

**Economics Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
Industry, Innovation and Science Portfolio  
2016 - 2017 Additional Estimates  
2 March 2017

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**AGENCY:** COMMONWEALTH SCIENTIFIC AND INDUSTRIAL RESEARCH ORGANISATION

**TOPIC:** CSIRO Innovation Fund

**REFERENCE:** Written Question – Senator Carr

**QUESTION No.:** AI-125

1. How many staff are allocated to work on the CSIRO Innovation Fund? Have all staff required been allocated or hired?
2. What will be the administrative costs of running the fund per annum?
3. What are the governance arrangements for the fund?
4. How will you measure the success or otherwise of the fund? Over what timeframes?
5. When will the fund be open to proposals?
6. How much private funding has been raised for the fund to date?
  - a. Is CSIRO's contribution still \$30m?

**ANSWER**

1. CSIRO has not as yet completed hiring of all staff required for the CSIRO Innovation Fund (Fund) and the final level staffing level is not yet determined. CSIRO is currently making appointments of the investment managers for the Fund and is recruiting for 4 positions. It is anticipated that the number of investment managers for the Fund may change as the planned capital raising for the Fund progresses. In addition to the investment manager team, staff have been allocated to the part time positions required for the Fund's establishment and operations in relation to compliance and risk management.
2. The current CSIRO budget for expenses of the Fund (that is, part of the cost of CSIRO Innovation Fund operations and conducting investments) is \$2 million per annum in 2016/17 and over the forward budget period.
3. The governance arrangements for the Fund may be summarised as follows:
  - A number of subsidiary companies (with CSIRO staff appointed as directors) and Limited Partnerships have been formed for the purpose of establishing and managing the Fund. One of these (CSIRO General Partner 2 Pty Ltd) serves as General Partner of the CSIRO Investment Fund 1 Limited Partnership (i.e. the Fund).
  - The CSIRO Innovation Fund will operate under governance arrangements appropriate to an Early Stage Venture Capital Limited Partnership, subject to appropriate approvals from Innovation and Science Australia.
  - Approval of the Investment Committee of the Fund will be required for all proposed investment and divestment transactions. Members of the Investment Committee will be selected and appointed by the General Partner and will comprise members of the investment management team, independent member(s) and a representative of CSIRO.

- An Advisory Committee selected and appointed by the General Partner will have a decision-making role when the Investment Committee is conflicted and for specific additional matters provided in the Fund partnership deed. Otherwise, its role will be solely advisory. The Advisory Committee may include Limited Partner representatives and independent members.
- The subsidiary companies and partnerships that form the Fund will have accountability requirements to CSIRO and some will also have obligations to ASIC and Innovation and Science Australia.

4. The Fund will report on the following measures of success to government (noting, these are currently draft measures and the performance of the Fund will also and primarily be measured by Limited Partners in terms of financial performance):

Measures	Definition	Data source
<b>Situation</b>		
Increase commercialisation of research outcomes	Proportion of the Fund invested companies financially viable after 5 years of operation divided by the total number of companies established by the fund.	ABS data
<b>Inputs</b>		
Financial capital invested in the Fund	Total committed funding (in signed funding agreements) by the Commonwealth, CSIRO and partner investors.	Financial data
<b>Participation</b>		
Publically Funded Research Agencies (PRFA) and universities engaged with applicants	Number of applicants partnered with a PRFA & universities divided by total number of submissions.	Core data item on application form
<b>Activities</b>		
Effective development of the Australian Financial Services Licence (AFSL) application	Number of times the deadline for submission is amended.	Project plan, meeting minutes
Transparent appointment of Investment Committee Members	Number of respondents 'satisfied' or 'highly satisfied' with the appointment process divided by the total number of respondents.	Survey or interview
Building a strong brand	Recognition of the Fund in the media - positive in nature and longevity of attention.	Media reports/alerts
Effective training of the Fund staff	Proportion of staff successfully completing the required training.	Staff data
<b>Outputs</b>		
Total number of pre-seed, seed and SMEs invested in	Alignment of investment allocation with the goals of the Fund.	Audited final report
\$100m of co-investment sought from partners	Co-investment committed to the fund - beyond the NISA and CSIRO contributions.	Financial data
Proportion of industry partners involved with the Fund, from the ASX top 200	Collaboration with industry - number of industry partners listed in the ASX 200 divided by 200.	<a href="http://www.asx200list.com/">http://www.asx200list.com/</a>
Operational legal entities embodying the Fund	Copies of all legal documents associated with the establishment of all the legal bodies making up the Fund.	Registration or approval documents
Defined and functioning governance structure	Provide detailed governance structure with assigned descriptions and appointments against each role. Copy of all approved governance policies also to be provided.	Governance policies and Human Resources records
Attainment and retention of all required licenses	Copies of all licenses and detailed plan on meeting all compliance requirements	Legal documents and compliance plan

Outcomes		
<b>SHORT TERM:</b> The fund has a strong pipeline of investible propositions across deep science based technology from the catchment of publicly funded research institutions	Number of investible propositions divided by the total number of propositions.	Administrative and financial data
<b>SHORT TERM:</b> Completed investment portfolio aligns with key industry sectors including Government's Science and Research Priorities, and Industry Growth Centres	Sector representation of investments.	Administrative data and ABS
<b>MEDIUM TERM:</b> Number of companies invested in compared to the target of 70	Number of companies invested in compared to the target (40).	Administrative and financial data
<b>MEDIUM TERM:</b> Range of diversity in the opportunities sourced for investment	Range of diversity in the opportunities sourced for investment.	Administrative data
<b>MEDIUM TERM:</b> Value of the portfolio	Total value of the portfolio compared to the baseline value of the Fund upon commencement.	Financial data
<b>MEDIUM TERM:</b> Investments with viable commercial business models	Number of investments with viable commercial business models divided by the total number of investments.	Administrative and financial data
<b>LONG TERM:</b> Returns to investors are at an optimal level	Number of investments meeting an internal rate of return target of 15 - 20%.	Financial data
<b>LONG TERM:</b> Fund size is achieved and in the long run, delivers a return which provides opportunity for reinvestment of CSIRO and Government returns back into the fund	Proportion of the returns generated from the Fund reinvested into the fund divided by the total fund size, as quantified at commencement.	Financial data
<b>LONG TERM:</b> Increase Australia's productivity	Valuation of investee companies - total contribution to the economy (include exports).	Financial data
<b>LONG TERM:</b> Increase employment	Number of employees in investee companies	Financial and staffing data

5. The Fund anticipates to be open to consider proposals from mid-2017, subject to obtaining necessary approvals (see below).

6. Nil

- a. CSIRO has committed \$30 million of capital to the CSIRO Innovation Fund from its own revenue and additionally \$10 million of capital in 2016/17 as provided by the Government.