

Chapter 2

The Great Barrier Reef Foundation and the \$444 million Foundation Partnership

2.1 This chapter provides an overview of the Foundation, including its history, funding, activities and governance. It then considers how the Foundation was approached by the Commonwealth Government on 9 April 2018 to establish a \$444 million partnership and the process, including setting out how the basic terms of the agreement were negotiated and agreed over the following weeks.

2.2 This chapter then provides a summary of how the \$444 million Partnership Agreement was finalised between the Commonwealth and the Foundation, before looking at the terms and conditions of the agreement itself.

The Great Barrier Reef Foundation

2.3 The Foundation is a public company limited by guarantee that is a registered charity with the Australian Charities and Not-for-profits Commission (ACNC). According to the Foundation's website, it is an organisation that:

...exists to ensure a Great Barrier Reef for future generations. We seek out the solutions and innovations that will also benefit coral reefs globally as they tackle the same threats and challenges facing the world's largest coral reef.

We are the lead charity dedicated to protecting the Great Barrier Reef through funding solutions grounded in science, technology, engineering and on-ground action to ensure their long-term conservation.¹

2.4 On its origins and work, the Foundation's website states that it:

...was established in 1999 following the first mass coral bleaching of the Great Barrier Reef in 1998, and in alignment with the United Nations World Heritage Convention encouraging countries with world heritage sites to establish a national foundation with the purpose of inviting donations for their protection.

We lead the collaboration of business, science, government and philanthropy—groups who would not otherwise come together—for the benefit of the Reef. Our success is due to the quality of institutions and

1 Great Barrier Reef Foundation, 'Championing real solutions to the threats facing Australia's great natural wonder and coral reefs globally', www.barrierreef.org/the-foundation (accessed 11 October 2018).

people we bring together—harnessing advances in science, technology and industry to ensure a future for this global treasure.²

2.5 Ms Anna Marsden, Managing Director of the Foundation, told the committee that Sir Sydney Schubert, who was a founding director of the Great Barrier Reef Marine Park Authority (GBRMPA), was the instigator of the organisation. She suggested that Sir Schubert had 'called a meeting of business people and the heads of various marine institutions...in an airport lounge' to form a charity to raise money and drive collaboration in the Reef sector.³

2.6 Following the committee's hearing of 30 July 2018, the Foundation provided further details on its origins:

In November 1999, the Great Barrier Reef Research Foundation was registered as a company with the following founding directors: Sir Sydney Schubert, Sir Ian Mcfarlane, John B Reid and David Windsor...

It is our understanding that Sir Sydney Schubert's idea for forming the Foundation was to create a charity to bring science and business together with a common purpose of protecting the Great Barrier Reef.⁴

Governance

2.7 The Foundation is an independent entity registered with and regulated by the ACNC and governed by a Board of Directors. Its website states:

Our Board comprises representatives of Australian business, science and philanthropy, reflecting the charter to bring all sectors together for the benefit of the Great Barrier Reef.

The Board oversee the role of the Managing Director and has the job of ensuring all activities are directed towards securing the funds needed to support research to protect and restore the Great Barrier Reef. And importantly, these research outcomes must help and inform the Reef managers.⁵

2.8 The board is currently chaired by Dr John Schubert AO, who was appointed chairman in 2004. Positions previously held by Dr Schubert include Chairman and Managing Director of Esso Australia, Managing Director and Chief Executive Officer

2 Great Barrier Reef Foundation, 'Championing real solutions to the threats facing Australia's great natural wonder and coral reefs globally', www.barrierreef.org/the-foundation (accessed 11 October 2018).

3 Ms Anna Marsden, Managing Director, Great Barrier Reef Foundation, *Committee Hansard*, 30 July 2018, p. 57.

4 Ms Anna Marsden, Managing Director, Great Barrier Reef Foundation, correspondence received 1 August 2018, p. 1.

5 A list of the board members can be found at www.barrierreef.org/the-foundation/our-governance (accessed 25 October 2018).

of Pioneer International Limited, President of the Business Council of Australia, and Chairman of the Commonwealth Bank of Australia.⁶

2.9 The Foundation has established an International Science Advisory Committee (ISAC). The ISAC is an advisory body that assists the Foundation with 'the selection, development and implementation of significant research projects with the Foundation's partners'. Members of ISAC include representatives from GBRMPA, the Australian Institute of Marine Science (AIMS), University of Queensland, James Cook University and CSIRO. ISAC is currently chaired by Professor Paul Greenfield AO.⁷

2.10 The Foundation also has established a Chairman's Panel (the Panel). This is a group of chief executives and chairs of Australian and global companies. According to the Foundation, the Panel 'offers the opportunity for employees and stakeholders of companies involved in the Chairman's Panel to learn about the Reef and the efforts to protect it'. The Foundation benefits from this arrangement through the 'personal and organisational expertise' provided by Panel members, as well as the provision of 'infrastructure, skills and resources of member companies'.⁸ Members of the Panel pay an annual membership fee of \$20 000.⁹

2.11 Corporate partners also provide support to the Foundation by providing a range of services without charge. In 2017, pro bono services valued at around \$830 000 were provided to the Foundation.¹⁰

2.12 The committee understands that the Foundation sets aside around 47 per cent of the membership fee paid by members of the Chairman's Panel for events for its members and scientists, including retreats at luxury resorts. The Foundation provided information on the role of the Panel and stated it has no influence on the selection or oversight of Foundation activities, which is the responsibility of the ISAC.¹¹

6 Dr Schubert is also the Chairman of Garvan Institute of Medical Research. See www.barrierreef.org/the-foundation/our-governance/john-m-schubert-ao (accessed 21 October 2018). Note: Dr Schubert stated that he is not a relation of the founder of the Foundation, Sir Sydney Schubert. See *Committee Hansard*, 18 September 2018, p. 35.

7 Great Barrier Reef Foundation, *International Scientific Advisory Committee (ISAC)*, www.barrierreef.org/the-foundation/our-governance/isac (accessed 6 November 2018).

8 Great Barrier Reef Foundation, *Chairman's Panel*, www.barrierreef.org/our-partners/chairmans-panel (accessed 6 November 2018).

9 Ms Anna Marsden, Managing Director, Great Barrier Reef Foundation, *Committee Hansard*, 30 July 2018, p. 42.

10 Services received by the Foundation on a pro bono basis include accounting, auditing, legal, advertising, branding, consulting, accommodating, creative, web design and IT services. Great Barrier Reef Foundation, *Annual report for the year ended 31 December 2017*, p. 2.

11 Great Barrier Reef Foundation, *Answers to questions taken on notice, public hearing, Canberra, 18 September 2018* (received 4 October 2018), p. 3; *Answers to questions taken on notice, public hearing, Brisbane, 30 July 2018* (received 9 August 2018), p. 2.

2.13 As part of the Partnership Agreement, the Foundation established the Partnership Management Committee (PMC) to oversee the \$444 million grant, including its investment and oversight of its progress over the six-year funding term. The PMC is chaired by Mr John Gunn AO, the former chair of AIMS, and Mr Steven Sargent, 'a leading executive from the Australian corporate sector where he has held senior roles in mining technology, energy and finance'. Other members of the PMC are:

...internationally-renowned and respected marine scientist Prof. Ove Hoegh-Guldberg, former Queensland Chief Scientist Dr Geoff Garrett AO, former Vice-Chancellor of the University of Queensland Dr Paul Greenfield AO, Far North Queensland tourism expert Wendy Morris, distinguished Yuku Baja Muliku woman from Cape York Cr Larissa Hale, Executive Director of Projects and Partnerships at the Great Barrier Reef Foundation Theresa Fyffe, Australian Government representative from the Department of Environment and Energy Deb Callister and Queensland Government representative from the Office of the Great Barrier Reef, Elisa Nichols.¹²

Budget and fundraising activities

2.14 The Foundation's most recent annual report states that, in the 2017 calendar year, it had revenue of \$7.7 million and distributed around \$5.2 million in funding for Reef projects, and had an operating deficit of \$1.3 million. The annual report also indicated that the Foundation had six full-time employees, and five part-time employees.¹³

2.15 According to the Foundation, it has raised \$90 million since it was established, as follows:

- \$58.87 million from the corporate and philanthropic contributions;
- \$3.28 million from other sources such as interest and research partners;
- \$4.74 million from the corporate sector for pro bono and in kind services; and

12 Great Barrier Reef Foundation, *Partnership Management Committee*, www.barrierreef.org/latest/news/expert-committee-to-oversee-reef-partnership (accessed 26 November 2018).

13 Great Barrier Reef Foundation, *Annual report for the year ended 31 December 2017*, pp. 1, 2 and 10.

- \$29.71 million from government sources, including \$22.35 million from the Australian Government and \$7.36 million from the Queensland Government.¹⁴

2.16 The Foundation informed the committee in response to a question on notice, that Board members have contributed a total of \$1 337 200 in their personal capacities.¹⁵

2.17 The committee understands that the Foundation has received three Commonwealth grants for projects, as outlined in the department's submission:

- \$12.5 million for the Resilient Reefs Successfully Adapting to Climate Change research program (2013–14 to 2016–17);
- \$2.3 million for the e-Reefs modelling and reporting tool (2016–17 to 2019–20); and
- \$5 million for restoration and conservation of Reef Islands (2018–19 to 2022–23) (approved but not yet contracted).¹⁶

2.18 On its administration costs, the Foundation stated that it 'strives to keep our administration and fundraising costs low—80 cents in every dollar goes to Reef projects'.¹⁷

Work undertaken by the Foundation

2.19 The Foundation told the committee that its projects to research and manage the Reef range from micro-scale activities (\$10 000) to large-scale projects up to \$35 million. These 'cover a range of activities, including foundational scientific research, the development of tools for reef managers, and on-ground conservation activities'.¹⁸

14 Great Barrier Reef Foundation, 'Media Statement–Fundraising' *Media Release*, 16 August 2018, www.barrierreef.org/latest/news/media-statement-fundraising-breakdown (accessed 25 October 2018). The Foundation provided a breakdown of fundraising that indicated 64 per cent came from corporate or private philanthropy, 32 per cent from Government funding, and the remainder from other sources. See Great Barrier Reef Foundation, *Answers to questions taken on notice, public hearing, Brisbane, 30 July 2018* (received 9 August 2018) p. 2.

15 Great Barrier Reef Foundation, *Answers to questions taken on notice, public hearing, Brisbane, 30 July 2018* (received 9 August 2018), p. 2.

16 Department of the Environment and Energy, *Submission 7*, Supplementary Submission, pp. 5–6.

17 Great Barrier Reef Foundation, *Answers to questions taken on notice, public hearing, Brisbane, 30 July 2018* (received 9 August 2018), p. 1.

18 Great Barrier Reef Foundation, *Submission 1*, p. 5; Commonwealth Government, 'Great Barrier Reef Partnerships for the future', www.environment.gov.au/system/files/resources/0e17f346-a19f-411d-8a60-59bd2b0fee27/files/reef-partnerships-future-new.pdf (accessed 21 June 2018), p. 4.

2.20 The 2017 Annual Report outlines a number of new projects for the Foundation clustered under the themes of 'innovation, resilience and restoration'. This included the establishment of a project for 'Reef Restoration and Adaptation':

There was unanimous support through the International Science Advisory Committee (ISAC), the Chairman's Panel, our board and our team that the flagship project for the Foundation for the next decade will centre around Reef Restoration and Adaptation. From a small idea presented at a Chairman's Panel event in 2016, this concept has evolved into what will become the largest and most ambitious marine science and engineering challenge ever undertaken in Australia. The goal is simple: to rebuild the reefs we have lost and to build them stronger in the process. Significant work was undertaken in 2017 to socialise this concept to leaders across government, research and industry which has led to a fully funded definition phase commencing in 2018.¹⁹

2.21 The 2017 Annual Report also commented on a number of smaller pilot projects. The report described these projects in the following terms:

It remains a constant message from our ISAC members to always be open to bright, new, out of the box thinking, and to have the courage to invest in these riskier projects because any one of them could hold the turning point in its process and solution. Even at pilot stage, projects such as RangerBot and Larval Reseeding have changed the landscape and provided a step change in reef management.²⁰

2.22 The Director's report for 2017 drew attention to the way in which the Reef is discussed and stated that it had reached 'a turning point' and that the Foundation would work in a number of public advocacy spaces to disseminate not only the challenges facing the reef, but also the positive benefits that could come from scientific research and conservation actions. The report stated:

The loss of coral and the negative impacts of water quality and climate change have been well documented—everyone has heard the bad news. And while the seriousness of these threats cannot be denied, there is growing evidence that material improvements in the outlook of species and ecosystems are possible through a combination of scientific research and conservation actions. There is good news to share alongside the bad. However when people don't know or hear enough about the good news, we are at risk of the world seeing the challenge of saving the Reef as being too hard and therefore switching off—akin to a 'learned helplessness'.

We recognise the Foundation has an increasingly powerful role to play as a trusted, independent voice for the Reef. To bring hope to the outlook for the Reef, to tell the world that Australia does care about the Reef and that Australians are doing everything they can to save it.²¹

19 Great Barrier Reef Foundation, *Annual Report for the year ended 31 December 2017*, p. 1.

20 Great Barrier Reef Foundation, *Annual Report for the year ended 31 December 2017*, p. 1.

21 Great Barrier Reef Foundation, *Annual Report for the year ended 31 December 2017*, p. 1.

Approval of \$5 million funding for the Foundation in early April 2018

2.23 As noted above, the Foundation has received Commonwealth grants. As part of the Reef Trust Phase VI Investment, the Foundation sought a grant of \$5 million. Documents released by the department under FOI requests include a brief signed on 6 April 2018 by Minister for the Environment approving the grant. The approval provided funding to the Foundation 'for a co-investment project from 2018–19 to 2022–23 to rehabilitate and conserve Reef islands, as an ad-hoc grant from the Reef Trust Special Account'.²²

2.24 Supporting documents for this brief indicate that the Foundation would 'match the Reef Trust contribution of up to \$5 million...over five years, with funds raised from philanthropic and private donors'. This would form part of the Foundation's Reef Island Refuge Initiative, which it was undertaking in partnership with the Queensland Government.²³

2.25 According to the brief, this funding was awarded following the success of the \$7.95 million Raine Island rehabilitation project delivered by the Foundation. The new grant would enable 'on-ground restoration and conservation works for terrestrial or main island ecosystems, commencing in 2018–19', focussing on particular islands identified by stakeholders as of the 'highest ecological value/greatest need to target'.²⁴

2.26 The brief also notes that the sensitivities and risks of investing in projects with the Foundation were low, as it had 'a successful track record for implementation of Reef projects [and is] an experienced fundraiser of private a philanthropic donations'.²⁵

2.27 The brief is supported by attachments, including a 12-page departmental proposal for the project, an eight-page outline of guidelines for the grant, and a four-page project assessment.²⁶ Attachment D is a one-page 'Justification for use of non-competitive grants process', which calls the project an 'Island Restoration Partnership'. This cites a number of positive elements of the Foundation's track record, particularly that it is the 'only current provider currently capable of delivering this grant funded activity and able to leverage a significant co-contribution to the project', and that the grant met all *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and Commonwealth grant requirements.²⁷

22 Department of the Environment and Energy, FOI 180514, Document 3, p. 1.

23 Department of the Environment and Energy, FOI 180514, Document 3, p. 2.

24 Department of the Environment and Energy, FOI 180514, Document 3, p. 2.

25 Department of the Environment and Energy, FOI 180514, Document 3, p. 4.

26 Department of the Environment and Energy, FOI 180514, Document 3, Attachments A–C.

27 Department of the Environment and Energy, FOI 180514, Document 3, Attachment D, p. 1.

Positive reputation of the Foundation

2.28 In evidence received by the committee, the Foundation was recognised as a significant organisation working in the Reef-related sector, even by some stakeholders who disagreed with the approach adopted in the Foundation Partnership.

2.29 While noting it did not have the staffing or capacity of organisations such as GBRMPA, the Australian Coral Reef Society stated that the Foundation has 'a good record of fundraising for the reef and of corporate engagement, and it has an expert scientific panel of sound repute'.²⁸

2.30 Cape York Regional Organisations (CYROs) noted the Foundation's good reputation and work. The CYROs considered that it had the 'proficiency and capacity to deliver components of the Reef 2050 Plan', and supported Commonwealth funding for the Foundation Partnership.²⁹

2.31 Others noted that the Foundation had the capability to expand its capacity, develop due processes to ensure rigour of its funding decision, and administer Commonwealth funding effectively while attracting private investment in the Reef.³⁰

The approach to the Foundation for the \$444 million Partnership

2.32 It is clear from the evidence received that the Foundation itself was unaware of the proposal for a \$444 million Partnership until the meeting in Sydney on 9 April 2018 with the then Prime Minister and then Minister for the Environment. The department summarised this meeting as follows:

On 9 April 2018, following approval from the Expenditure Review Committee, the Foundation was approached to ascertain its interest in establishing the Partnership. There was a meeting between Prime Minister Turnbull, Minister Frydenberg and Dr John Schubert, Chair of the Foundation. At this meeting, Dr Schubert confirmed the Foundation's interest in developing the partnership. The partnership offer was conditional on the approval of the grant under the Commonwealth financial framework including further due diligence assessment and the negotiation of a satisfactory Grant Agreement.³¹

2.33 The Foundation confirmed that it had not been aware of the proposal to award it a \$444 million grant before this meeting. Ms Marsden told the committee:

28 Australian Coral Reef Society, *Submission 6*, p. 2.

29 Cape York Regional Organisations, *Submission 16*, p. 2.

30 For example, see: Australian Academy of Sciences, *Submission 14*, p. 4; AgForce Queensland Farmers Limited, *Submission 15*, p. 1; and Tourism Tropical North Queensland, *Submission 20*, p. 2.

31 Department of the Environment and Energy, *Submission 7*, Supplementary Submission Attachment B (Information statement regarding the assessment and awarding of the Reef Trust Grant to the Great Barrier Reef Foundation), p. 2.

I'd like to state for the record that the foundation did not suggest or make any application for this funding. We were first informed of this opportunity to form a partnership with Reef Trust on 9 April of this year...We were informed that there was an allocation being announced in the upcoming federal budget and that they would like to invite the foundation to form a partnership with Reef Trust to distribute these funds across five component areas of the Reef 2050 plan.

...We didn't know ahead of the meeting what it was for, but, once we were in the meeting, [the discussion of the partnership] was the sole purpose of the meeting...³²

2.34 On the unexpected nature of the grant, Ms Marsden commented to the media that the award of such significant funding was like 'winning the lottery', and that the Foundation 'didn't have much time before the announcement to be prepared for it'.³³ She provided some context to that statement at the committee's 30 July 2018 public hearing:

The way I explained it to the journalist at the time is there are moments in life when there are things you want to do, and there are moments in life when there are things you can dream of doing. For all of us who work in the reef space in the last 2½ years we've seen that we've lost half the coral on the Great Barrier Reef. It has been a very sobering, challenging time, with people struggling to deal with this and not knowing how to get out of where we are and how to get the change that's required. When someone is down and they win the lotto, suddenly they can dream and they can do the things that they dream of doing. That is how I felt, and I stand behind that. I think the reef won the lotto. It got a strong, strategic, sustained amount of funding to do some work that it desperately needs.³⁴

2.35 The Secretary of the department, Mr Finn Pratt AO PSM, confirmed that he had not been present at the meeting to discuss the Partnership Grant proposal.³⁵ He reiterated that the offer made to the Foundation on 9 April 2018 was contingent on the grant being approved under the Commonwealth financial framework, due diligence checks and the successful negotiation of the agreement itself:

This was not an unconditional offer, and was subject to (1) the grant being approved under the Commonwealth financial framework, (2) due diligence

32 Ms Anna Marsden, Managing Director, Great Barrier Reef Foundation, *Committee Hansard*, 30 July 2018, p. 40.

33 Peter Hannam, 'Like winning lotto': Reef Foundation minnow braces for \$444m windfall', *Sydney Morning Herald*, 13 May 2018, www.smh.com.au/environment/conservation/like-winning-lotto-reef-foundation-minnow-braces-for-444m-windfall-20180511-p4zeud.html (accessed 13 November 2018).

34 Ms Anna Marsden, Managing Director, Great Barrier Reef Foundation, *Committee Hansard*, 30 July 2018, p. 49.

35 Mr Finn Pratt AO PSM, Secretary, Department of the Environment and Energy, *Committee Hansard*, 21 September 2018, p. 62.

checks and (3) the parties successfully negotiating and executing a grant agreement.³⁶

Development of Collaboration Principles for the Partnership

2.36 Following the approach made by Mr Turnbull and Mr Frydenberg to the Foundation on 9 April 2018, the department and the Foundation commenced development of 'Collaboration Principles' to help guide the development of the grant. Information provided to the committee indicates that these were drafted in 'little more than a week' before they were sent to the Foundation on 22 April 2018 by the Minister. The Collaboration Principles were confirmed by the Foundation Board on the 26 April 2018.³⁷

2.37 The timeline provided to the House of Representatives by the then Minister confirms the speed at which the measure was developed following the initial meeting. The Minister noted that over the two weeks following the meeting on 9 April 2018 'the department worked with the foundation to develop the fundamental principles of the partnership, which included governance, decision-making, risk mapping, reporting, financial management and other things'.³⁸ The Minister, in his letter of 22 April to the Foundation, stated that:

I look forward to the Foundation confirming its intent to progress negotiations with a view to the parties agreeing a new grant agreement that establishes a productive partnership for the delivery of positive outcomes for our Great Barrier Reef. The formal offer of any Australian Government funds for this proposed new partnership is dependent on the parties successfully negotiating and executing that new grant agreement.³⁹

2.38 The Collaboration Principles attached to this letter are outlined in a document just over two pages long, covering the basic terms of the agreement.⁴⁰ Notably, it includes an outline of the approach to stakeholder engagement that the Foundation Partnership should adopt, as follows:

36 Mr Finn Pratt AO PSM, Secretary, Department of the Environment and Energy, *Committee Hansard*, 21 September 2018, p. 61.

37 See Mr Stephen Oxley, First Assistant Secretary, Heritage, Reef and Marine Division, Department of the Environment and Energy, *Committee Hansard*, 30 July 2018, p. 64. For the supply of these Collaboration Principles to the Foundation on 22 April, see: the Hon Josh Frydenberg MP, Minister for the Environment and Energy, *House of Representatives Hansard*, 13 August 2018, p. 6981; and Mr Finn Pratt AO PSM, Secretary, Department of the Environment and Energy, *Committee Hansard*, 21 September 2018, p. 61.

38 The Hon Josh Frydenberg MP, Minister for the Environment and Energy, *House of Representatives Hansard*, 13 August 2018, p. 6981.

39 Department of the Environment and Energy, FOI 180514, Document 17b, p. 1.

40 The basic breakdown of the \$444 million total grant is the same as announced on 20 April. The collaboration principles prefigure much of the terms of the Partnership Agreement itself, which is discussed later in this report.

2.9. Implementation of the grant will require close collaboration in the design and delivery of Reef investment activities with relevant Government agencies, key advisory bodies (e.g. Independent Expert Panel and Reef Advisory Committee), delivery partners and technical experts.

2.10. Consideration will need to be given to the interaction and roles of key advisory bodies in providing strategic advice and input into investment proposals. Arrangements will need to be practical and effective in delivering the best available scientific and expert advice. Advice will not be required to be sought from advisory bodies on individual project investments, unless the Foundation wishes to do so on a case by case basis.⁴¹

2.39 The Collaboration Principles also briefly state the risks for the Foundation Partnership:

2.11. The rapid increase in operational scale for the Foundation poses significant capacity, governance and capability challenges. The Department and GBRMPA have capacity to assist the Foundation during the start-up phase, for example the potential secondment of staff to the Foundation.

2.12. The start-up phase could potentially delay delivery of on-ground projects, leading to loss of local capacity and momentum. The Department has capacity to assist the Foundation to implement transition arrangements while organisational capacity is being increased.

2.13. Activities funded through the Foundation will include on-ground or 'in-water' works (e.g. diving) with inherent safety risks. The Foundation will be required to ensure it has appropriate arrangements to manage any WHS risks that arise from the funding activities.⁴²

2.40 On 29 April, the Government announced its funding commitment and it was included in the 2018–19 Budget on 8 May 2018. On 24 May 2018, 'consistent with the government's grant guidelines', the Minister for the Environment approved the partnership guidelines, outlining the necessary requirements to be included in the Foundation's application, which were published on the Minister's website. On 29 May 2018, the Foundation formalised its proposal.⁴³

2.41 Ms Marsden described the process by which the Foundation engaged in discussions with the department to develop the Collaboration Principles:

Following [the meeting], I had a conversation with the secretary of the department, and we convened a teleconference with assistant secretaries of the department the next day to, I guess, unpack the different components, the intent of the funding and what would be the next steps if the foundation were to accept and enter into such a partnership.

41 Department of the Environment and Energy, FOI 180514, Document 17b, Attachment A, p. 1.

42 Department of the Environment and Energy, FOI 180514, Document 17b, Attachment A, p. 1.

43 The Hon Josh Frydenberg MP, Minister for the Environment and Energy, *House of Representatives Hansard*, 13 August 2018, p. 6981.

...What happened over the subsequent week was that there were a number of conversations where we came together on a series of collaboration principles. Then, once they were determined, we brought those to our board. Once they were approved, there was an exchange of letters between the minister and the chairman which cemented the agreement to enter into a partnership.⁴⁴

Approval of the grant

2.42 The Grant Guidelines released by the department on 31 May 2018 provided that the department and the Foundation would work collaboratively to develop a Grant Funding Proposal (the proposal). The proposal informed departmental recommendations to the Minister and the development of the proposed Grant Agreement with the Foundation.⁴⁵

2.43 The Foundation provided the department with a 400-page proposal on 29 May 2018. The department concluded that the proposal met Grant Guidelines, and would be consistent with requirements for expenditure of Commonwealth funds under the PGPA Act and the Commonwealth Rules and Guidelines. The grant to the Foundation of \$443.8 million (excluding GST) was approved by Mr Frydenberg as Minister for the Environment on 20 June 2018:

...in accordance with s 71 of the PGPA Act as a one-off, ad hoc grant from the Reef Trust Special Account to the Foundation, subject to the passage of the *Appropriation Bill (No. 5) 2017–18* through Parliament.

In approving this expenditure the Minister was satisfied that the funding proposal represented a proper use (i.e. an efficient, effective, economical and ethical use) of Commonwealth funds.⁴⁶

2.44 The department noted that:

On 25 June 2018 *Appropriation Bill (No. 5) 2017–18* received Royal Assent and on 27 June 2018 the Grant Agreement between the Department and the Foundation was executed. The Grant Agreement runs from the period from 1 July 2018 until 30 June 2024.⁴⁷

44 Ms Anna Marsden, Managing Director, Great Barrier Reef Foundation, *Committee Hansard*, 30 July 2018, p. 40.

45 Department of the Environment and Energy, Submission 7, Supplementary Submission Attachment B (Information statement regarding the assessment and awarding of the Reef Trust Grant to the Great Barrier Reef Foundation), p. 3.

46 Department of the Environment and Energy, *Submission 7*, Supplementary Submission Attachment B (Information statement regarding the assessment and awarding of the Reef Trust Grant to the Great Barrier Reef Foundation), p. 4.

47 Department of the Environment and Energy, *Submission 7*, Supplementary Submission Attachment B (Information statement regarding the assessment and awarding of the Reef Trust Grant to the Great Barrier Reef Foundation), p. 4.

The Grant Agreement

2.45 The Grant Agreement executed on 27 June 2018 between the Commonwealth and the Foundation is available in full on the department's website, along with an Overview.⁴⁸ The Overview confirms that the objective of the Grant Agreement is to 'achieve significant, measurable improvement' in the health of the Reef, in accordance with the Reef 2050 Plan, 'underpinned by innovation, science and community engagement'. It 'requires the Foundation' to invest the following amounts on activities outlined in the Grant Agreement between 2018–19 and 2023–24:

- up to \$200 649 000 for water quality improvement activities (Schedule 3);
- up to \$57 800 000 for crown-of-thorns starfish control activities (Schedule 4);
- up to \$100 000 000 for reef restoration and adaptation science activities (Schedule 5);
- up to \$22 349 000 for Indigenous and community reef protection activities (Schedule 6); and
- up to \$40 000 000 for Reef integrated monitoring and reporting activities (Schedule 7).⁴⁹

2.46 Additionally, the Grant Agreement includes \$22.5 million for 'administration and scaling up activities', as well as allowing a 'capped amount of interest earned on the Grant funds for this purpose'.⁵⁰

2.47 The Grant Agreement stipulates that in undertaking Grant activities, the Foundation must act consistently with:

- Commonwealth administrative law, particularly the *PGPA Act (Reef Special Trust Account 2014) Determination 01*;
- Government policy, including the overarching Reef 2050 Plan, the draft *Reef 2050 Water Quality Improvement Plan 2017–2022*, the *Reef 2050 Plan Investment Framework*, the *Reef Trust Objectives, Outcomes and Investment Principles* and the *Reef 2050 Plan Integrated Monitoring and Reporting Strategy*;
- Plans to be developed under the Grant Agreement; and
- All applicable laws.⁵¹

48 See www.environment.gov.au/marine/gbr/publications/grant-agreement-between-reef-trust-and-great-barrier-reef-foundation (accessed 15 October 2018).

49 'Overview: Grant Agreement between the Reef Trust and the Great Barrier Reef Foundation', p. 1. This is available at: www.environment.gov.au/system/files/resources/4322207b-af9c-488f-b6bd-89dbf4af8302/files/reef-trust-gbr-foundation-grant-agreement-overview.pdf (accessed 8 November 2018).

50 'Overview: Grant Agreement between the Reef Trust and the Great Barrier Reef Foundation', p. 2.

2.48 Under the Grant Agreement, the Foundation is required to develop certain guiding documents, notably its Investment Strategy and an Annual Work Plan, both of which must be publicly available on the Foundation's website. These documents must be developed in consultation with the department, the Reef 2050 Plan Independent Expert Panel and Advisory Committee, the Reef Ministerial Forum, the Queensland Government's Office of the Great Barrier Reef, and GBRMPA.⁵²

2.49 The Foundation is also required to develop:

- a Resourcing Plan that sets out how it will deploy resources to deliver on its obligations;
- a Co-Financing Strategy Plan outlining the Foundation's approach to raising other contributions from private and philanthropic donors;
- a Communication and Stakeholder Engagement Plan to drive collaborative efforts and ensure comprehensive engagement with the community; [and]
- a Monitoring and Evaluation Plan to support an adaptive management approach over the life of the Agreement. The Foundation will monitor and evaluate the outcomes of each Activity Component and participate in any formal review or evaluation of the Agreement.⁵³

2.50 The Foundation is required to maintain 'detailed accounts and records', including on 'the progress, selection and performance of projects, use of Grant funds and other contributions, and the creation, acquisition and disposal of assets'. These must be provided in a number of written reports to the department, notably progress reports due every six months on activities and expenditure, and annual audited reports regarding expenditure and contributions.⁵⁴

2.51 The Foundation is required to fulfil a number of other reporting requirements. These include reporting to the Ministerial Forum on progress against Reef 2050 Plan objectives, and the Foundation's Investment Strategy and Work Plan, as well as to the department on completed activities undertaken under the Partnership, some additional specific reports set out in the terms of the Grant Agreement, and 'other ad-hoc reports as required by the Department'.⁵⁵

51 'Overview: Grant Agreement between the Reef Trust and the Great Barrier Reef Foundation', p. 2.

52 'Overview: Grant Agreement between the Reef Trust and the Great Barrier Reef Foundation', p. 2.

53 'Overview: Grant Agreement between the Reef Trust and the Great Barrier Reef Foundation', p. 2.

54 'Overview: Grant Agreement between the Reef Trust and the Great Barrier Reef Foundation', p. 2.

55 'Overview: Grant Agreement between the Reef Trust and the Great Barrier Reef Foundation', p. 3.

2.52 The Grant Agreement allows the Foundation to subcontract activities to 'appropriately qualified and expert subcontractors using rigorous assessment criteria', and outlines a number of provisions that must be included in its subcontracts and funding agreements'.⁵⁶

Guiding documents

2.53 Between the signing of the Partnership Agreement on 27 June 2018 and January 2019, the Foundation released nine plans as well as an Activity Gantt Chart 2018/19 as part of the Partnership Agreement. The plans are as follows:

- Collaborative Investment Strategy;
- Risk Management Plan;
- Resourcing Plan;
- Governance Arrangements;
- Investment Strategy and Annual Work Plan Consultation Plan;
- Communications and Engagement Plan;
- Monitoring and Evaluation Plan (Stage 1);
- Fraud Prevention Plan; and
- Investment Strategy.

2.54 Annual Work Plans will be released in June of each year for the life of the Partnership.⁵⁷

Commonwealth oversight

2.55 On governance matters, the Agreement provides for the department to appoint a Commonwealth observer to attend meetings of the Foundation's Board (with a limited number of exceptions), and a departmental representative on the PMC. The Foundation must also share relevant information with the department, including changes to its 'constitution, structure, management or financial position'.⁵⁸

2.56 The overview of the Grant Agreement notes that the Foundation is generally required to:

...employ best practice corporate governance arrangements and engage governance and risk management experts to help develop and implement

56 'Overview: Grant Agreement between the Reef Trust and the Great Barrier Reef Foundation', p. 3.

57 Great Barrier Reef Foundation, 'Reef Trust Plans and Strategies', www.barrierreef.org/science-with-impact/reef-partnership/reef-trust-partnership-plans-and-strategies (accessed 24 January 2018).

58 'Overview: Grant Agreement between the Reef Trust and the Great Barrier Reef Foundation', p. 3.

strong governance, anti-corruption, fraud prevention and audit and risk management policies and procedures.⁵⁹

2.57 The Foundation is required to develop a Fraud Prevention Plan both for itself and its subcontractors, as well as preparing a Risk Management Plan and appointing a Risk and Compliance Officer. The Foundation must also ensure that 'persons who have a history of poor governance or financial management' be prevented from being involved in the management of the Grant or its activities.⁶⁰

2.58 Regarding compliance, the overview of the Grant Agreement states that:

- As is usual practice in government contracting, the Foundation indemnifies the Department for any loss, cost, damage or claim arising from, amongst other things, the Foundation's breach of the Agreement or its negligent or unlawful act or omission or wilful misconduct in connection with the Agreement.
- The Agreement also provides for termination or reduction in its scope and outlines the conditions under which a termination event may occur, including as a result of non-performance, breach of obligation, or insolvency or other significant change to the nature of the Foundation.
- The Department may elect to continue all or part of the Activity if the Agreement is terminated for any reason, or if the Foundation so requests it. The Department may recover from the Foundation reasonable costs incurred in exercising these provisions. The Department may also seek to recover for the Government, any Grant funds which are not legally committed or that have not been spent by the Foundation in accordance with the Agreement.
- The Agreement also includes a number of other provisions common to Commonwealth grants regarding assets; intellectual property; confidential information; privacy obligations; conflicts of interest; compliance with legislation; work health and safety; Foundation representations and warranties; insurance policies required to be effected and maintained by the Foundation; dispute resolution procedures; force majeure events; notices; and preparation of an Australian Industry Participation Plan.⁶¹

59 'Overview: Grant Agreement between the Reef Trust and the Great Barrier Reef Foundation', p. 3.

60 'Overview: Grant Agreement between the Reef Trust and the Great Barrier Reef Foundation', p. 3.

61 'Overview: Grant Agreement between the Reef Trust and the Great Barrier Reef Foundation', pp. 3–4.

Termination of the agreement

2.59 The Agreement may be terminated or reduced in scope. Clause 25.1.1 states that this can be done:

If there is a material change in Australian Government policy that is inconsistent with the continued operation of this Agreement, the Department may by notice terminate this Agreement or reduce the scope of the Agreement immediately.⁶²

2.60 The Agreement can also be terminated on a number of other grounds, including for breaches of its terms, non-compliance with an agreed Plan, or if the Foundation becomes insolvent or is put into administration.⁶³

2.61 Termination or cessation of the Agreement would require the Foundation to return unspent monies to the Commonwealth.⁶⁴

Delivery of funding to the Foundation

2.62 The grant was paid in full to the Foundation on 28 June 2018, the day following the execution of the Grant Agreement.⁶⁵ The Grant Agreement requires that the grant must be held in a separate account to the Foundation's other operational accounts and its Public Fund.⁶⁶

2.63 Information provided by the Foundation indicated that at the 21 September 2018, the grant was being held across a number of term deposit accounts while the Foundation was developing its longer term investment policy.⁶⁷ Answers to questions on notice provided by the Foundation indicate that it has term deposits with ANZ, Bank of Queensland, Commonwealth, NAB, Suncorp and Westpac.⁶⁸

62 Grant Agreement between the Reef Trust and the Great Barrier Reef Foundation, p. 43.

63 Grant Agreement between the Reef Trust and the Great Barrier Reef Foundation, pp. 44–45 and 47–49.

64 Grant Agreement between the Reef Trust and the Great Barrier Reef Foundation, p. 43–44.

65 Department of the Environment and Energy, *Submission 7*, Supplementary Submission Attachment B (Information statement regarding the assessment and awarding of the Reef Trust Grant to the Great Barrier Reef Foundation), p. 4.

66 'Overview: Grant Agreement between the Reef Trust and the Great Barrier Reef Foundation', p. 2.

67 Ms Anna Marsden, Managing Director, Great Barrier Reef Foundation, *Committee Hansard*, 30 July 2018, p. 19.

68 Great Barrier Reef Foundation, *Answers to questions taken on notice, public hearing, Brisbane, 30 July 2018* (received 9 August 2018) p. 1.

Expenditure to date

2.64 At the committee's hearing on 21 September 2018, the Foundation confirmed that it had spent \$800 000 of the grant on operational and 'project management costs'.⁶⁹ This included expenditure on salaries, consultants, rent, equipment, travel and accommodation to meet community representatives in Cairns, Townsville and Mackay to provide briefings on the RTP, meeting expenses and legal services.⁷⁰

2.65 This expenditure was part of the Foundation's 2017–18 budget which provided for up to \$25 million for Project Component Activities, along with \$7.3 million in administrative costs.⁷¹ Ms Marsden commented:

The contract clearly states that we must be able to commence delivery across all five components by 1 July. It clearly states that for the first year, and the Activity Gantt Chart really outlines the key activities that will put the foundation and the partnership in that position. So that's what we're building up towards.⁷²

2.66 Ms Marsden went on to add that in relation to the \$25 million for projects, this had been set aside 'because we understand, in our initial stages of project design and consultation and even in discussions with the department and the Queensland government, there are projects that could be green lit right now'.⁷³

Announcement of initiatives

2.67 The Foundation announced the first stage of its Reef Water Quality Improvement Grant Program on 13 November 2018, with applications closing on 10 December 2018. These grants totalled \$20 million, and were open for projects over \$500 000 that would be ready to start by March 2019 that addressed the declining quality of coastal water 'influenced by land-based run-off'.⁷⁴ At the time of writing, the results of this process have not been announced.

69 Ms Anna Marsden, Managing Director, Great Barrier Reef Foundation, *Committee Hansard*, 18 September 2018, p. 19.

70 Great Barrier Reef Foundation, *Answers to questions taken on notice, public hearing, Canberra, 18 September 2018* (received 4 October 2018), p. 1.

71 Ms Anna Marsden, Managing Director, Great Barrier Reef Foundation, *Committee Hansard*, 18 September 2018, p. 19. See also, Great Barrier Reef Foundation, 'Activity Gantt Chart 2018/19', p. 6.

72 Ms Anna Marsden, Managing Director, Great Barrier Reef Foundation, *Committee Hansard*, 18 September 2018, p. 19.

73 Ms Anna Marsden, Managing Director, Great Barrier Reef Foundation, *Committee Hansard*, 18 September 2018, p. 19.

74 Great Barrier Reef Foundation, 'Reef Trust Partnership opens first water quality grants', *Media Release*, 13 November 2018, www.barrierreef.org/latest/news/reef-trust-partnership-opens-first-water-quality-grants (accessed 23 January 2019).

2.68 On 10 January 2019, the Foundation announced that around 10 per cent of total Partnership funding, around \$42 million, would be allocated to Reef activities with traditional owners, including building on work 'already being done by more than 200 Indigenous Rangers and 70 Sea Country groups within the Reef catchment'. Ms Marsden, the Foundation's Managing Director, stated that:

Traditional Owners have an enduring connection to the Reef and have been working to conserve and restore it for generations. Today's announcement will ensure that a strategic plan of action can be co-developed with Traditional Owners, building on and scaling up existing activities which include tagging turtles, cleaning beaches, monitoring the health of waterways and remediating land and sea country along the Reef.⁷⁵

2.69 On 21 January 2019, the Foundation announced its first funding for Reef projects: \$574 000 funding for AIMS to undertake a '25-day health check of remote far northern reefs'.⁷⁶ It has been reported that AIMS will contribute \$833 000 from its own budget to undertake this project.⁷⁷

2.70 The Foundation has also announced its first funding round for Community Reef Protection Grants. These will be grants between \$50 000 and \$100 000, with a total of \$700 000.⁷⁸ The initial grants round is focussed on 'Activating citizen science projects to collect and communicate information on Reef health'. Regarding these grants, the Foundation stated:

Summer can increase the levels of potential Reef disturbance events, including coral bleaching, flooding and cyclones. Citizen science can complement research and management efforts to collect and share information on Reef health.

This grant program will enable community-led projects focused on collecting, analysing, sharing and utilising citizen science information relevant to Reef health. Investment will be targeted at organisations with demonstrated experience in reef citizen science and community engagement.⁷⁹

75 Great Barrier Reef Foundation, 'Reef Trust Partnership: Reef protection through Traditional Owners', *Media Release*, 10 January 2019, www.barrierreef.org/latest/news/reef-trust-partnership-reef-protection-through-traditional-owners (accessed 23 January 2019).

76 Great Barrier Reef Foundation, 'First Reef Trust Partnership funded project underway' *Media Release*, 21 January 2019, www.barrierreef.org/latest/news/first-reef-trust-partnership-funded-project-underway (accessed 23 January 2019).

77 See, for example, 'Sector Suspicious Over Great Barrier Reef Foundation's First Project', <https://probonoaustralia.com.au/news/2019/01/sector-suspicious-great-barrier-reef-foundations-first-project/> (accessed 23 January 2019).

78 Great Barrier Reef Foundation, '\$700,000 in community grants to support citizen science Reef monitoring', *Media Release*, 19 December 2018, www.barrierreef.org/latest/news/700-000-in-community-grants-to-support-citizen-science-reef-monitoring (accessed 23 January 2019).

79 Great Barrier Reef Foundation, 'Community Reef Protection Grants: *Stage 1: Reef Citizen Science*', no date, www.barrierreef.org/science-with-impact/reef-partnership/community-grants-stage-1-reef-citizen-science-grant-program (accessed 23 January 2019).

2.71 Applications for Community Grants opened on 7 January 2019 and closed on 30 January 2019, with successful applicants to be announced in February 2019.⁸⁰ The Foundation has stated that a further round for projects will be undertaken in late 2019.⁸¹

80 Great Barrier Reef Foundation, '\$700,000 in community grants to support citizen science Reef monitoring', *Media Release*, 19 December 2018, www.barrierreef.org/latest/news/700-000-in-community-grants-to-support-citizen-science-reef-monitoring (accessed 23 January 2019).

81 Great Barrier Reef Foundation, 'Community Reef Protection Grants: *Stage 1: Reef Citizen Science*', no date, www.barrierreef.org/science-with-impact/reef-partnership/community-grants-stage-1-reef-citizen-science-grant-program (accessed 23 January 2019).