. 17BE(taa)	The following information about NAIF's audit committee (BARC):		
	a. Reference to the BARC charter;	Corporate Governance	32
	b. Name of each member of the BARC;	Board	45
	c. Qualifications of each member of the BARC	Board	40
	d. Information about each member's attendance at BARC meetings; and	Board	45
	e. Remuneration of each member of the BARC.	People	54
s.17BE(ta)	Information about executive remuneration	People	55-57

Part B – Other legislation

Section	Subject	Location	Page
Northern Australia Infrastructure Facility Act 2016			
s. 42	NAIF's annual report must include:	Corporate Governance • Legislative Reporting	36
	a. Particulars of any changes to the Investment Mandate during the period and their impact on the operations of the Facility;		36
	b. A summary of the proposal notices given by the Facility to the Minister during the period;		37
	c. A summary of any rejection notices given by the Minister during the period and the Minister's reasons for giving the notices;		37
	d. For financial assistance provided by the Facility during the period, a summary of:		37
	i. the amounts of financial assistance and kinds of Northern Australia economic infrastructure concerned; and		
	ii. the kinds of loan contracts used, and their impact features;		
	iii. the risks and returns to the Commonwealth.		
	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.		37
Environment Protection and Biodiversity Conservation Act 1999			
s.516A (3)(6)	Ecologically sustainable development and environmental performance	Corporate Governance • Environmental Reporting	38
Work Health and Safety Act 2011			
Sch2, Pt 4, Clause 4(2)	Work health and safety initiatives, outcomes, statistics and investigations	People • Work, Health and Safety	51

Abbreviations and Acronyms

AML/CTF	Anti-Money Laundering/Counter Terrorism Financing
ANAO	Australian National Audit Office
BARC	Board Audit and Risk Committee
CEO	Chief Executive Officer
DISER	Department of Industry, Science, Energy and Resources
ESD	Ecologically Sustainable Development
FC	Financial Close
FTE	Full Time Equivalent
FY	Financial Year
IES	Indigenous Engagement Strategy
Investment Mandate	Northern Australia Infrastructure Facility Investment Mandate Direction 2018
KER	Key Enterprise Risks
KMP	Key Management Personnel
KPI	Key Performance Indicator
MFA	Master Facility Agreement
NAIF Act	Northern Australia Infrastructure Facility Act 2016
PBS	Portfolio Budget Statement
PGPA Act	Public Governance, Performance and Accountability Act 2013
PRemCo	People & Remuneration Committee
RAS	Risk Appetite Statement
RDA	Regional Development Australia
RMAC	Risk Management and Compliance
ROU	Right of Use
SLA	Service Level Agreement
STI	Short Term Incentive
WHS Act	Work Health and Safety Act 2011
WHS	Work, Health and Safety





Australian Government

NAIF

Northern Australia Infrastructure Facility

Northern Australia Infrastructure Facility

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This report is available electronically at:

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