FUTURE FUND MANAGEMENT AGENCY

2020-2021 Corporate Plan

August 2020

Future Fund Management Agency
2020-2021 Corporate Plan

Effective 1 July 2020 for the period of four financial years ending 30 June 2024

Introduction

I, Peter Costello, as accountable authority of the Future Fund Management Agency, present the 2020/21 Corporate Plan, which covers the four-year period until 30 June 2024, as required under paragraph 35(1)(b) of the *Public Governance, Performance and Accountability Act 2013.*

Hon Peter Costello AC

Accountable Authority of the Future Fund Management Agency

19 *August 2020*

1. Purposes of the Future Fund Management Agency

The Future Fund Management Agency ("**Agency**") was established under Division 2 of Part 5 of the *Future Fund Act 2006 ('***Future Fund Act***')*. The Agency's role is to support the Future Fund Board of Guardians ("**Board**") which has responsibility for investing the assets of special purpose public funds including the Future Fund, the Medical Research Future Fund, the Aboriginal and Torres Strait Islander Land and Sea Future Fund, the Future Drought Fund, the Emergency Response Fund and the DisabilityCare Australia Fund.

Risk and return objectives for each of these funds are set by Investment Mandate Directions issued to the Board by the Treasurer and Minister for Finance. These objectives and performance against them are detailed in Section 4 of this Corporate Plan.

Operating in close alignment with the Board, the Agency describes its purpose as investing for the benefit of future generations of Australians.

The Agency pursues its purpose by supporting the Board and implementing the following functions as described under the Future Fund Act:

- making such arrangements as are necessary to give effect to the decisions of the Board;
- providing administrative services to the Board;
- providing information to the Board;
- advising the Board about the performance of any of the Board's functions;
- making resources and facilities (including meeting facilities, communication facilities, secretariat services and clerical assistance) available to the Board;
- undertaking such other functions as are conferred on the Agency by the Future Fund Act;
- doing anything incidental to or conducive to the performance of any of the above functions.

In performing its functions, the Agency must act in accordance with any policies determined, and any directions given, by the Board.

The Agency's focus is on supporting the Board in maximising investment returns for the Commonwealth Government, net of costs, consistent with its investment mandates. At 31 March 2020 the Board had added $102bn to the assets of the Future Fund alone since inception.

The Board reviews and approves the Agency's business plan and associated budget and resourcing arrangements annually. This Corporate Plan reflects the business plan approved by the Board. The Agency does not have any subsidiary entities.

The objective of all of the Agency's work is to deliver strong risk-adjusted returns on the special purpose public funds which the Board is responsible for investing, in line with the Investment Mandate Directions issued by the responsible Ministers. In the case of the Future Fund these returns help strengthen the Commonwealth's long-term financial position while generating returns in respect of the other portfolios helps meet the government's commitments associated with them. The returns generated in respect of each of the other public asset funds and used for the purposes set out in the applicable legislation.

2. Business strategy

The Board and Agency have defined a business strategy for the organisation that reflects the legislation and the mandates issued by the responsible Ministers as well as an assessment of the organisation's comparative advantages and the current and prospective investment environment.

The strategy also incorporates consideration of the future demands on the organisation as a result of change in the investment industry and the continued growth in the scale of the portfolios the organisation is responsible for investing.

Attachment 1 shows our strategy diagrammatically and includes the three areas of particular focus for the 2020-21 year.

There are several factors that feed into our strategy – our purpose, our strategic imperatives and strategic pillars, our culture and values, and the strategic activities we need to focus on.

Our purpose

We have a clearly defined purpose: investing for the benefit of future generations of Australians.

Everything we do is aligned to achieving our purpose. Together with the relevant legislation and the Investment Mandate Directions for each fund, our purpose provides a focus for our people, their efforts and our priorities.

Strategic imperatives

Our strategic imperatives highlight the activities we strive to excel at. They are:

1. The best portfolios to achieve our Investment Mandates.
2. A well-managed organisation with a talented, motivated and engaged team.
3. Efficient, effective and fit-for-purpose processes and technology.
4. The trust and respect of government, Parliament and the investment community.

Strategic pillars

There are three key pillars of our business strategy:

1. One team, one purpose – we work as one team, striving to find the best possible solutions. Combining a breadth of experience and skills into a collaborative whole creates a meaningful competitive advantage.
2. Nimble and flexible – we are broad and creative in our search for opportunities to improve the portfolio, the organisation and ourselves. We believe that being flexible, nimble and opportunity-driven will add substantial value.
3. Leveraging the best in the world – we have access to the best investment thinkers in the world through our peers and partners. We leverage the best in the world, building strong and enduring partnerships.

Culture and values

This is how we go about doing what we do – the character and behaviour we embed into the way we act and interact:

- We **focus on what matters**. Everything we do is focused on achieving our purpose, we don't get sidetracked by distractions.
- We always **do the right thing** by our country, our organisation and our team.
- We **work together** to achieve the best outcome every time and ultimately to achieve our purpose.

Strategic activities

To deliver our business strategy, we have focused on, and are making good progress against, three priority areas:

1. A multi-year program of work to materially upgrade our investment data, systems and analytics capability.
2. Driving greater efficiency and productivity improvements across the business.
3. Ongoing investment in our people and culture, through the provision of training and development and also through a well-structured employee environment that attracts and retains high performers.

In the 2020-21 year our focus is evolving to focus on three themes that support these strategic activities and which are the Agency's current priorities. Specifically, the organisation is focused on:

1. Consolidation – embedding and integrating recent changes
2. Technology – unlocking potential and realising opportunities
3. Future of work – adapting and enhancing our opportunities

3. Current operating environment

The priorities for the 2020-21 year are informed by the current operating environment. This environment is discussed in this section.

Covid-19

The Covid-19 pandemic has significantly changed the context in which the Agency operates and is likely to have a long-lasting impact on both the Agency's own operations and the investment environment in which it operates.

With the onset of the pandemic in March 2020 the Agency promptly reprioritised its work and resources to maintain its focus on the critically important work of protecting and investing the portfolio. The Agency has continued to operate efficiently and effectively despite the disruption caused by the pandemic. The Agency has also reprioritised or deferred elements of its work program given the impact of the pandemic on some project service providers.

The investment environment has been materially changed with extraordinary monetary and fiscal responses unleashed globally. This is creating both challenges, for example in the form of extreme market volatility, and opportunities, for example in the form of the opportunities to invest into dislocations created by the pandemic. More broadly, the rapid decline in global growth, rising unemployment, burgeoning debt levels and impacts on trade are creating significant changes in the economic and investment position.

This is demanding additional attention from the investment team and, over the longer-term, may require us to reconsider the assumptions, approaches and frameworks that underlie the investment portfolios. It has also further highlighted the importance of technology and the application of appropriate levels of skilled resources to maintain a prudent approach to investment and risk management.

Operationally, the move to having all staff working from home because of the pandemic has highlighted the benefits that can be achieved from a flexible approach to working and cast additional light on what the work environment may look like in the future.

Additional and growing portfolios

The addition of new funds to the Board's responsibilities is a very positive sign of the trust and confidence the Parliament places in the Board. At the same time new funds place additional pressure on our existing resources and ways of operating and the Agency needs to continue to find ways of improving its efficiency and adapting its model, while protecting the elements that have provide so successful to date.

While legislation permits drawdowns from the Future Fund from 1 July 2020, the government announced in the 2017-18 budget that it will refrain from making withdrawals until 2026-27.

Describing this decision, the Treasurer told the National Press Club on 10 May 2017: 'There is a century of taxpayers that will benefit from us holding our discipline and holding our nerve and continuing to build that Future Fund up for another decade.'

The expected continued growth in the portfolio as a result of this decision will considerably strengthen the Commonwealth's financial position. A longer timeframe will give the opportunity to further develop and take advantage of the attractive opportunities offered by private markets in particular.

The Medical Research Future Fund has continued to grow both through investment returns and additional contributions from government including a contribution of $3.2bn made in July 2020, taking total contributions to the Medical Research Future Fund since its creation in 2015 to $20bn.

The Aboriginal and Torres Strait Islander Land and Sea Future Fund and the Future Drought Fund were established in in 2019 and given their current Investment Mandate Directions in February 2019 and November 2019 respectively. The Emergency Response Fund was legislated in 2019 and received its Investment Mandate Direction in February 2020.

All of the above funds target the production of investment returns while moderating risk, as set out in their Investment Mandate Directions.

To provide these funds with prompt access to a diversified and prudently risk managed portfolio of investments the Agency has supported the Board by establishing a co-mingled arrangement for these funds with the Medical Research Future Fund.

This approach avoids the risk that gradually building a portfolio over time would expose the funds to less diversification over a longer period while also addressing the challenges presented by the relatively small size of the funds individually which limits their ability to access many attractive investment strategies.

Consolidation of technology

Our multi-year program of technology development has proved enormously valuable. Work to enhance our ability to source, manage and use data in our investment process has strengthened the management of the portfolio, providing greater insights for the investment team. This proved of particular value through the initial stages of the pandemic when market volatility was extremely high.

In addition, previous investments in technology allowed a seamless transition to working from home arrangements.

Having made good progress in the development of our technology environment, there is a also a need to consolidate the changes and ensure that the benefits are fully realised. In doing so the Agency recognises that it must balance the need to bed in changes and fully realise benefits with the desire to continue to make appropriate progress and maintain momentum

Organisational change

Having operated from its existing office location since 2007 the Agency has committed to moving to new premises in the Melbourne Central Business District with the move planned for October 2020. These new premises will better accommodate the size of the organisation, which has grown significantly over the last decade, while also providing an environment that will support the high levels of collaboration that is a hallmark of the investment approach and our organisational design.

Maximising the benefits of the new premises and the ability to bring staff from a number of separate office areas into one location is an important objective. In addition, a number of staff operate from Sydney and while our presence there is modest, it is important that there are strong levels of connection between both offices. Office improvements in Sydney and greater connectivity through technology will support this focus.

An effective culture has been critical to the organisation's success. Continuing to nurture our desired culture and to work at strengthening and improving it, even as the context, demands, complexity and size of the organisation evolves, is vital. Protecting the most valuable parts of the organisation's culture while being able to let go of aspects that have served their purpose reflects the transition from being a small organisation to a medium-sized one.

In addition, Dr Raphael Arndt was appointed Chief Executive Officer with effect from 1 July 2020, following the resignation of the previous Chief Executive Officer in February 2020. This transition had to be taken account of in the development of the 2020-21 Corporate Plan. In light of this, the 2020-21 Corporate Plan has been developed to provide appropriate direction for the organisation, but in the expectation that the new Chief Executive Officer will refresh the plan once he has settled into the role.

4. Priorities and capability

In line with the business strategy and the operating environment already outlined the Agency has been prioritising a number of multi-year initiatives to further develop its capability. These will help the Agency support the Board in investing the assets of the public asset funds for which the Board is responsible. These initiatives focus on:

1. *Upgrading investment data, systems and analytics capability.* The importance of having high quality data available when needed, and the benefits of being able to efficiently source, parse and synthesize that data, means that this continues to be a high priority.

2. *Driving efficiency and productivity.* Improving our systems and processes, both investment and operational, will allow us to protect our strong 'one team' culture and preserve and grow our ability to be nimble and flexible.

3. *Investing in our people and culture.* Our ability to attract, retain, develop and motivate a high-quality team remains an essential building block. Our people represent the source of our insights, decisions, execution capability and risk management that support the Board. Ensuring this team is rewarded appropriately and has the tools to work efficiently and effectively, and remains fully engaged, should have a direct correlation to the strength of our long-term returns.

Table 1 provides a high-level overview of progress that has been made against these initiatives in 2019-20.

Table 1: Major items of work 2019-20		
Investment data and analytics	**Efficiency and productivity**	**People and culture**
a) Completed implementation of Aladdin, the new overlays system. b) Delivered initial release of the Investment Data Management ("**IDM**") operating model creating foundational capabilities and supporting the implementation of Aladdin. c) Continued build of our IDM target state, providing investment data to strategic projects and the Investment team. d) Development and roll-out of a series of visual reporting dashboards to the Investment team. e) Continued implementation of Ortec, our new performance measurement and attribution system.	a) Implemented management of the ATSILS fund through a co-mingled approach with the MRFF for sustainable and optimised management of both funds. b) Established two new funds, the ERF and FDF, using a co-mingled approach with the MRFF for each of them. A number of initiatives were prioritised in support of our response to the pandemic a) Technology uplift to enable and support remote working for the entire organisation, including roll-out of MS Teams and other technology tools and software. b) Building out the quality and diversity of the MRFF, ATSILS Fund, FDF and ERF Return Pool, and creating significant liquidity for the Future Fund. c) Implementation of programs to support remote working, including approved solutions for digital and paperless sign-offs, and remote and online recruitment and onboarding processes.	a) Designed and planned the relocation to new premises for Melbourne and Sydney, with relocation to follow in FY21. b) Designed and delivered a comprehensive, tailored and multi-module leadership program (called Leading in Future Times ("**LiFT**")) to more than 50 leaders at the Agency. c) Design, planning and delivery of a highly successful all-staff offsite late last year. d) Enhanced the resource flexibility and joined up nature of our investment and support teams (exemplified during the last few months by the real time and collaborative 'whole of portfolio' thinking, decision making and implementation, and the comprehensive and timely cross-functional support provided to the investment teams).

As outlined above, while consistent with the existing business strategy, the Agency is prioritising three themes for 2020-21:

1. Consolidation – embedding and integrating recent changes
2. Technology – unlocking potential and realising opportunities
3. Future of work – adapting and enhancing our opportunities

These are set out in table two together with examples of some of the key initiatives for the year.

Table 2: Major items of work for 2020-21 and beyond

Investment data and analytics	Efficiency and productivity	People and culture
a) Being better investors by continuing to build out the investment team and the portfolios, and reviewing investment processes. b) Embedding new systems, tools and capabilities established by strategic projects, such as the Investment Data & Analytics Program ("**IDAP**") c) Transformational agility – continue to enhance our operating model and ability to deliver change. d) Completion of the Investment Data Management ("**IDM**") target state, and transitioning and delivering all the key the investment data-related services and tools from the new IDM platform. e) Establishing new systems, processes and services with moves to our new offices in Melbourne and Sydney.	a) Completion of the development of a Technology strategy for consideration by the new CEO and Board. b) Progress work on our Technology platform foundations - continue the rollout of Microsoft365 suite, productionise our cloud solutions, improve how we service the business by expanding the ServiceNow platform. c) Consolidate our designs for data platforms and related tooling. d) Finance team to focus on improvement to systems and processes such as payroll, the general ledger system and private markets shadow book of records. e) Review our key service providers to ensure reliable technology and an optimal user experience. f) Continue implementation of the tech risk and security program, including privileged access management and network security enhancements.	a) Covid-19 has required our people to develop new skills and behaviours which will be important to maintain when we return to the office. b) Continue to evolve our approach to inclusion, diversity and flexibility. c) Continue to improve our management of our talent and succession pipeline. d) Create and deliver "LiFT Plus", which will continue to develop and strengthen our leadership capabilities, as well as cater for newly appointed leaders. e) Research and implement a workforce planning and management solution, including a fit-for-purpose reporting and analytics platform that enables self-service functionality and dynamic dashboards. f) Further enable and unlock the potential of our employees through Office 365 collaboration solutions and new ways of working.

To deliver this work program, and subject to the priorities of the new CEO as he develops his priorities, the 2020-21 financial year will see us continue to add resources to the organisation. This will assist in the management of the investment portfolio and the maintenance of the Agency's focus on prudent risk management.

The use of external investment managers to implement the Board's investment program is required under legislation. As such an important focus remains the Agency's emphasis on building and maintaining an appropriate network of relationships with investment managers and other partners and using those relationships effectively to add value to the overall investment program.

The Agency also continues to build and develop its workforce. The Agency's ASL for the 2019-20 year along with the cap for the following four years shown in Table 3. These numbers reflect headcount changes agreed to reflect the additional responsibilities of managing the investment of the Aboriginal and Torres Strait islander Land and Sea Future Fund, the Future Drought Fund and Emergency Response Fund.

Table 3: ASL and ASL cap

	FY20 Actual	FY21	FY22	FY23	FY24
Total ASL	161.4	197.2	192.9	192.9	192.9

4. Performance

The key measure of performance for the Board and Agency is the achievement of the return and risk objectives set by government for each special purpose public fund. These objectives are set out in the Investment Mandate Directions for each fund issued by the responsible Ministers and also reflected in the Agency's Performance Statement (2018-19 Annual Report, page 167) and Outcomes described in the 2019-20 Portfolio Budget Statement (page 119)

The Agency reports performance of each fund to the Board at each Board meeting and updates performance results and asset allocation each quarter on its website. A detailed review of the performance of the portfolios is also included in the annual report each financial year. However, it is important to note that the investment objectives for all the public asset funds are for long-term, rather than annual, returns. The exception to this is the DisabilityCare Australia Fund which targets returns over rolling 12 month periods.

Future Fund

Until 30 June 2017 the Future Fund Investment Mandate was to achieve an average annual return of at least the Consumer Price Index ("**CPI**") + 4.5% to 5.5% pa over the long term with an acceptable but not excessive level of risk. From 1 July 2017 the Investment Mandate set a target benchmark return of CPI + 4% to 5% pa over the long term. There was no change to the government's description of its risk appetite. Performance against the mandate is set out in Table 4.

Table 4: Future Fund investment returns and volatility to 31 March2020

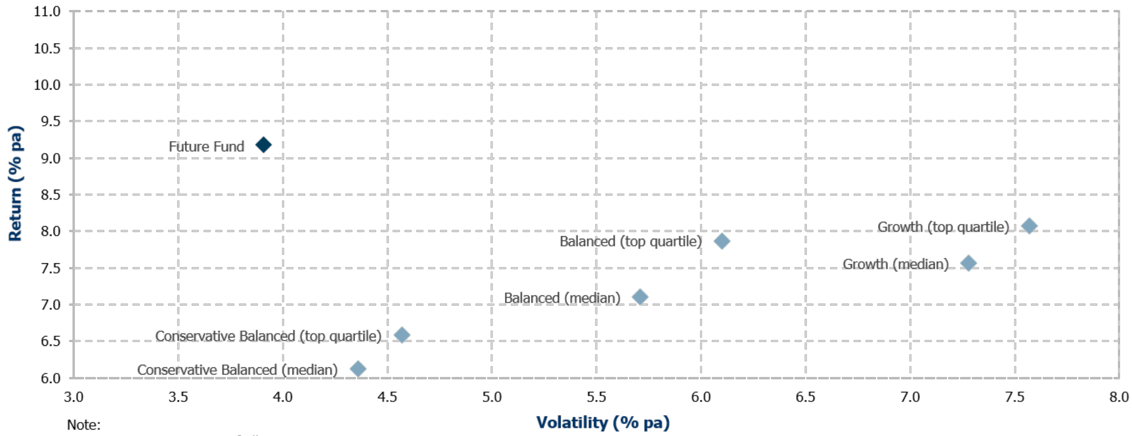
	Return (% pa)	Target return[1] (% pa)	Volatility[2] (%)
From inception (May 2006)	7.7	6.7	4.3
10 years	9.2	6.4	3.9
7 years	9.6	6.2	4.1
5 years	6.8	6.0	4.3
3 years	7.8	5.9	4.5
Financial year to date	-0.2	4.7	n/a

Notes:
1. From 1 July 2017 the Fund's Investment Mandate target return was reduced from CPI + 4.5% to 5.5% pa to CPI + 4% to 5% pa over the long term, with an acceptable but not excessive level of risk.
2. Industry measure showing the level of realised volatility in the portfolio.
3. The Future Fund returned -3.4% over the quarter.

While focused on the performance of the Future Fund against its mandated objectives, the Board periodically publicly reports its long-term performance relative to other large investors in Australia. This has the benefit of providing additional context to the Future Fund's risk and return performance and is shown in the chart below:

Table 5: 10- year risk and return Future Fund at 31 March 2020

10-year risk and return Future Fund and superannuation options (tax adjusted)



Note:
1. Returns are net of all costs.
Source: SuperRatings data grossed up to address the Future Fund's tax position using an estimate derived by the Future Fund.

- Comparisons between portfolios should recognise different contexts, time horizons, liquidity needs and cashflows.
- Future Fund portfolio has produced good returns with a moderate level of risk.
- Returns over the next decade are very unlikely to be this strong, meaning the ability to generate returns alongside disciplined risk management will be important.

Medical Research Future Fund

Investment Mandate Directions for the Medical Research Future Fund were issued by the responsible Ministers on 8 November 2015 and set a target benchmark return of at least the Reserve Bank of Australia Cash Rate target + 1.5% to 2.0% pa, net of investment fees, over a rolling 10-year term.

In targeting the benchmark return the Board is required to determine an acceptable but not excessive level of risk and to take into the account the principle that the nominal value of the credits to the Fund be preserved over the long term and the principle to moderate the volatility of the maximum annual distribution.

Table 6: Medical Research Future Fund returns to 31 March 2020

	Return (% pa)	Target return[1] (% pa)
From inception (22 September 2015)	3.3	2.9
3 years	3.0	2.8
Financial year to date	-1.9	1.7

Notes:

1. RBA cash rate plus 1.5% to 2.0% pa over the long term, with an acceptable but not excessive level of risk.
2. The Medical Research Future Fund returned -3.7% over the quarter.

Aboriginal and Torres Strait Islander Land and Sea Future Fund

The Aboriginal and Torres Strait Islander Land and Sea Future Fund was established with a contribution of $2bn transferred from the Aboriginal and Torres Strait Islander Land Account.

The Investment Mandate Directions for this portfolio was issued in February 2019 and requires the Board to target an average return of, net of costs, of the Consumer Price Index +2.0% to 3.0% pa over the long term while taking an acceptable but not excessive level of risk including having regard to the plausible capital loss from investment returns over the forward three-year period.

In the Directions the Government acknowledges that targeting the long-term benchmark return implies accepting the risk of capital losses, in adverse markets, that may be 15-20% of the portfolio over a three-year period.

Table 7: ATSILS Fund returns to 31 March 2020

	Return (%)	Target return[1] (% pa)
Initial transition period (1 February to 30 September 2019)	1.3	n/a
From inception (1 October 2019)	-3.9	2.2

Note:

1. CPI plus 2.0% to 3.0% pa over the long term, with an acceptable but not excessive level of risk.

Future Drought Fund

The Future Drought Fund was established on 1 September 2019 and seeded with capital ($4 bn) from the Building Australia Fund which was closed. The Investment Mandate Direction for the Future Drought Fund was issued by the responsible Ministers on 15 November 2019. The Direction requires the Board to target an average return, net of costs, of the Consumer Price Index +2.0% to 3.0% pa over the long term while taking an acceptable but not excessive level of risk.

In the Direction the Government acknowledges that targeting the long-term benchmark return implies accepting the risk of capital losses, in adverse markets, that may be 15-20% of the portfolio over a three-year period.

Between 1 September 2019 and 1 April 2020, the Future Drought Fund was invested in line with the mandate for its predecessor fund, the Building Australia Fund. This targeted a return of the Australian three-month bank bill swap rate +0.3% pa calculated on a rolling 12-month basis, net of fees. The Directions required the Board to invest in such a way as to minimise the probability of capital losses over a 12-month horizon.

The Directions envisage a transition period to allow the development of a long-term investment strategy for the Future Drought Fund during which time returns would be expected to be lower than the target rate.

During the transition period, from 1 September 2019 to 31 March 2020, the Future Drought Fund generated a return of 0.7%.

Emergency Response Fund

The Emergency Response Fund was established on 12 December 2019 and seeded with capital ($4 bn) from the Education investment Fund. The Investment Mandate Direction for the Emergency Response Fund was issued by the responsible Ministers on 4 February 2020. The Direction requires the Board to target an average return, net of costs, of the Consumer Price Index +2.0% to 3.0% pa over the long term while taking an acceptable but not excessive level of risk.

In the Direction the Government acknowledges that targeting the long-term benchmark return implies accepting the risk of capital losses, in adverse markets, that may be 15-20% of the portfolio over a three-year period.

Between 12 December 2019 and 1 April 2020 the Emergency Response Fund was invested in line with the mandate for its predecessor fund, the Education Investment Fund. This targeted a return of the Australian three-month bank bill swap rate +0.3% pa calculated on a rolling 12-month basis, net of fees. The Direction required the Board to invest in such a way as to minimise the probability of capital losses over a 12-month horizon.

The Direction envisage a transition period to allow the development of a long-term investment strategy for the Emergency Response Fund during which time returns would be expected to be lower than the target rate.

During the transition period, from 12 December 2019 to 31 March 2020, the Emergency Response Fund generated a return of 0.4%.

DisabilityCare Australia Fund

The Investment Mandate Direction for the DisabilityCare Australia Fund was issued by the responsible Ministers on 1 July 2014 and set a target benchmark return of the Australian three-month bank bill swap rate + 0.3% pa calculated on a rolling 12-month basis (net of fees). The Board is required to invest in such a way as to minimise the probability of capital losses over a 12-month horizon.

The DisabilityCare Australia Fund received its first funding late in 2014, and as at 31 March 2020, it had generated a return of 1.4% over 12 months modestly below the benchmark target for the period of 1.5%.

5. Risk oversight and management

Risk management

We believe that effective governance of our own operations is essential to the successful pursuit of our objectives. In particular, we are focused on the prudent management of risk.

The organisation, along with many financial institutions, has adopted the 'Three Lines of Defence' model for risk governance. This model is built around three elements which we have adapted to suit our organisation:

i) First line of defence is the business. The business 'owns' each risk and must ensure that there are controls in place to appropriately manage the risk within the Board's risk appetite. The business is responsible for identifying, analysing, managing and controlling, monitoring and reporting risks.

ii) Second line of defence is the independent Risk Team, led by the Chief Risk Officer. This team develops the organisation's risk management framework to promote effective and consistent risk management across the organisation, assists and supports the business in developing its risk management policies, systems and controls, and provides independent review and challenge of the first line.

iii) Third line of defence is an independent internal audit function. The function provides independent assurance that the risk management framework is appropriate and is operating effectively (through independent control testing).

Monitoring and managing risk

We consider risk in three broad categories: investment risk, operational risk and external risk:

i) Investment risk - risks for which we expect to be compensated. These risks often cannot be eliminated, particularly if they are of a strategic nature, nor are they inherently undesirable if they are compensated by expected returns. We therefore seek to optimise rather than minimise investment risks

ii) Operational risks - risks for which we do not expect to be compensated. While some level of operational risk is unavoidable in practice, normally we are not compensated for it (ie higher operational risk is not usually expected to produce higher expected returns). This makes operational risk inherently undesirable and hence we seek to take all reasonable measures to minimise it without imposing excessive costs or constraints on our strategy, decision making or operations.

iii) External risks - risks that arise from external events which are outside the organisation's control. These external events usually have a very low probability of occurrence (or at least their form and timing are not predictable) or they are difficult to envisage. They may include natural disasters or terrorism with immediate and major impact, or geopolitical or regulatory change with long-term material impact. These are also likely to be inherently undesirable, but since they are outside our control they cannot be minimised or optimised. We therefore seek to prepare for such events and manage their impact should they occur.

The Board has overall responsibility for risk management for the organisation. This includes setting the risk appetite and acceptance of the residual risk rating for each key risk identified in the organisation's Risk Register. The Board sets the investment risk appetite (via control ranges, limits and other directions) within which the Agency's relevant investment team should operate.

The Board's Audit and Risk Committee has been established to provide assurance to the Board that the risks as detailed in the organisation's Risk Register are appropriately identified and managed and to provide assurance and assistance to the Board on the organisation's risk, control and compliance frameworks.

The Agency operates number of committees which are directly involved in the oversight of risk management as documented in their respective charters, including:

- Management Committee;
- Investment Committee; and
- Operational Risk & Compliance Committee

Each Agency committee considers risks within the scope of its oversight role. For example, the Investment Committee has oversight of investment risks.

Risk culture is a key component of the broader organisational culture. The Risk Team assists in promoting a positive risk culture by:

- Championing quality risk conversations at key Agency and Board Committees;
- Steering the organisation towards appropriate responses to incidents, including any appropriate training or adjustments to controls; and
- Developing and implementing a framework that facilitates clarity of individual roles, responsibilities and accountabilities

Deloitte Touche Tohmatsu provides internal audit services reporting to the Audit & Risk Committee and has full access to staff and information when conducting its reviews.

The Australian National Audit Office undertakes the external audit of the Future Fund and the Agency, engaging a professional accounting firm to assist in this process.

The Audit & Risk Committee receives internal and external audit reports and monitors management action in respect of these reports.

The Agency undertakes a regular fraud and corruption risk assessment. Fraud and corruption control initiatives are embedded into the Agency's internal control framework. Key controls such as segregation of duties, approval hierarchies, dual signatories and third-party due diligence form part of the mitigation strategies.

The Agency maintains a Crisis Management Plan which is reviewed and tested periodically. It also undertakes an annual disaster recovery test in which the Agency's critical processes are included.

As part of the Agency's internal control framework, a specific IT risk management framework is maintained to provide assurance that IT-related risks, including cyber risk, are identified, managed and monitored. A defence-in-depth cyber security strategy has been implemented to assist in identifying, managing, and monitoring the cybersecurity landscape, threats, technologies and controls.

6. Corporate plan requirements

This corporate plan has been prepared in accordance with the requirements of:

- subsection 35(1) of the PGPA Act; and
- the PGPA Rule 2014.

Table 8 details the requirements met by the Future Fund Management Agency's corporate plan and the page reference(s) for each requirement.

Table 8: PGPA Act requirements met

Requirement	Page
Introduction Statement of preparation, reporting period for which the plan is prepared, reporting periods covered by the plan	2
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Operating environment	6
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ATTACHMENT 1

Future Fund business strategy drives our focus on the three areas of: Consolidation, Technology and the Future of Work

OUR PURPOSE IS **WHY** WE EXIST

Investing for the Benefit of Future Generations of Australians

OUR **STRATEGIC IMPERATIVES** DEFINE **WHAT** WE MUST DO TO SUCCEED

- The best portfolios to achieve our Investment Mandates
- A well-managed Agency with a talented, motivated and engaged team
- Efficient, effective and fit-for-purpose processes and technology
- The trust and respect of Government, Parliament and the investment community

HOW WE WILL ACHIEVE OUR PURPOSE IS BY UPHOLDING OUR **VALUES**

- Focus on what matters
- Do the right thing
- Work together

OUR **STRATEGIC PILLARS** ARE THE **STRENGTH** BEHIND OUR PURPOSE

- **One team, one purpose**
- **Nimble and flexible**
- **Leveraging the best in the world**

OUR **STRATEGIC FOCUS** HAS BEEN…

- Materially upgrade our investment data and analytics
- Drive greater efficiency and productivity
- Invest in our people and culture

IN FY21 OUR **STRATEGIC FOCUS** IS EVOLVING TO…

- **Consolidation** embed and integrate our recent changes
- **Technology** unlock potential and realise opportunities
- **Future of work** adapt and enhance our capabilities