

Statement of Expectations - Future Fund Board of Guardians

It is the expectation of the Minister for Finance and Deregulation, as the Nominated Minister, (the Minister) on behalf of the Australian Government, that:

1. The Future Fund Board of Guardians (the Board) will manage the investments of the Future Fund, the Building Australia Fund, the Education Investment Fund, the Health and Hospitals Fund and any other Australian Government investment funds as required (the Funds); and perform any other functions in accordance with the requirements of:
 - a. the *Future Fund Act 2006* (Future Fund Act), the *Nation-building Funds Act 2008* (Nation-building Funds Act), as well as other Acts that address the functions of the Board;
 - b. the *Future Fund Investment Mandate Directions 2006*, the *Building Australia Fund Investment Mandate Directions 2009*, the *Education Investment Fund Investment Mandate Directions 2009*, the *Health and Hospitals Fund Investment Mandate Directions 2009*, and any other Directions that articulate the Australian Government's expectations for how funds will be invested and managed by the Board (the Investment Mandates);
 - c. any regulations or directions issued by the Australian Government under the Future Fund Act, the Nation-building Funds Act, and other Acts that address the functions of the Board; and
 - d. any other statutory and legal obligations of the Board.
2. In undertaking its functions, the Board will implement and maintain appropriate standards of corporate governance.
3. The Board, and each member of the Board, will comply fully with the duties set out in the Future Fund Act, the Nation-building Funds Act, and other Acts that address the functions of the Board.
4. While recognising the collective responsibility of the Board, the Chair of the Board will be the main conduit for information between the Board and the Minister. This should include parallel provision of information to the Treasurer. The Secretary of the Department of Finance and Deregulation (Finance) should also be informed, to facilitate the provision of timely advice to the Minister. Where information is requested by either the Treasurer or the Minister (or their respective Departments) that request is to be regarded as being on behalf of the other. To avoid doubt, the response to the request is to be provided to both the Treasurer and the Minister (or their respective Departments).
5. Within this framework the Chair of the Board will report each quarter to the Minister on the performance outcomes of the Funds under management and the asset classes being invested in, consistent with the investment expectations set out in the Investment Mandates and the reporting obligations of the Board contained in the Future Fund Act, the Nation-building Funds Act and other Acts that address the

functions of the Board. Individual investments are only to be reported to the Minister where sensitive issues have arisen or are likely to arise.

6. The Chair of the Board will inform the Minister, in a timely manner, of any event that is likely to impact on the reputation of the Board, the Future Fund Management Agency (the Agency) or the Australian Government, including but not limited to:
 - a. significant investment losses at the Funds level, in particular where the loss has the potential to impact adversely on payments from the Funds;
 - b. legal proceedings relating to the investments of the Funds;
 - c. conduct by any person (including members of the Board, staff and consultants of the Agency) that has impacted adversely on the investments of any of the Funds; and
 - d. failure to comply with:
 - i. the Investment Mandates;
 - ii. the provisions of Part 3 of the Future Fund Act, Parts 2.3, 3.3 and 4.3 of the Nation-building Funds Act, and other Acts that address the functions of the Board relating to the investment of the Funds; and
 - iii. the provisions of Part 4 of the Future Fund Act relating to Board membership, the terms and conditions for Board members, Board meetings, and conflict of interests including any material changes in the private, business or financial interests (including taxation affairs) of Board members, which may conflict with their public duties during the term of their appointment.

Statement of Expectations - Future Fund Management Agency

The Minister expects that the Chief Executive (as Agency Head) will:

1. Manage the affairs and staff of the Agency in accordance with the *Financial Management and Accountability Act 1997* (the FMA Act) and regulations, orders and guidelines made under the FMA Act, the *Public Service Act 1999* (the PS Act) including promoting and upholding the Australian Public Service values and code of conduct, and other relevant legislation. It is noted that:
 - a. while various functions under the FMA Act and the PS Act may be delegated to the General Manager of the Agency or other officers, the responsibilities of the Chief Executive (under the FMA Act) and Agency Head (under the PS Act) lie with the Chief Executive; and
 - b. the responsibilities of the Agency, in particular in giving effect to the decisions of the Board and acting in accordance with the policies and directions of the Board, demand appropriate standards of management and administration.
2. Provide the Minister with timely advice on the activities of the Agency, and issues that arise. This would include, but not be limited to the Minister being:
 - a. alerted to significant events;
 - b. provided with advance notice where practicable of other matters of potential interest, including anticipated changes in key appointments to the Agency, significant public speeches, or media releases; and
 - c. provided with responses to Parliamentary Questions on Notice and other parliamentary and ministerial briefings as required from time to time.
3. Provide Finance with the same timely advice on the above-mentioned activities at paragraph 2 to allow Finance to fulfil its function as policy adviser to the Minister and, consistent with the *Legal Services Directions 2005*, consult with Finance when seeking legal advice on the interpretation of the Future Fund Act, the Nation-building Funds Act, and other Acts that address the functions of the Board, and provide Finance with copies of legal advice relied upon for the interpretation of these Acts.