



17 July 2020

The Honourable Ken Wyatt AM, MP  
Minister for Indigenous Australians  
Parliament House  
CANBERRA ACT 2600  
Email [minister.wyatt@ia.pm.gov.au](mailto:minister.wyatt@ia.pm.gov.au)

Dear Minister Wyatt

**Re: ILSC wage freeze request**

Thank you for your letter dated 11 June 2020 reference MC20-001872, which I received 8 July 2020, regarding the application of the Government's decision to pause general wage increases in Commonwealth agencies.

In response to the 9 April 2020 determination by the Government and the Open Letter to the APS from Mr Gaetjens and Mr Woolcott, requesting the deferral of general wage increases for six months in response to the COVID-19 pandemic, the ILSC acted decisively. By April the ILSC was already analysing costs and expenditure to find opportunities for cash preservation, to which we added the possibility of a pause on wages.

ILSC Management undertook discussions with officers of the APS Commission and it was clearly understood that entities like the ILSC that had Enterprise Agreements in place, had both statutory and contractual obligations to honour the terms of the Enterprise Agreement including wage increases. Unless amended by agreement with staff, the ILSC had to comply.

Notwithstanding that, after receiving external specialist IR legal advice confirming the binding nature of the current ILSC Enterprise Agreement, ILSC Management undertook the only possible avenue to achieve consistency with the determination, being a vote of ILSC staff covered by the Agreement and (if successful), an application to the Fair Work Commission (FWC) to vary the Enterprise Agreement. This approach, informed by specialist industrial relations was discussed with the Commissioner's officers, who noted that what was proposed would constitute the ILSC *'having done all within its power to implement the Government's decision'*.

I am pleased to point out that all ILSC staff not covered by the Enterprise Agreement immediately agreed to a deferral of any scheduled wage increases while the determination remained in place.

I understand ILSC Management had extensive discussions with the APS Commissioner's office during this process and no other practical option was identified, however further discuss with the APS Commission to explore what other options are available would be welcomed.

The ILSC has been and will continue to encourage its subsidiaries to adopt the deferral of any wage increases where it does not place us in breach of the relevant industrial instrument.

The ILSC remains very conscious of the economic environment and its focus at present is:

1. Protecting the jobs of staff across the ILSC Group, which has been made possible with your support;
2. Exercising a prudent approach to new recruitments; and
3. Adopting significant budget efficiencies across staffing, travel, consultancy and corporate overheads in the ILSC.

These activities serve to ensure that the ILSC is adopting a cash preservation approach and protecting its ability to deliver its legislated mandate to our clients. I believe in the current economic environment, the Government, our clients and the public more generally would expect nothing less.

As I have corresponded to you previously, members of the Board in my view have not comprehended well, the impact of COVID-19 on the economy. The Board was informed at the 23 April Board meeting, of the steps that had been taken in consideration of the Government request to suspend or delay scheduled pay-rises. Unfortunately, not all ILSC Directors seem to agree with this proposal. During the introduction to the Board meeting of 23 April, Director Crossin requested an urgent in camera session to discuss the Item 7.1 Salary deferral paper. I asked for this matter to be addressed later in the Board meeting, but she was determined to drive the conversation, insisting that this matter should have come to the Board in the first instance and that management had no right to request staff to consider this salary deferral. The Board has always been very clear that the Enterprise Agreement negotiations were a management matter and there was no offer by a Director to support staff through the long negotiation process. For Director Crossin to be so incensed with the efforts of management to respond to the pandemic, the impending economic crisis and the APS request was alarming. I feel the vitriolic outburst displayed a distinct lack of consideration for Indigenous Australians, her role on the Board to build the Indigenous Estate and the wider Australian community. For the record Director Elu, Tucker and I openly supported managements approach.

In the meantime, the implementation of the Strategic Reform of the ILSC led by Mr Leo Bator, continues in earnest and this will amongst other things address the current employment arrangements of staff. Arrangements which are limiting the ILSC's ability to respond appropriately to the environment and to opportunities for the Indigenous Estate. Indeed the expectation is that services to the Indigenous Estate will be delivered by staff employed under common law contracts and the ILSC will operate in a more robust commercial setting. I am attaching the ILSC SRU Pitch Deck for your consideration. (Attachment A: Transformation Project update and; Appendix A: the Blueprint)

I look forward to presenting the Strategic Reform framework to you with the Acting GCEO Ms Tricia Stroud and ED SRU Mr Leo Bator as the ILSC structural and efficiency review has developed a model that will more effectively deliver longer-term benefits to Indigenous Australians.

The arrangements for the presentation to you can be made with my office via phone 08 8100 7147 or email [Sheelagh.loss@ilsc.gov.au](mailto:Sheelagh.loss@ilsc.gov.au).

Due to the time taken from when you signed your letter reference MC20-001872 on 11 June to the receipt and opening of the mail by our receptionist at her home on 08 July, I would like to suggest that all correspondence from your office be emailed to my office ([Sheelagh.loss@ilsc.gov.au](mailto:Sheelagh.loss@ilsc.gov.au)), for greater security and efficiency.

I am available to discuss any aspects of this correspondence with you and can be contacted on M: [REDACTED].

Yours sincerely



Eddie Fry  
ILSC Chair

**Attachment A: ILSC SRU Transformation Project update**

**Appendix A: Transformation Project Blueprint**

# SRU TRANSFORMATION PROJECT UPDATE

INDIGENOUS LAND AND SEA CORPORATION GROUP



Australian Government  
Indigenous Land and Sea Corporation



The ILSC GROUP

PEOPLE. COUNTRY. OPPORTUNITY.



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- Executive Summary**
- Transformation Project Context and Background**
- ILSC Group Corporate Restructure & Governing Principles**
- Organisational Structure Redesign**
- Implementation Roadmap**

**Appendix A: Transformation Project Blue-Print**

## Changing the ILSC's current corporate and organisational structure and service delivery model will "Unlock the Value of the Indigenous Estate"

### Executive Summary

Following the ILSC's Board review of alternate business structures and operating models under Stage 1 of the ILSC Transformation Project, a preferred model was selected for further detailed design and due diligence under Stage 2, including detailed engagement and input from the ILSC Executive.

Engagement with the Executive highlighted significant operational inefficiencies across geographies, industries and systems under the current model. These inefficiencies are evident in the ILSC's high cost of service delivery, where approximately 55% of annual funding is required to cover ILSC administration costs with a further 9% required to underwrite the performance of operating subsidiaries.

**This means that on average, only 36% or ~\$20 million per annum of ATSILFF annual appropriations is able to be directly deployed to benefit the development of new land and water management or acquisition projects associated with the Indigenous Estate. Clearly, this model is not sustainable in developing the true potential of the Indigenous Estate.**

The proposed business model developed in consultation with the ILSC Executive comprises only two smaller ILSC operating entities: ILSC Core; and Company X.

The model is designed to transform the manner in which the ILSC delivers its mandate, engages with Indigenous partners and secures private investment into the Indigenous Estate. It will be an opportunity focused, and commercially driven model, assisting the ILSC to deliver its statutory requirements in a more commercial manner, and deliver greater ROM outcomes.

The investment platform managed by Company X will be structured to attract private investment capital, with a focus on developing Indigenous assets and undertaking investment activities that generate both ROI and ROM. This combination is key to being able to "Unlock the Value of the Indigenous Estate" and ensures funding for indigenous projects are not constrained to the ILSC's Balance Sheet.

Key features of the proposed organisational redesign include:

- **ILSC Core** - A streamlined government organisation, responsible for government and Indigenous relations, reporting, group governance, strategy development.
- **Company X** – The sole ILSC subsidiary responsible for program delivery, together with attracting private investment into the Indigenous Estate in order to maximise return on investment (ROI) and return on mandate (ROM) (social, cultural, environmental & economic benefits). This entity is commercially driven and outcome focused, attracting top talent across in-house roles including Indigenous relationship management, expert industry sector project advisors, and investment management.

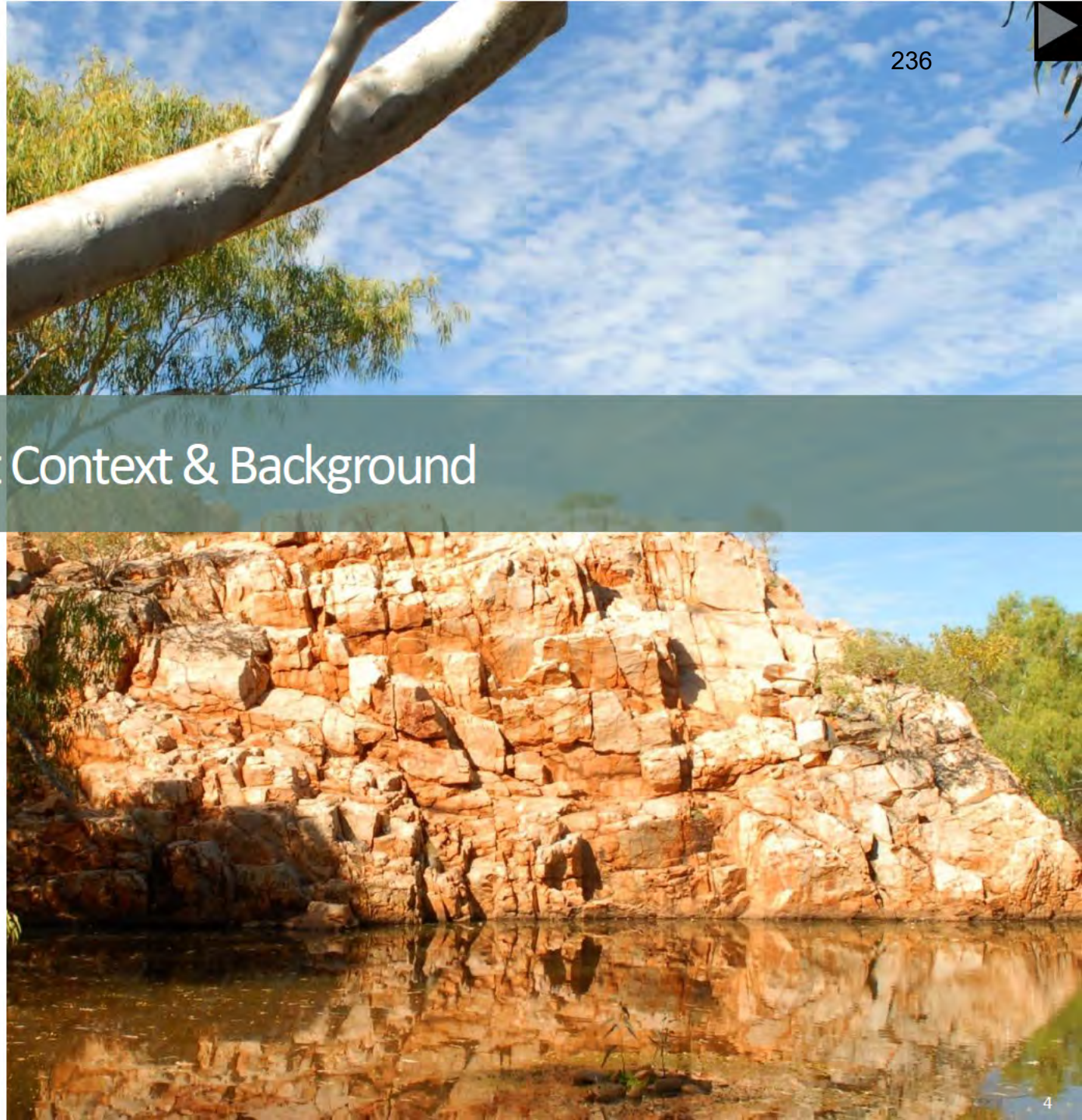
The key benefits of the proposed business model design include:

- **Clients** - Increased program reach through access to additional funding sources, and streamlined service delivery platform.
- **3rd party capital**- Ability to attract third party capital to unlock the value of the indigenous estate through establishment of a co-investment funds management platform(s) with proven operators.
- **Efficiency** –Efficiency improvements and increased ratio of investment facilitated through customer focused, streamlined program delivery, and removal of unnecessary subsidiary entities.
- **People** – A commercial business model and structure will ensure top talent are attracted and retained, assist to secure private sector expertise and remove duplication of roles across the ILSC. New staff employed in Company X will be employed in a more agile private sector structure with contemporary workplace agreements.
- **Commercial & Facilitator Model** – A commercial business model focused on investment strategy ensures high quality assets are acquired to deliver maximum portfolio returns, while a facilitator model provides greater capital to be available for future investments.

The recommended business model design will secure the ILSC's position as a trusted partner of the Indigenous Estate, maximise the efficient use of funding from both government and private sources to deliver greater return on mandate, and generate a compounding financial return on investment to deliver greater return on mandate outcomes.

# Transformation Project Context & Background

- Project Context & Background
- Market Assessment & Industry Need
- Current State Challenges (“The Problem”)
- Future State Design Considerations (“The Solution”)



## SRU Review Approach



## Background

Successive ILSC Boards have initiated reviews aimed at improving the effectiveness and efficiency of the organisation. Notwithstanding these reviews, the cost of service and output delivery remains very high and criticisms continue in respect of overly bureaucratic processes, excessive time taken to divest assets, non viability of assets transferred and poor knowledge and skill transfer.

ILSC subsidiaries have for the most part been unprofitable and not delivered sustainable or exceptional outcomes. Indigenous employment being the notable exception.

In July 2019 the ILSC and IBA CEO's, together with the joint Chair, initiated an opportunity to investigate how both organisations could work more closely together for the benefit of the Indigenous Estate. This matter was brought to a joint meeting of ILSC and IBA Directors at Ayres Rock Resort also in July.

The outcome was a shared agreement that leveraged activity by the two organisations and private sector investment were critical to the development of the Indigenous Estate. Four potential business models on how this could be achieved were developed by the Directors.

In February 2020, the ILSC Board commissioned the Strategic Reform Unit (SRU) to further develop the preferred model.

Over the last six months the SRU have worked with the ILSC Executive and other stakeholders in a co-design process to create a detailed design of the future operating business model including an implementation plan.

The corporate and organisational design is documented in a **Transformation Project Design Blueprint (Appendix A)** outlining the proposed entities, their functions, and objectives. The result is a highly efficient, streamlined and commercially focused organisation which is able to deliver greater outcomes and benefits to the Indigenous Estate.

The design process has centred around generating two key returns for the ILSC, Return on mandate (ROM) and Return on Investment (ROI).

Return on Mandate is the achievement of social, cultural, economic and environmental benefits for Indigenous Australians through the acquisition and management of Indigenous land or water rights. This is distinguished from Return on Investment, which entails the achievement of a financial return on an investment made. We note that under governing legislation all investments must derive ROM and more ROM can be delivered through sustainable ROI activities, projects and investments.

A summary of key deliverables achieved under Stage 2 of the SRU Review is summarised below.

### Stage 2 Review Deliverables

#### BluePrint Design & Due Diligence Phase

Design new high-level organisation structure ✓

Analyse Industrial relations implications & design high-level Communication plan ✓

Design new corporate structure, functions & capabilities required ✓

Ensure organisational and corporate design adheres with ILSC legislative remit ✓

Validate design objectives through ILSC Executive engagement ✓

Undertake efficiency and effectiveness review of current structure ✓

Design high-level implementation roadmap ✓

Stakeholder engagement and market fundamentals confirm industry appetite for co-investment opportunities in order to develop the Indigenous Estate

## Opportunities in our environment

- Indigenous Australians have expressed the need for a platform to generate inter-generational wealth through investment opportunities, facilitating self determination in the future.
- There is an opportunity to assist Indigenous land holders interact in a commercial environment, facilitating commercial arrangements and private investment into the Indigenous Estate.
- Compensatory funds are currently returning low yielding benefits, there is a need to raise the expectations of Indigenous people and how their compensatory funds should perform in the market.
- ILSC has the opportunity to transform its organisation, through the use of a sole subsidiary, removing current barriers to create attractive portfolio returns, access third party capital and unlock the value of the Indigenous Estate.
- Establishment of an investment management function ensures the investment portfolio is managed effectively with the appropriate expertise, providing opportunities for considerable size and scale to attract further capital.
- Market appetite for environmentally and socially responsible investments is continuing to grow.
- Responsible Investment Assoc. Australia (RIAA) reported a 13% growth in responsible investments managed by Investment Funds from 2017 to 2018. In Aus. responsible investments now represent 44% of total professionally managed assets under management.
- Over a 10 year period a RIAA Benchmark Report found Australian Managed Investment Funds with a focus on ESG investments outperformed Australian mainstream funds.
- The IBA through its IREIT and IPF portfolios, have already demonstrated an ability to deliver strong returns (7% p.a) on their existing responsible investments.
- Similar returns have been demonstrated more broadly in the market through ESG funds such as Perennial Sustainable Future Trust (6.8% FY20 YTD), Investa Ethical Commercial Property Fund (4.37% FY19).





## The Indigenous Estate is under-utilised

- Opportunities to generate benefits using Indigenous land assets are not proactively explored.
- There is an inequality of investment and distribution of benefits across geographies and industries.



## Unclear strategy

- Unclear strategic direction has limited the organisation's ability to deliver on vision.
- Misalignment between ILSC and its subsidiaries has resulted in duplication of costs and operational inefficiencies.



## Operational Inefficiencies

- High cost of delivery is attributed to duplication of knowledge, roles and costs across geographies, limiting available funding to deliver on mandate.
- Legacy resourcing structures are not optimal for current organisation, and limit the ability to access resources and capabilities required.



## ROM & ROI are not measured effectively

- Return on Mandate is not currently measurable as an appropriate calculation methodology has not been identified.
- The ILSC has never measured financial Return on Investment and does not have an appropriate measurement tool in place.



## Limited access to private-sector funds and expertise

- Private sector investment is not leveraged to maximise impact and Return on Mandate.
- Government structure limits engagement with the private sector.



## Internal culture

- The current culture is not one of high-performance and customer-focused.
- Limited access to private sector expertise creates barriers to accessing contemporary knowledge.



## Reactive not proactive

- ILSC does not proactively identify leads or projects for investment.
- The ILSC has lacked a clear target market within the Indigenous Community they are meant to be serving.



## ROM benefits are skewed

- Majority of ILSC projects deliver on the social and cultural components of ROM. Historically there have been very few projects delivering environmental or economic outcomes (with the exception of Ayers Rock Resort) beyond employment and training opportunities.



The proposed commercial business model will attract private sector talent and third-party capital, enabling greater ROI and ROM outcomes to be delivered by the ILSC

The development of a redesigned organising structure and commercial delivery platform is able to address current state challenges with a focus on the following key outcomes:



## Facilitator Model

- ILSC control and operation of investments not required
- Investment & growth focus drives identification of co-investment opportunities to grow Indigenous Estate ownership and investment.



## ROI will grow ROM

- The opportunity to deliver both Return on Investment and Return on Mandate will facilitate reinvestment into mandate outcomes and the ability to deliver more for the Indigenous Estate.
- Visibility across ROM and ROI achieved will allow the ILSC to document a track record of success for future investors.



## Private investment unlocks capital

- Establishment of a funds management platform to leverage land based indigenous assets
- Increased access to capital and the generation of superior returns on investment will drive greater Return on Mandate outcomes.
- Significant ESG market appetite exists for co-investment opportunities that are "For Purpose & For Profit"



## Efficiency and capabilities

- The new model demands increased efficiency and new capabilities to support delivery of greater outcomes.
- Efficiency improvements will increase ratio of investment in to the Indigenous Estate
- A commercial business model will assist to attract and retain talent with required capabilities.
- The business model removes duplication of roles and effort across the organisation, and provides a clear organisation vision & strategy to deliver outcomes to the Indigenous Estate.



Leveraging indigenous land-based assets and knowledge base model will facilitate the ILSC to become a trusted partner and investment conduit to the Indigenous Estate

The development of a redesigned organising structure and commercial delivery platform is able to address current state challenges with a focus on the following key outcomes:



### **An asset base to drive self-determination**

- Leveraging land based indigenous assets to attract investment provides a strong asset base to drive self determination and inter-generational wealth.



### **Building a unique knowledge base**

- The unique Indigenous knowledge base provides the ILSC with a key point of differentiation and a competitive advantage to be a trusted partner and advisor when investing in the Indigenous estate.
- Through the utilisation of the knowledge base, it allows the ILSC to:
  - Increase the value of the Indigenous Estate
  - Create opportunities for the Indigenous Estate



### **Improved client experience**

- Customer experience is enhanced through a streamlined service delivery interface
- Customer programs clearly defined and linked to Indigenous Estate benefits and outcomes





# ILSC Group Corporate Restructure



- Future State Governing Principles
- ILSC Group High Level Functions
- ILSC Group Objectives
- Value Delivered by each Layer
- ILSC Group Structure Design
- ILSC Group Business & Funding Model



The establishment and adherence to guiding principles will help the ILSC Group achieve its purpose.

## ILSC Group

- Ownership over assets is not required to derive benefits for the Indigenous Estate
- No duplication will exist between organisations within the Group
- Benefits for Indigenous parties needs to be delivered. Capability development is essential to enable self-determination for Indigenous Australians
- Indigenous capability is utilised throughout the Group
- Return on Investment is balanced with Return on Mandate

## ILSC Core

- ILSC Board members should not hold a role on the Board of a Subsidiary
- ILSC subsidiaries do not undertake ILSC functions of acquiring, holding or divesting land or water assets
- ILSC subsidiaries maintain clear delineation between managing and operating assets
- Proven operators are not wholly-owned subsidiaries of the ILSC

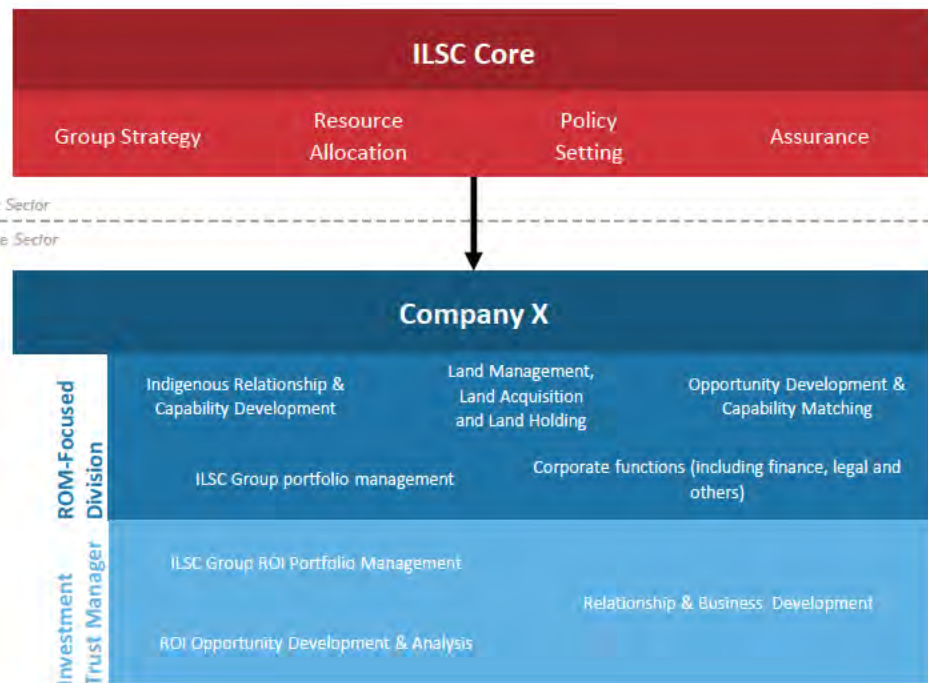
## Company X

- Return on Investment enables greater Return on Mandate
- Company X is empowered to deliver within the ILSC remit
- Land assets are acquired to be divested immediately
- Assets are acquired which can be reasonably expected to deliver a Return on Investment at acquisition

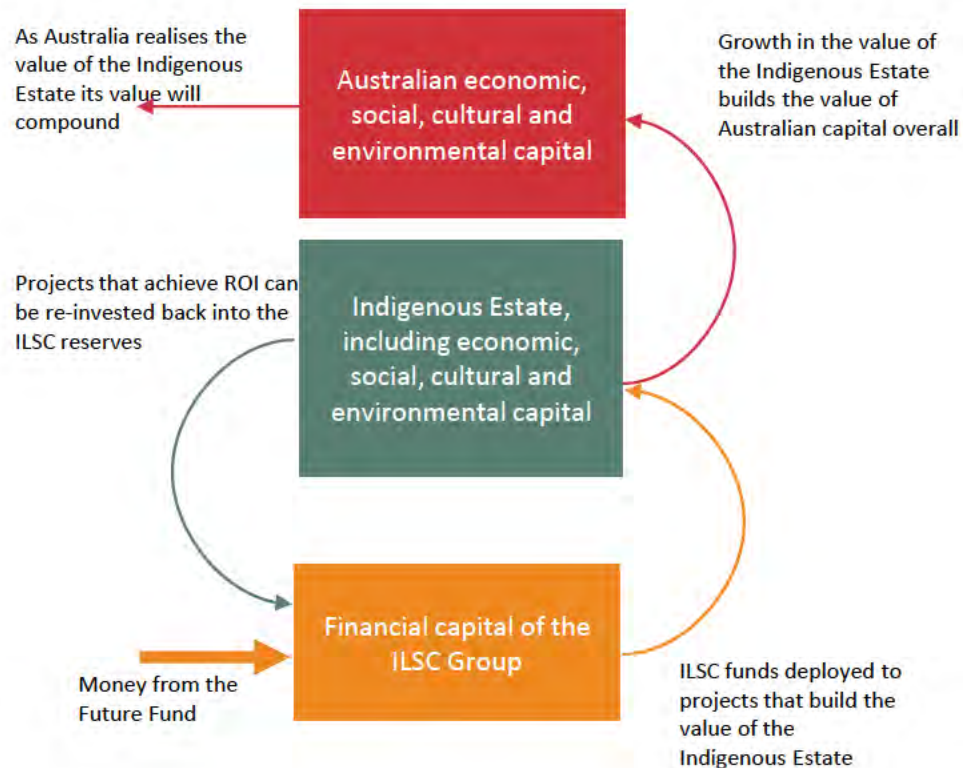
See **Appendix A** for further detail of each principle.

The ILSC Group consists of the ILSC Core and Company X. These entities, as well as their associated functions are outlined below, which combine to assist in growing the GDP contribution of the Indigenous Estate to Australia.

### The ILSC Group core functions:



### Model drives growth in value of the Indigenous Estate:



The **prime objective** of the ILSC group is to:

- Unlock and grow the value of the Indigenous Estate through delivering economic and environmental, social and cultural benefits.

**ILSC Core:** To provide the structure and governance to achieve the **ILSC outcomes** of land acquisition and land management.

 <p><b>GROWTH</b></p>	<p>To restructure the <b>ILSC Group</b> to better achieve <b>Group outcomes</b></p> <p>We will achieve this by:</p> <ul style="list-style-type: none"> <li>Providing broad investment and acquisition strategy that is guided by strategic outcomes</li> <li>Developing the funding strategy and deploying funds to Company X</li> </ul>	<ul style="list-style-type: none"> <li>Setting charters that unlock capital that the ILSC currently has invested</li> <li>Driving and enabling entities to complete their work</li> <li>Harnessing the knowledge base of the Indigenous Estate</li> <li>Extending opportunities within existing relationships</li> </ul>
 <p><b>STREAMLINING</b></p>	<p>Deploy more funds directly into projects through the reduction of expenses</p> <p>We will achieve this by:</p> <ul style="list-style-type: none"> <li>Improving and maintaining a competitive efficiency ratio</li> </ul>	<ul style="list-style-type: none"> <li>Reducing legal limitations of the business</li> <li>Establishing enabling environments for the subsidiaries</li> <li>Assessing and measuring if the Board vision is delivered, based on clear KPI outcomes</li> <li>Reduction of overhead expenses</li> </ul>
 <p><b>RELATIONSHIPS</b></p>	<p>Develop a reputation as a trusted partner of clients including Indigenous Australians and Government</p> <p>We will achieve this by:</p> <ul style="list-style-type: none"> <li>Having a positive net promoter score for relationship management</li> <li>Measuring and responding to levels of partner satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>Developing further relationships with government and strengthening current relationships</li> <li>Leveraging expertise and the unique knowledge base</li> </ul>
 <p><b>MEASUREMENT</b></p>	<p>Demonstrate Indigenous Australians' contribution to Australia as a whole (including social, environment &amp; economic achievements)</p> <p>We will achieve this by:</p> <ul style="list-style-type: none"> <li>Developing performance metrics required for ROM and ROI</li> <li>Developing a methodology to calculate ROM</li> </ul>	<ul style="list-style-type: none"> <li>Developing a strategy to balance ROI and ROM</li> <li>Develop a methodology to demonstrate the value and the contribution to Australia's GDP</li> </ul>

**Company X:** To be the custodian of the Indigenous Estate and manage the investments of the ILSC to deliver return on mandate and return on investment.

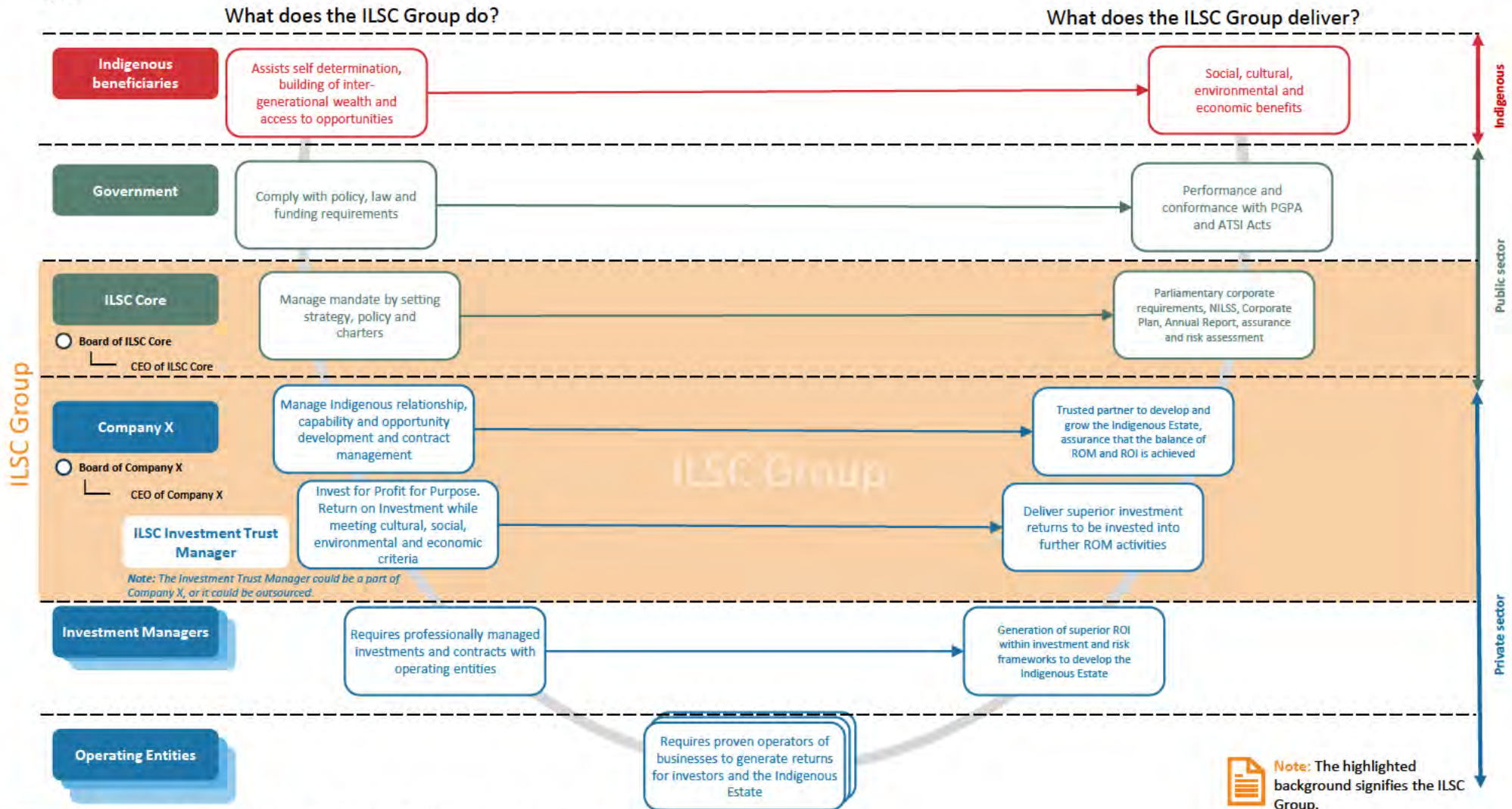
 <p><b>DELIVER RETURN ON MANDATE</b></p>	<p>Broker Indigenous and commercial interests stakeholder framework</p> <p>We will achieve this by:</p> <ul style="list-style-type: none"> <li>Brokering the relationship between Indigenous and commercial interest, which will lead to the attraction of third-party capital and increased efficiency of capital allocation</li> <li>Delivering education that builds the Indigenous capability to partner with the commercial sector</li> <li>Leverage and grow the indigenous knowledge base</li> <li>Attract private sector expertise to develop the indigenous estate and adopt a streamlined commercial service delivery framework</li> </ul>	<p>Develop the social impact investment framework that measures return on mandate</p> <p>We will achieve this by:</p> <ul style="list-style-type: none"> <li>Developing a framework that delivers the return on mandate specified by the ILSC core, that considers the need for any return on investment opportunities to also deliver mandate benefits</li> </ul> <p>Co-designing and adhering to the ILSC Board reporting framework</p> <p>We will achieve this by:</p> <ul style="list-style-type: none"> <li>Understanding the reporting requirements of the ILSC Core Board and building a framework to deliver this</li> </ul>
 <p><b>DELIVER RETURN ON INVESTMENT</b></p>	<p>Develop and agree on a clear framework for the investment process</p> <p>We will achieve this by:</p> <ul style="list-style-type: none"> <li>Building a framework and focused investment strategy that considers the risk appetite and return expectations of the ILSC Board and the ILSC Core</li> <li>Monitoring investment performance across the ILSC Group portfolio</li> <li>Diversifying the ILSC Group investment portfolio across geographies and industries</li> <li>Increasing financial returns for the ILSC Group</li> <li>Develop and deliver the processes to enable the ROI functions</li> </ul>	<p>Create the strategy for managing existing investments</p> <p>We will achieve this by:</p> <ul style="list-style-type: none"> <li>Identifying how existing investments will be managed and transitioned</li> </ul> <p>Develop the contract management framework</p> <p>We will achieve this by:</p> <ul style="list-style-type: none"> <li>Developing the contract management framework to manage the relationships with investment managers</li> </ul> <p>Match capital with quality investments</p> <p>We will achieve this by:</p> <ul style="list-style-type: none"> <li>Stimulating the Indigenous economy by matching Indigenous organisations with commercial companies to create value for both parties</li> </ul>

Each layer of the ILSC Group and its outsourced providers has a specific role to play in contributing to mandate. By examining the value created at each layer of the Group, we can determine the niche that each layer fills, and understand how they operate together.

	Value created	Beneficiaries of value	Niche value delivery
<b>ILSC Core</b>	<p>The ILSC Core provides strategic guidance for the Group to deliver on mandate and create value for the Indigenous Estate. The ILSC Core provides funding as directed by the ILSC Board into Company X.</p>	<ul style="list-style-type: none"> <li>➤ Government</li> <li>➤ Board</li> <li>➤ Minister</li> <li>➤ Indigenous Australians</li> <li>➤ Indigenous Estate</li> </ul>	<p>The ILSC Core drives strategic engagement with Indigenous stakeholders, and provides assurance to Government that the Group is delivering on mandate and meeting legislative requirements.</p>
<b>Company X (includes ILSC Investment Trust Manager)</b>	<p>Company X acts as a broker between the ILSC core, private sector and Indigenous stakeholders by balancing needs and driving equitable outcomes. This involves:</p> <ul style="list-style-type: none"> <li>➤ Undertaking business-focused portfolio planning and driving the creation of value for the Indigenous Estate</li> <li>➤ Managing the portfolio and allocating funds across programs that will deliver Return on Mandate and Return on Investment benefits</li> <li>➤ Matching private sector and Indigenous stakeholders to undertake business development, joint ventures and the pursuit of other opportunities</li> <li>➤ Contract management with a range of sector-specific investment managers in order to deliver outcomes</li> <li>➤ Research and development, focused on identifying opportunities, that feeds back into the knowledge base of the ILSC</li> <li>➤ Leveraging and building the Indigenous knowledge base</li> </ul>	<ul style="list-style-type: none"> <li>➤ Indigenous Estate</li> <li>➤ Indigenous Australians</li> <li>➤ ILSC Core</li> <li>➤ Investment Managers receiving funding</li> </ul>	<p>Company X bridges the gap between Indigenous Australians and the commercial market by balancing interests and facilitating value creation for all parties. It delivers more value through the connection of external capital than could be achieved with Government funding alone. Company X utilises and builds upon the unique Indigenous knowledge base and provides confidence to Indigenous stakeholders when operating in commercial settings. It holds investment talent to assist with the development and identification of opportunities that will deliver financial returns.</p>
<b>Investment Managers (outsourced)</b>	<p>Investment Managers deliver outcomes on behalf of the ILSC Group, including:</p> <ul style="list-style-type: none"> <li>➤ Maximising ROI and ROM outcomes in line with contracted scope and goals</li> <li>➤ Develop strategies to maximise returns and deliver more for clients, including social-impact outcomes</li> <li>➤ Providing a vehicle and structure that attracts third-party investors and additional capital</li> <li>➤ Management of Proven Operators, who deliver outcomes 'on the ground'</li> </ul>	<ul style="list-style-type: none"> <li>➤ Indigenous stakeholders</li> <li>➤ Commercial and Indigenous investors</li> <li>➤ Company X</li> <li>➤ Proven Operators receiving funding</li> </ul>	<p>The Fund Entities are the vehicle that attracts third-party investment into opportunities and projects. Fund entities are run and managed by proven operators. They deliver outcomes on behalf of the ILSC Group, in line with contractual obligations.</p>

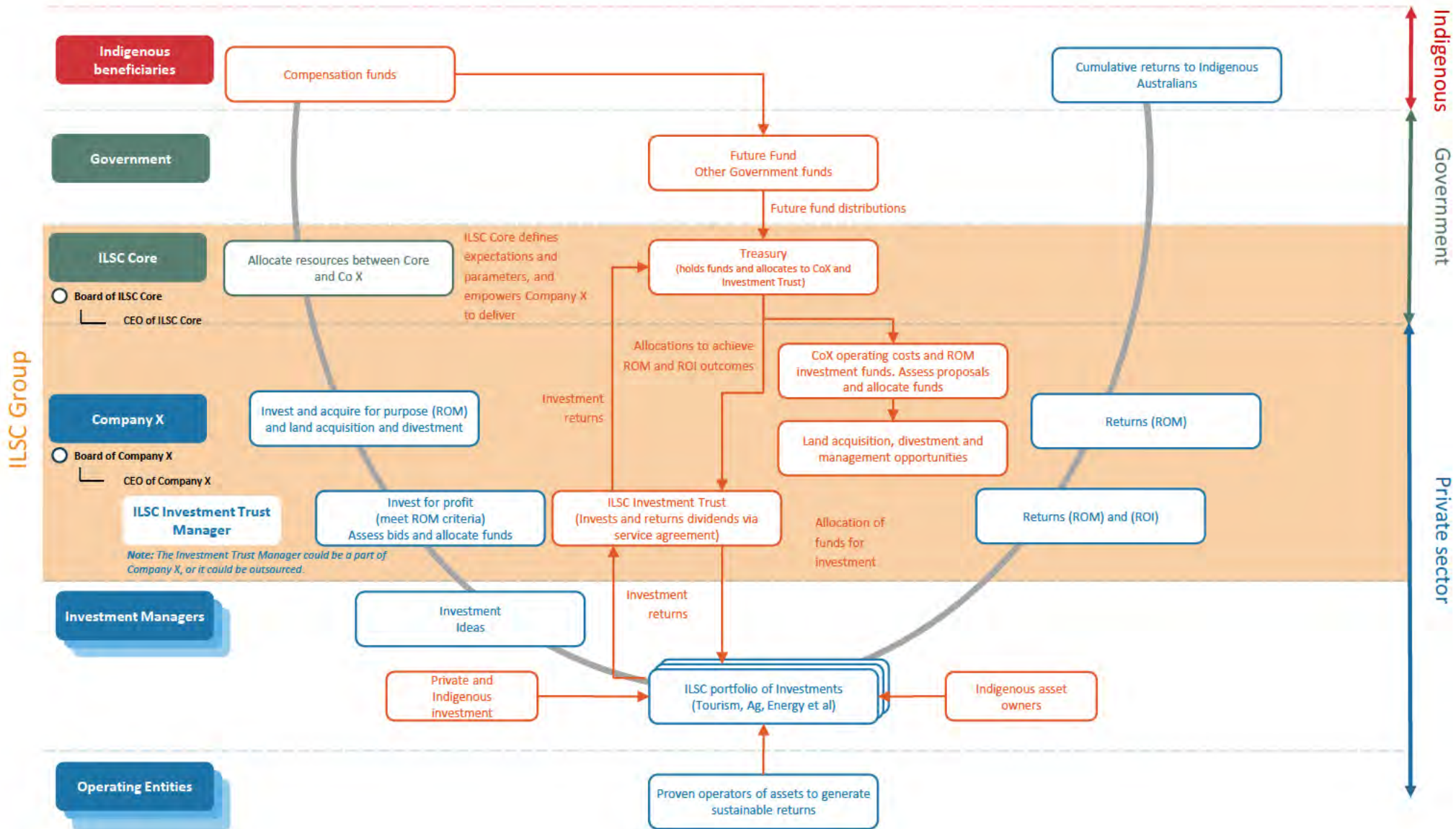


The design diagram describes the components of the ILSC Group and those that support it. It explains the flow of activities through the group and what is delivered by each layer.



**Note:** A strong charter and framework will define the governance relationships between ILSC Core and Company X. This will give the Company X CEO the ability to work freely, while ensuring that all legislative requirements of the ILSC are met.

**Note:** The highlighted background signifies the ILSC Group.





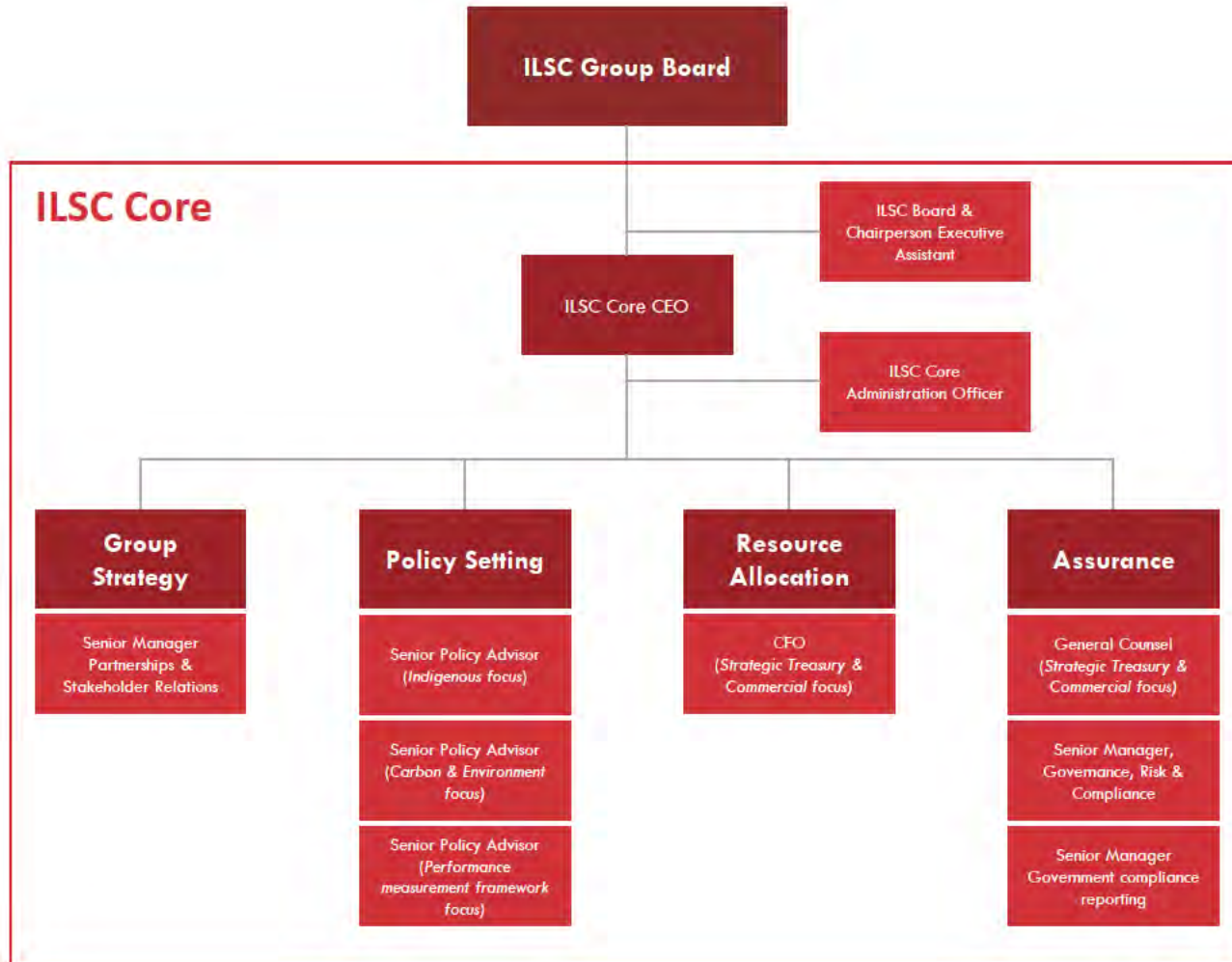
# Organisational Structure Redesign



- ILSC Core organisational structure
- Company X organisational structure



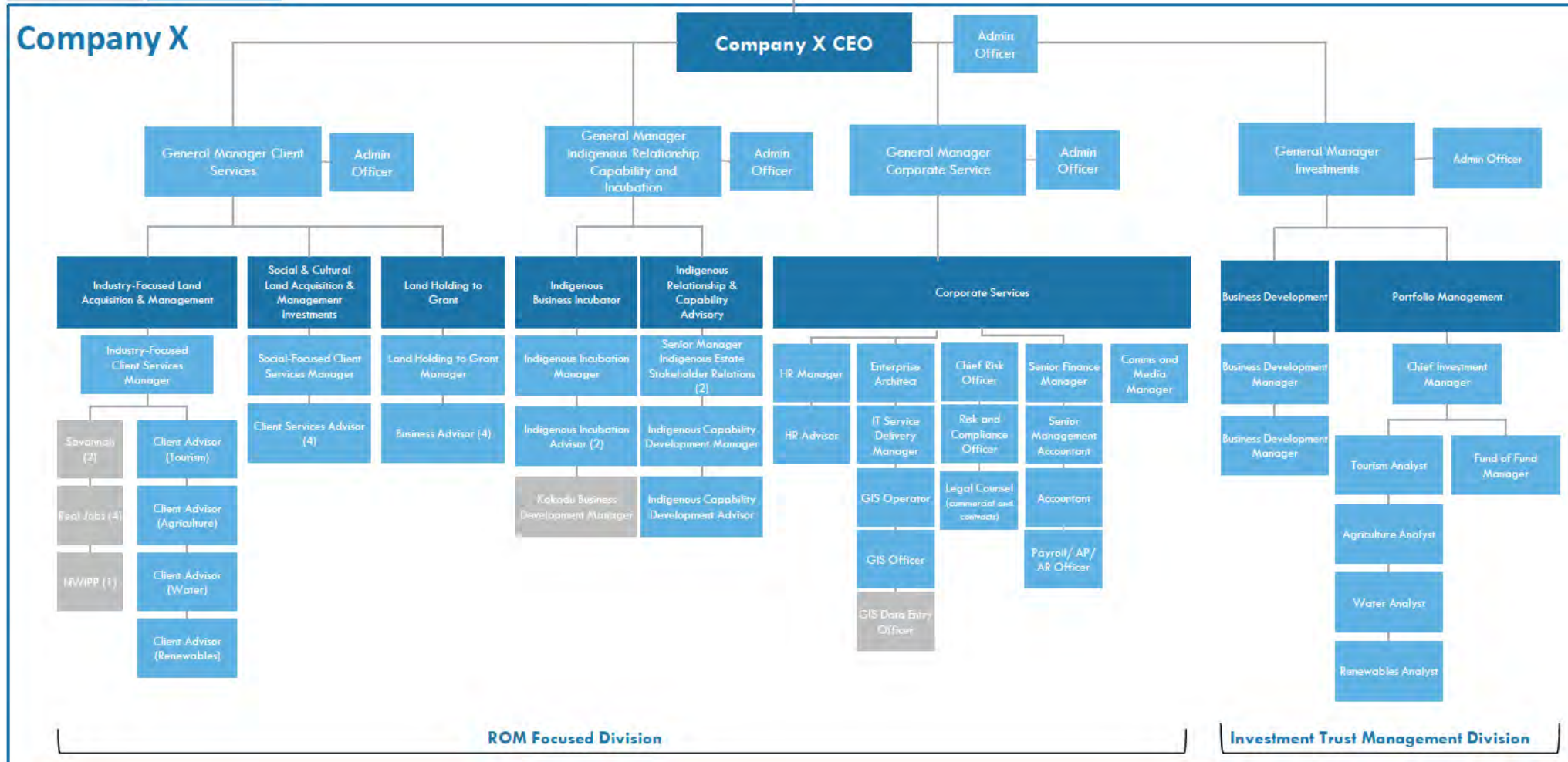
The proposed future-state organisational structure for the ILSC Core is outlined below. This structure identifies a total of **eleven roles** that will be required.



The proposed future-state organisational structure for Company X is outlined below. This structure identifies a total of **ten roles in the Investment Trust Management Division of Company X** and **fifty-three roles in the ROM-Focused Division** that will be required.

Key:

Role funded by a partner (for example: LM-funded/Real Jobs)	Role funded by Company X
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ROM Focused Division

Investment Trust Management Division

The model highlights the need to reduce current roles by 36%, resulting in an estimated annual wage saving of 32%

The new structure proposes a significant number of new roles, which deliver functions and services not currently delivered today. It also represents a significant reduction in roles in comparison to the current structure.

Component of Future-state ILSC Group	Current Number of Roles	Proposed Number of Roles	Variance (Roles) *Incl vacancies	Variance (%) *Incl vacancies
<b>ILSC Core</b>	17 (3 vacancies)	11	6	35%
<b>Company X</b>				
Investment Trust Manager	0	10	(10)	
ROM Focused Division* * (Includes CEO and support plus partner funded roles (externally funded))	104 (16 vacancies)	53	51	49%
<b>TOTAL</b>	<b>131</b> (24 vacancies) <b>107</b> current heads	<b>74</b>	<b>47</b> <b>33</b>	<b>36%</b> <b>31%</b>
<b>Estimated Wage Costs*</b>	<b>\$ 17.6m</b>	<b>\$ 12.0m</b>	<b>\$5.6m</b>	<b>32%</b>


\* Estimated wages costs of new structure have been calculated based on current role costs and benchmarked salary data for new roles

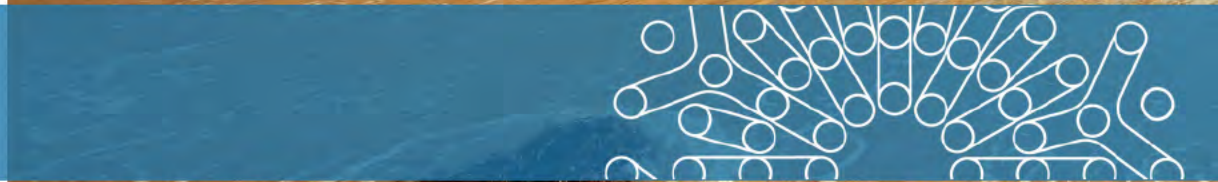
The proposed model for the future state represents a 36% reduction in total roles in the current structure, and a 31% reduction on current heads (due to position vacancies).

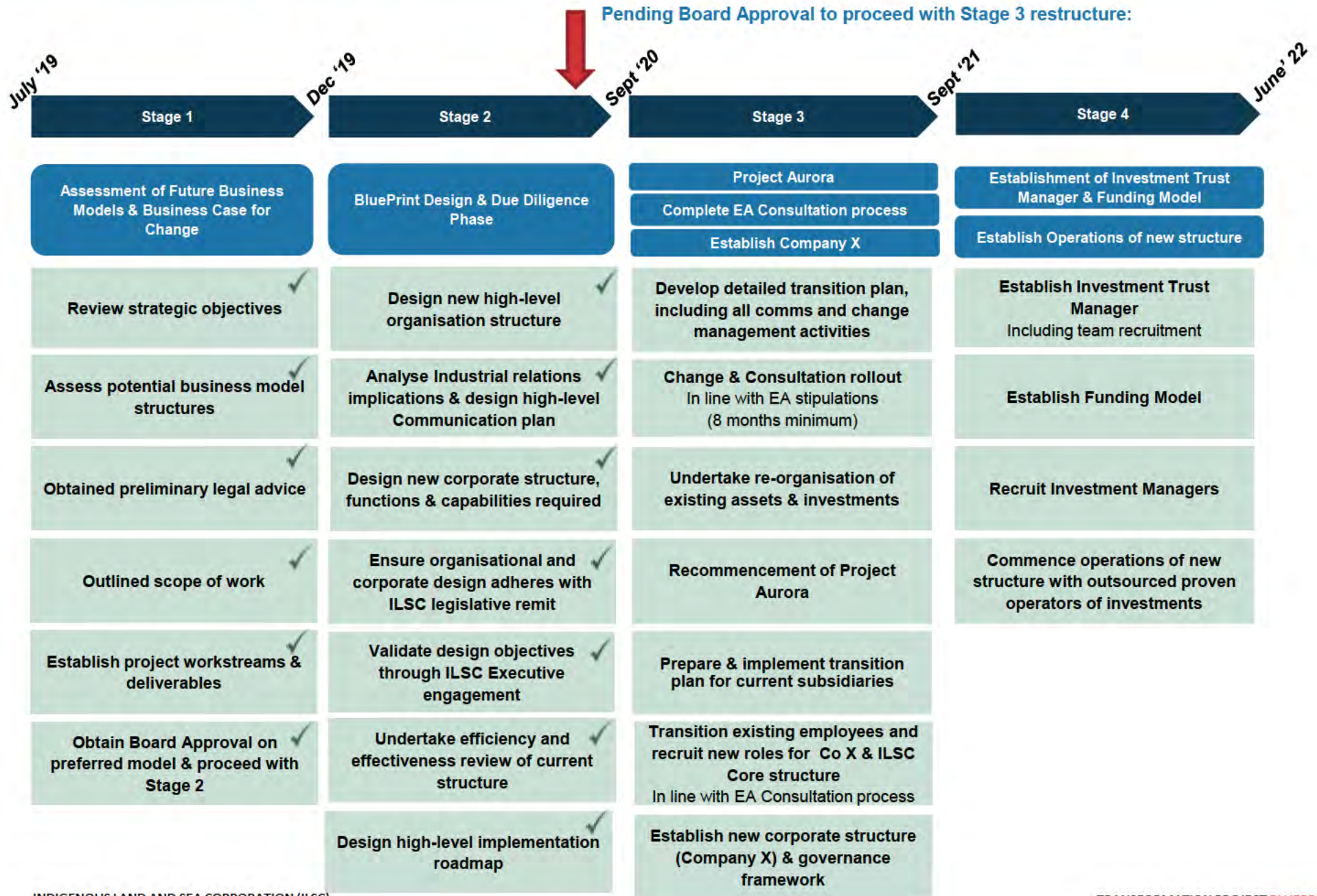
Other points to note include:

- Eight of the new roles in the ROM-Focused Division are new roles delivering the newly identified services and functions proposed for Company X, and ten more are restructured around industry-based projects rather than geography.
- There are not any roles within the current ILSC structure that deliver the same functions as those proposed in the Investment Trust Manager area of the business.
- If implementation of the restructure commenced in October 2020, savings will start to be realised in the FY21 financial year.



 Implementation  
Roadmap









**Australian Government**  
**Indigenous Land and Sea Corporation**



**The ILSC GROUP**

**PEOPLE. COUNTRY. OPPORTUNITY.**

# TRANSFORMATION PROJECT

INDIGENOUS LAND AND SEA CORPORATION GROUP

# BLUEPRINT



Australian Government  
Indigenous Land and Sea Corporation



The ILSC GROUP

PEOPLE. COUNTRY. OPPORTUNITY.

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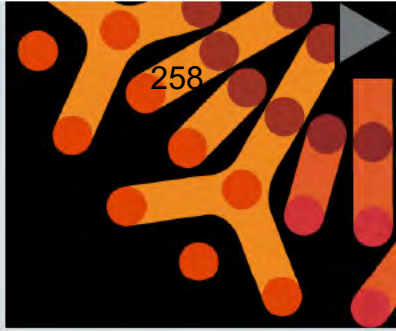
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# ILSC Group

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- The Future ILSC Group design
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# ILSC GROUP: STRATEGIC DIRECTION

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## Why do we do what we do?

Unlock and maximise the benefit of the the Indigenous Estate through:

- > Making a demonstrable contribution to Australia – its GDP, society and environment
- > Contributing to the creation of intergenerational wealth for Indigenous Australians so that they enjoy the best quality of life by delivering both Return on Mandate and Return on Investment

## How do we do what we do?

**ILSC Group is a facilitator and partner for Indigenous Australians and the commercial sector.**

- > We broker relationships between the Indigenous Estate and commercial opportunities

**ILSC Group increases engagement and connectivity between people, land, businesses, and knowledge.**

- > We hold and develop the unique knowledge bank of the Indigenous Estate providing access to Indigenous Australians and commercial investors

**Investing in opportunities that strengthen Indigenous culture.**

- > We empower and provide funds to those who are best-placed to deliver

## What do we do?

**We innovate**

- > Provide the strategy and structures for transformational investment in the Indigenous Estate
- > Build a strong portfolio of investments that deliver sustainable returns to empower the Indigenous Estate
- > Connect and broker the partnership between the Indigenous Estate and commercial investment

**We engage**

- > Leverage knowledge and culture by creating and further developing the unique Indigenous knowledge base
- > Proactively engaging and developing the capability of both Indigenous Australians and the commercial sector to work together to deliver benefits

## Mandate of the ILSC Group

The ILSC Group's purpose is to deliver returns on mandate to the Indigenous beneficiaries. The ILSC Group will do this into the future by empowering entities who are best-placed to achieve desired outcomes. This means that each entity within the ILSC Group has defined roles in achieving Return on Mandate, and that they contract others where they can deliver returns more effectively.

### What is the legislated purpose of the ILSC?

Under the ATSI Act, the ILSC has a clearly defined purpose which is:

- To assist Aboriginal persons and Torres Strait Islanders to acquire land and water related rights; and
- to assist Aboriginal persons and Torres Strait Islanders to manage Indigenous-held land and indigenous waters;

so as to provide economic, environmental, social or cultural benefits for Aboriginal persons and Torres Strait Islanders'.

To fulfil those purposes, the ATSI Act gives the ILSC two primary functions: acquisition functions and management functions. Under the PGPA Act, a subsidiary of the ILSC Core (for example, Company X) may not perform any function which the ILSC itself could not perform.

The legislation clearly defines a scope for Return on Mandate (ROM) that the ILSC Group must achieve.

The ILSC Group has a strategic need to also deliver a Return on Investment (ROI) which increases its ability to deliver Return on Mandate.

### What are the accountabilities of the ILSC Core and Company X in the delivery of mandate?

As part of the ILSC Group, ILSC Core and Company X both have specific roles to deliver on mandate.

The role of the ILSC Core in achieving mandate activities involves:

- Creating broad strategy for the ILSC Group that balances the prioritisation and funding allocations between ROM and ROI activities, noting that the focus can shift in response to the operating environment and Group goals
- Assuring ROM activities to ensure they deliver desired benefits in line with the strategy
- Assuring ROI activities to ensure they are in line with the charter of investment operations and also contribute to ROM

The role of Company X in the achievement of mandate involves:

- Bringing commercial focus and acumen to the Group in order to achieve greater Return on Mandate
- Pursuing activities that contribute to ROM, in line with the strategy and charters provided by the ILSC Core
- Seeking out some opportunities to pursue that will deliver ROI in alignment with the charter of investment operations and also deliver on ROM

### How does Company X fulfil the statutory charter of the ILSC?

A key function of Company X is to fulfil the statutory charter of the ILSC. It does this by enhancing and enlarging the ILSC's capacity to perform through the provision of a more flexible and focused means to grow, develop, deploy and unlock the Indigenous Estate.

To do this, Company X will be guided by:

- Direction on desired policy outcomes and strategic objectives from the ILSC Core, informed by the statutory charter to assist Indigenous Australians to acquire and manage Indigenous-held land and Indigenous water
- Clear guidance from ILSC Core on expectations that all projects will deliver one or more of social, cultural, environmental and economic benefits to Indigenous Australians but that not all projects will be required to deliver financial returns to the ILSC Group.

# Return on Mandate and Return on Investment

## What returns does the ILSC Group seek to achieve?

The ILSC Group seeks to achieve Return on Mandate (ROM), as specified by the legislation, as well as Return on Investment (ROI) through financial returns to the ILSC Group. Ultimately, achieving ROI is a way to sustainably grow the potential scale of Indigenous benefits specified in the legislation.

### Return on Mandate (ROM)

Return on Mandate is the achievement of social, cultural, economic and environmental benefit for Indigenous Australians to future-proof benefits for Indigenous Australians. The ILSC seeks returns on mandate that are at a compounding rate, setting up Indigenous assets to continually generate social, cultural, environmental and economic benefits, not simply sustain them. All projects delivered by the ILSC will deliver on ROM.

### Return on Investment (ROI)

The ILSC Group strives to achieve financial returns for the purpose of building the productivity and profitability of the Indigenous Estate across social, cultural, environmental, and economic benefits. Not all projects will be expected to deliver ROI. ROI can be achieved through activities, that can:

- Set up future Indigenous Groups with an asset which will yield financial and economic returns for that owner
- Enable the ILSC to receive a return on it's investments to increase it's ability to re-invest in other mandated activities

### What is the difference between ROM activities that deliver economic benefit and ROI?

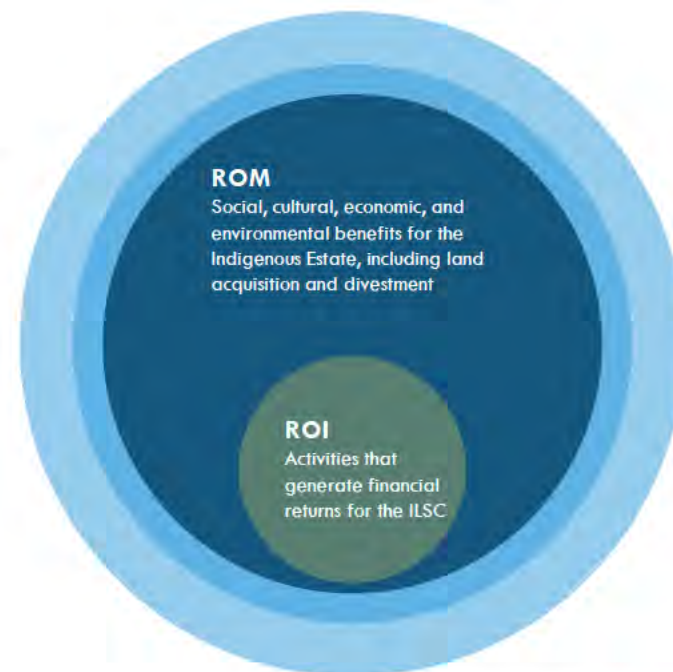
Economic Return on on Mandate benefits to Indigenous Australians include training, jobs, and commercial income. ROI describes activities that have a commercial focus to optimise financial return for the ILSC Group in line with commercial rates of return. This allows ILSC financial assets to grow over time, attracting increased external investment, so that more funds can be invested into ROM. ROI activities will be governed by a strict charter of operations, set by the ILSC Core, and money-making activities will only take place if they are in furtherance of the ILSC's legislated mandate.

To achieve both ROM and ROI outcomes, the ILSC Group needs to develop, acquire, and outsource(if applicable) commercial capability, expertise and proven operators of assets.

### Activities that deliver both ROM and ROI

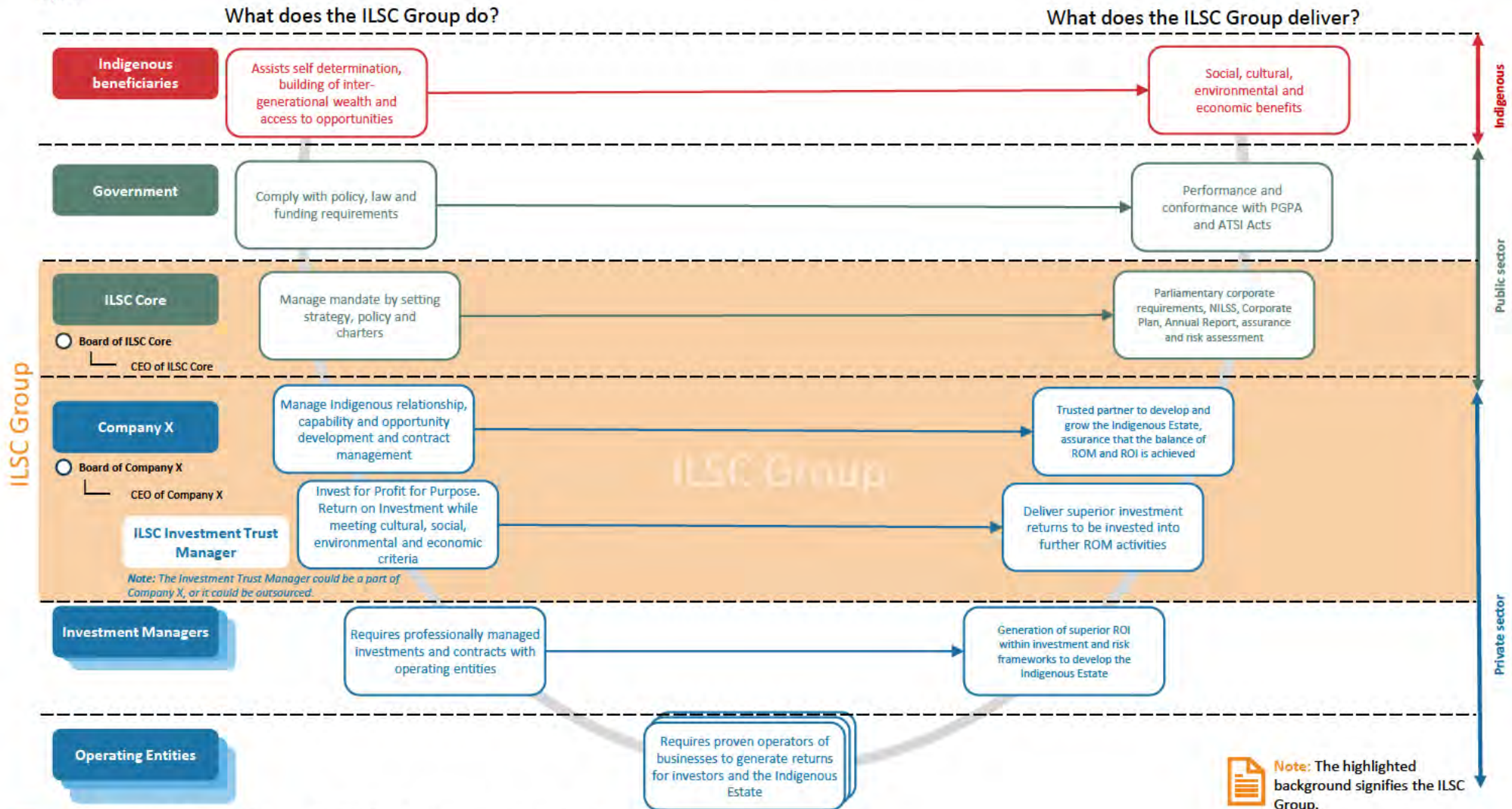
Activities that generate both ROM and ROI represent a unique value that the ILSC Group can create for the Indigenous Estate and Australia as a whole.

The financial returns to the ILSC Group can be re-invested into mandated activities. As assets grow due to ROI activities, the value of ROM will also grow.



# The Future ILSC Group design

The design diagram describes the components of the ILSC Group and those that support it. It explains the flow of activities through the group and what is delivered by each layer.



**Note:** A strong charter and framework will define the governance relationships between ILSC Core and Company X. This will give the Company X CEO the ability to work freely, while ensuring that all legislative requirements of the ILSC are met.

**Note:** The highlighted background signifies the ILSC Group.







## Strategic direction of each layer

The **overarching strategic direction** of the ILSC Group is that the Indigenous Estate is unlocked through:

- making a demonstrable contribution to Australia – its GDP, society and environment
- contributing to the creation of intergenerational wealth for Indigenous Australians so that they enjoy the best quality of life.

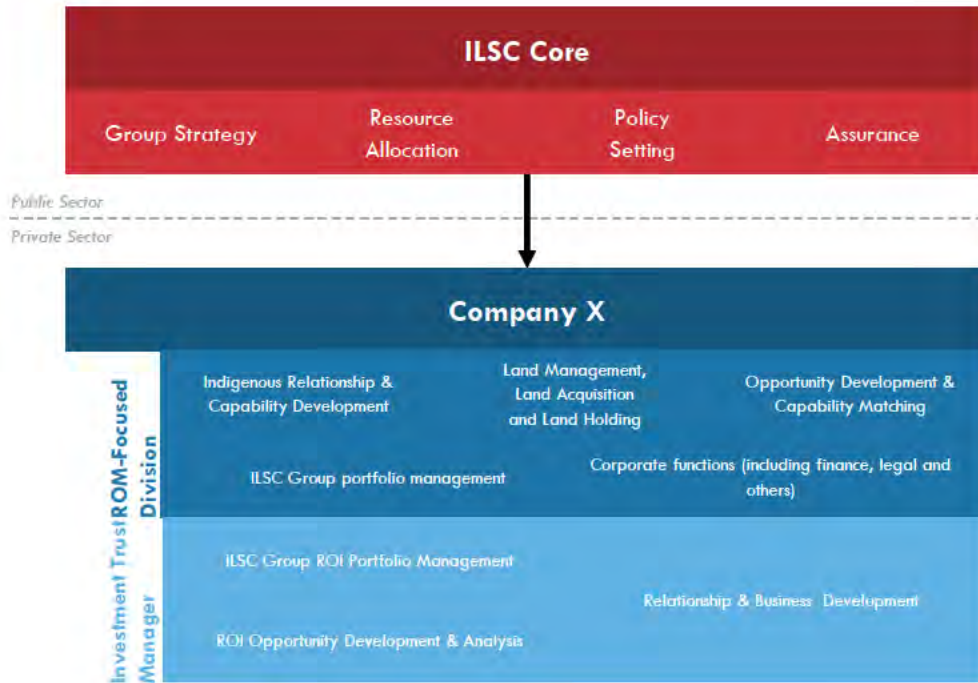
	Why we do what we do	How we do what we do	What we do
<b>ILSC Core</b>	To deliver benefits to the Indigenous Estate the ILSC Core provides <b>strategic direction</b> for the delivery of required outcomes. The Core provides the charter* to Company X that provide <b>assurance and reporting</b> to Government and Indigenous Australians that the ILSC Group will deliver outcomes.	<ul style="list-style-type: none"> <li>&gt; We set the strategic direction for the Group</li> <li>&gt; We provide an investment strategy for delivery on mandate and investment</li> <li>&gt; We assess the performance of our investments and take action as required</li> </ul>	<ul style="list-style-type: none"> <li>&gt; We lead</li> <li>&gt; We assure</li> </ul>
<b>Company X</b> <i>(includes ILSC Investment Trust Manager)</i>	To become the a <b>partner of choice</b> in the development of the Indigenous <b>Estate</b> Company X enhances private sector knowledge and capability when dealing with the Indigenous Estate and the capability of Indigenous Australians groups to become self determined. It makes decisions that <b>always provide return on mandate</b> whilst <b>optimising investment returns</b> . It measures and report these outcomes to the Core.	<ul style="list-style-type: none"> <li>&gt; We build on our strengths</li> <li>&gt; We cultivate relationships and develop capability to enable self reliance</li> <li>&gt; We drive and measure our delivery of mandate and investment across the portfolio</li> </ul>	<ul style="list-style-type: none"> <li>&gt; We develop trusted relationships</li> <li>&gt; We connect vision with investment managers</li> <li>&gt; We build wealth and create benefits</li> </ul>

\*Charter – This is the guide for Company X that informs them of what they can and cannot do.



# ILSC Group High-Level Functions

The ILSC Group consists of the ILSC Core and Company X. These entities, as well as their associated functions are shown below.



The ILSC Core has the capabilities required to interact with government. It is responsible for **setting high-level strategy for the Group** and allocating resources through a high-level Treasury function. Core **sets overarching policy** for the Group (including risk appetite), and sets and **ensures performance and conformance** against strategy.

Company X is divided into two divisions, each responsible for different things.

The **ROM-Focused Division** explores opportunities and makes investments focused on delivering social, cultural, environmental, and economic benefits, without expectation of a financial return to the ILSC Group. It will also be responsible for delivering the land acquisition, land management and land holding functions that exist today within the ILSC. The ROM-Focused Division will include the Corporate Services functions that are required within the ILSC Group, or manage the contracts if these functions are outsourced.

The purpose of the **Investment Trust Manager** is to make investments for a financial return for both the ILSC Group and other investors, whilst still delivering ROM benefits. The ILSC Investment Trust Manager will be responsible for contracting and managing the various investment managers engaged by the ILSC to manage ROI investments. This capability could sit as a division within Company X (as shown).

## ILSC Group Measures of Success

The primary functions of the ILSC Group is the acquisition and management of land and water assets that deliver return on mandate for Indigenous Australians. The **ILSC Group** will know it has been successful in delivering on this if it has:

### 1. Provided Indigenous Australians with a valuable asset base from which to drive self-determination

The Indigenous Estate should be harnessed to drive financial independence and wealth creation for Indigenous Australians, leading to self-determination. This means that Indigenous Australians will have the ability to choose which opportunities they want to take, and placing them in positions to be the decision maker on how their assets are used and managed. Indigenous Australians will be empowered with the knowledge and skills they need to make decisions and operate in the commercial world.

Achieving self-determination for Indigenous Australians is the ultimate measure of success for the ILSC. This involves delivery of ROM benefits (social, cultural, environmental and economic), as well as increasing the amount of funds available to invest in ROM. To do this, the ILSC will need to understand the benefits that Indigenous Australians are seeking and create opportunities through business development that deliver these.

### 2. Leveraged and built the unique knowledge base to create value for the Indigenous Estate

The unique knowledge base provides the ILSC with a key point of differentiation and the competitive advantage to be a trusted partner and advisor when investing in the Indigenous estate. Through the utilisation of the knowledge base, it allows the ILSC to:

- Increase the value of the Indigenous Estate
- Create opportunities for the Indigenous Estate

The ILSC brings together knowledge assets of Indigenous Australians, adds value and insight, and returns the knowledge back to Indigenous Australians and the Indigenous Estate as a whole.

### 3. Grown the value of the Indigenous Estate in line with the needs of Indigenous Australians

Create and foster opportunities that grow the Indigenous Estate in areas that Indigenous Australians have an affinity to and desire to pursue. This means allowing activities to be designed and shaped through genuine consultation and co-design processes with Indigenous Australians.

Effective engagement processes will allow the ILSC to continue to meet the needs of Indigenous Australians as they evolve over time.

Increasing the capability of Indigenous Australians to participate in the commercial sector and if they wish to own and operate their assets.

### 4. Demonstrated that Indigenous Australians are valuable contributors to Australia's growth

The value and importance of the Indigenous Estate is clearly understood by private investors and Australia as a whole.

Investors are attracted to opportunities to work with the Indigenous Estate, and know it is a viable asset class. They are proactively seeking to invest in the Indigenous Estate.

Indigenous Australians are increasingly approaching the ILSC Group to seek their support to further develop opportunities and their capability. They trust that the ILSC Group will be the partner that can broker their connection with the Commercial sector.

### 5. Delivered outcomes that have built a track record of success which is attracting further private investment

Outcomes of ROM and ROI are measured and communicated. This builds confidence in stakeholders who want to work with the Indigenous Estate.

Having a cohort of trusted investment managers that wish to invest in the Indigenous estate in the same geographies and sectors. These investment managers have the capability and cultural awareness to genuinely engage and partner with Indigenous Australians driving benefits for all involved.

### 6. Complied with Government requirements and regulations

The ILSC group has met all of the requirements of the PGPA Act, ATSI Act, and the PBS through fit for purpose governance.

Delivered legislated projects and programs in line with Government and Indigenous Australians expectations and requirements.

## Value delivered by each layer

Each layer of the ILSC Group and its outsourced providers has a specific role to play in contributing to mandate. By examining the value created at each layer of the Group, we can determine the niche that each layer fills, and understand how they operate together.

	Value created	Beneficiaries of value	Niche value delivery
<b>ILSC Core</b>	The ILSC Core provides strategic guidance for the Group to deliver on mandate and create value for the Indigenous Estate. The ILSC Core provides funding as directed by the ILSC Board into Company X.	<ul style="list-style-type: none"> <li>➤ Government</li> <li>➤ Board</li> <li>➤ Minister</li> <li>➤ Indigenous Australians</li> <li>➤ Indigenous Estate</li> </ul>	The ILSC Core drives strategic engagement with Indigenous stakeholders, and provides assurance to Government that the Group is delivering on mandate and meeting legislative requirements.
<b>Company X (includes ILSC Investment Trust Manager)</b>	<p>Company X acts as a broker between the ILSC core, private sector and Indigenous stakeholders by balancing needs and driving equitable outcomes. This involves:</p> <ul style="list-style-type: none"> <li>➤ Undertaking business-focused portfolio planning and driving the creation of value for the Indigenous Estate</li> <li>➤ Managing the portfolio and allocating funds across programs that will deliver Return on Mandate and Return on Investment benefits</li> <li>➤ Matching private sector and Indigenous stakeholders to undertake business development, joint ventures and the pursuit of other opportunities</li> <li>➤ Contract management with a range of sector-specific investment managers in order to deliver outcomes</li> <li>➤ Research and development, focused on identifying opportunities, that feeds back into the knowledge base of the ILSC</li> <li>➤ Leveraging and building the Indigenous knowledge base</li> </ul>	<ul style="list-style-type: none"> <li>➤ Indigenous Estate</li> <li>➤ Indigenous Australians</li> <li>➤ ILSC Core</li> <li>➤ Investment Managers receiving funding</li> </ul>	Company X bridges the gap between Indigenous Australians and the commercial market by balancing interests and facilitating value creation for all parties. It delivers more value through the connection of external capital than could be achieved with Government funding alone. Company X utilises and builds upon the unique Indigenous knowledge base and provides confidence to Indigenous stakeholders when operating in commercial settings. It holds investment talent to assist with the development and identification of opportunities that will deliver financial returns.
<b>Investment Managers (outsourced)</b>	<p>Investment Managers deliver outcomes on behalf of the ILSC Group, including:</p> <ul style="list-style-type: none"> <li>➤ Maximising ROI and ROM outcomes in line with contracted scope and goals</li> <li>➤ Develop strategies to maximise returns and deliver more for clients, including social-impact outcomes</li> <li>➤ Providing a vehicle and structure that attracts third-party investors and additional capital</li> <li>➤ Management of Proven Operators, who deliver outcomes 'on the ground'</li> </ul>	<ul style="list-style-type: none"> <li>➤ Indigenous stakeholders</li> <li>➤ Commercial and Indigenous investors</li> <li>➤ Company X</li> <li>➤ Proven Operators receiving funding</li> </ul>	The Fund Entities are the vehicle that attracts third-party investment into opportunities and projects. They deliver outcomes on behalf of the ILSC Group, in line with contractual obligations.

## Value that the ILSC group contributes to Australia's GDP

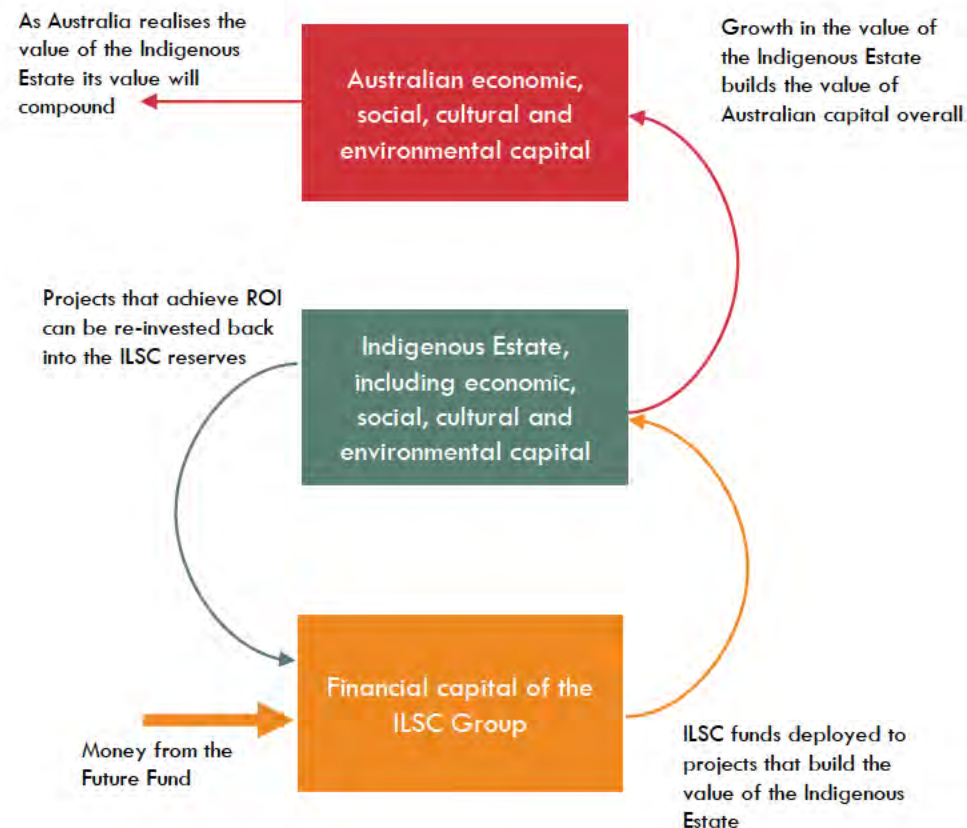
The ILSC Group and its outsourced investment managers contribute to the Australian GDP in differing ways.

### Each layer of the ILSC Group will contribute value in the following ways:

**ILSC Core** will drive the overarching broad strategic direction and set conditions for growth of economic, social, cultural and environmental value for the Indigenous Estate. It also determines the Return on Mandate (ROM) and Return on Investment (ROI) goals for the Group. The ILSC Core is critical in ensuring that money from the Future Fund is accessed and directed into Company X.

**Company X** is responsible for determining the areas of the Indigenous Estate that need to be focused on in order to meet ROM objectives based on the strategic direction and charters provided by the ILSC core. It determines sectors and geographies that hold the most promising opportunities for Indigenous stakeholders and Australia as a whole. Company X balances ROM and ROI objectives across projects, and determines the right mix of activities for the current operating environment. When ROI is achieved, Company X returns it to the ILSC core where it is utilised to fund future ROM and ROI activities.

**Investment Managers** are responsible for the delivery of value to the Indigenous Estate through the delivery of projects and pursuit of opportunities. While the Investment Managers are not part of the ILSC Group, they are governed by contracts specifying scope and targets which are managed by Company X.



# ILSC Group Objectives

The **overarching objective** of the ILSC group is to:

- Unlock and grow the value of the Indigenous Estate through delivering economic and environmental, social and cultural benefits.

**ILSC Core: To provide the structure and governance to achieve the ILSC outcomes for land acquisition and land management.**

## GROWTH



To restructure the **ILSC Group** to better achieve Group outcomes.

We will achieve this by:

- Providing broad investment and acquisition strategy that is guided by strategic outcomes
- Developing the funding strategy and deploying funds to Company X

- Setting charters that unlock capital that the ILSC currently has invested
- Driving and enabling entities to complete their work
- Harnessing the knowledge base of the Indigenous Estate
- Extending opportunities within existing relationships

## STREAMLINING



Deploy more funds directly into projects through the reduction of expenses

We will achieve this by:

- Improving and maintaining a competitive efficiency ratio

- Reducing legal limitations of the business
- Establishing enabling environments for the subsidiaries
- Assessing and measuring if the Board vision is delivered, based on clear KPI outcomes
- Reduction of overhead expenses

## RELATIONSHIPS



Develop a reputation as a trusted partner of clients including Indigenous Australians and Government

We will achieve this by:

- Having a positive net promoter score for relationship management
- Measuring and responding to levels of partner satisfaction

- Developing further relationships with government and strengthening current relationships
- Leveraging expertise and the unique knowledge base

## MEASUREMENT



Demonstrate Indigenous Australians' contribution to Australia as a whole (including social, environment & economic achievements)

We will achieve this by:

- Developing performance metrics required for ROM and ROI
- Developing a methodology to calculate ROM

- Developing a strategy to balance ROI and ROM
- Develop a methodology to demonstrate the value and the contribution to Australia's GDP

**Company X: To be the custodian of the Indigenous Estate and manage the investments of the ILSC to deliver return on mandate and return on investment.**

## DELIVER RETURN ON MANDATE



Broker Indigenous and commercial interests stakeholder framework

We will achieve this by:

- Brokering the relationship between Indigenous and commercial interest, which will lead to the attraction of third-party capital and increased efficiency of capital allocation
- Delivering education that builds the Indigenous capability to partner with the commercial sector
- Leverage and grow the indigenous knowledge base

Develop the social impact investment framework that measures return on mandate

We will achieve this by:

- Developing a framework that delivers the return on mandate specified by the ILSC core, that considers the need for any return on investment opportunities to also deliver mandate benefits

Co-designing and adhering to the ILSC Board reporting framework

We will achieve this by:

- Understanding the reporting requirements of the ILSC Core Board and building a framework to deliver this

## DELIVER RETURN ON INVESTMENT



Develop and agree on a clear framework for the investment process

We will achieve this by:

- Building a framework and focused investment strategy that considers the risk appetite and return expectations of the ILSC Board and the ILSC Core
- Monitoring investment performance across the ILSC Group portfolio
- Diversifying the ILSC Group investment portfolio across geographies and industries
- Increasing financial returns for the ILSC Group
- Develop and deliver the processes to enable the ROI functions

Create the strategy for managing existing investments

We will achieve this by:

- Identifying how existing investments will be managed and transitioned

Develop the contract management framework

We will achieve this by:

- Developing the contract management framework to manage the relationships with investment managers

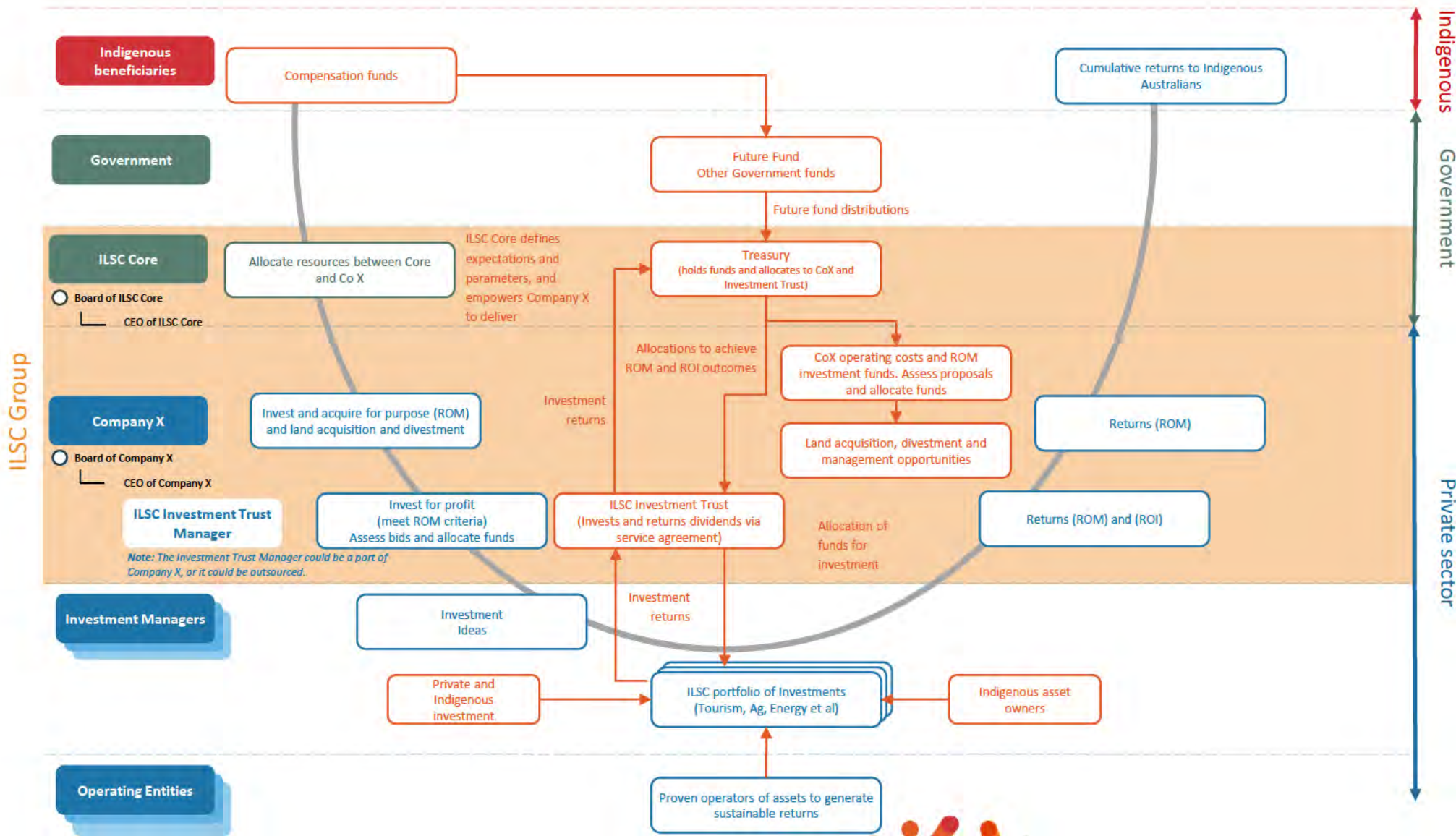
Match capital with quality investments

We will achieve this by:

- Stimulating the Indigenous economy by matching Indigenous organisations with commercial companies to create value for both parties



# ILSC Group flow of funding and assets



## ILSC Group Principles

There are a number of guiding principles that will shape the operation of the ILSC Group, and each of the entities within it.

### Ownership over assets is not required to derive benefit

The ILSC Group's primary goal is to maximise benefits for the Indigenous Estate, and we recognise that this does not require the ILSC to own, control and operate all assets.

This principle flows through all levels of the group, and is demonstrated in several ways:

- ✦ Land being divested immediately after purchase
- ✦ Opportunities beyond the acquisition of land are pursued
- ✦ Indigenous beneficiaries are given a suite of investment opportunities, beyond receiving land-rent, to capitalise on the value of their assets

### There is not duplication between organisations within the Group

The Group maximises efficiencies and effectiveness, and operates within a model that is as lean as possible. There is not duplication in processes or work between entities within the ILSC Group.

Entities within the Group will outsource and empower others to deliver on elements of the mandate when they are better-placed or more capable to do so.

### Benefits for Indigenous parties needs to be delivered

Private sector investment into the Indigenous Estate does not automatically translate into benefit for Indigenous parties.

It is essential that additional capability development is prioritised and monitoring is put in place to ensure that we drive towards self-determination.

### Indigenous capability is utilised throughout the Group

Indigenous capability needs to be fostered throughout the Group and be reflected in structures, systems, and knowledge. The ability for the ILSC Group to develop and deliver a unique selling point to the market will depend on its ability to ensure that Indigenous capability permeates throughout.

Where Indigenous capability does not exist, it needs to complement the other capabilities.

### Balancing Return on Investment and Return on Mandate

While the ILSC's legislative mandate refers to the social, cultural, economic and environmental benefit of Indigenous Australians, the ILSC also strives to achieve greater economic or financial returns from its investments.

The ILSC Group has a responsibility to ensure that all investment activities generate positive returns for the Indigenous Estate, and balance Return on Investment with Return on Mandate.







## ILSC Core

- ✔ Strategic direction
- ✔ Principles
- ✔ Objectives and key results
- ✔ Clients
- ✔ Services
- ✔ Functions and needs



# ILSC CORE: STRATEGIC DIRECTION

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## WHY do we do what we do?

The ILSC Core delivers benefits to the Indigenous Estate by facilitating mandate and providing strategic direction for the delivery of the Return on Mandate. The Core provides the charters that provide assurance to Government and Indigenous Australians that the ILSC Group will deliver outcomes.

## HOW do we do what we do?

### We set the strategic direction for the Group

- > Create the ILSC Group vision
- > Assure funds and outcomes
- > Set strategy for the Group
- > Empower others to deliver benefits
- > Create the policy and charters to align the delivery of strategy

### We provide an investment strategy for delivery on mandate and investment

- > Define the methodology to measure Return on Mandate
- > Set the strategy to balance Return on Mandate and Return on Investment
- > Preserving, protecting, and championing the Indigenous Estate

### We assess the performance of our investments and take action as required

- > Maintain the trust of the Indigenous community
- > Maintain strong relationships with Government
- > Deliver outcomes through partnership
- > Ensure funds are available now and in the future

## WHAT do we do?

### We lead

- > The establishment of repository that will be the Indigenous Estate knowledge base
- > Relationship management and lobbying
- > Drive continuous improvement in performance

### We assure

- > Reporting and assurance to meet Government and Future Fund requirements
- > That Return on Mandate and Return on Investment delivers benefits and grows the Indigenous Estate

## ILSC Core Measures of Success

The primary functions of the ILSC Group is the acquisition and management of land and water assets that deliver return on mandate for Indigenous Australians. The **ILSC Core** will know it has been successful in delivering on this if it has:

### 1. Provided Indigenous Australians with a valuable asset base from which to drive self-determination

- Created a broad investment strategy that delivers on the benefits identified by Indigenous Australians
- Developed the measurement framework for ROM and ensure that it measures the benefits required by Indigenous Australians
- Maintain connections with Indigenous and commercial communities and set the high-level education and capability build strategy that reflects the needs of these stakeholders

### 2. Leveraged and built the unique knowledge base to create value for the Indigenous Estate

- Established and maintaining the unique knowledge base by gathering together current information and tools, and identifying gaps in knowledge that need to be filled.
- Ensure that Indigenous Australians are the ultimate owners of the knowledge base.
- Consider feedback on the unique knowledge base from Company X, and implement changes when required.

### 3. Grown the value of the Indigenous Estate in line with the needs of Indigenous Australians

- Understand the needs of Indigenous Australians through effective consultation practices.
- Co-designed the strategic direction of the ILSC Group, and set national and regional consultations strategies, and undertake national consultation

### 4. Demonstrated that Indigenous Australians are valuable contributors to Australia's growth

- Created the narrative of how return on mandates benefits contribute to Australia's growth
- Communicated with Government and other stakeholders about the investment results achieved and how this is increasing the ability to derive mandate benefits

### 5. Delivered outcomes that have built a track record of success which is attracting further private investment

- Created a broad investment strategy that outlines the balance between ROM and ROI
- Set the risk appetite for the Group
- Establish fit for purpose governance processes that have scope for change and flexibility





### 6. Complied with Government requirements and regulations

- Provided assurance for Government that the Group is meeting PGPA and ATSI Act requirements
- Have set and implemented reporting requirements for Company X so that appropriate information can be gathered



# ILSC Core: objectives and key results

There is an **overarching objective** to provide the structure and governance to better achieve the **ILSC outcomes** for land acquisition and land management.

The objectives that sit under this for the ILSC Core are:		Targets:	Contribution to measurement
 <p><b>GROWTH</b></p>	<p>To restructure the ILSC Group to better achieve Group outcomes by January 2021</p> <p>We will achieve this by:</p> <ul style="list-style-type: none"> <li>» Providing broad investment and acquisition strategy that is guided by strategic outcomes</li> <li>» Developing the funding strategy and deploying funds to Company X</li> <li>» Extending opportunities within existing relationships</li> <li>» Setting charters that unlock capital that the ILSC currently has invested</li> <li>» Driving and enabling entities to complete their work</li> <li>» Harnessing the knowledge base of the Indigenous Estate</li> </ul>	<p>On commencement</p> <ul style="list-style-type: none"> <li>» Have an investment strategy</li> <li>» Have an acquisition strategy</li> <li>» Have a funding strategy and be allocating funds to Company X</li> <li>» Have a risk management framework</li> </ul> <p>After 12 months</p> <ul style="list-style-type: none"> <li>» Refine investment strategy</li> <li>» Refine risk management framework</li> </ul>	<ol style="list-style-type: none"> <li>1. Provide</li> <li>3. Grow</li> <li>4. Demonstrate</li> </ol>
 <p><b>STREAMLINING</b></p>	<p>Deploy more funds directly into projects through the reduction of expenses by January 2022</p> <p>We will achieve this by:</p> <ul style="list-style-type: none"> <li>» Improving and maintaining a competitive efficiency ratio</li> <li>» Assessing and measuring if the Board vision is delivered, based on clear KPI outcomes</li> <li>» Establishing enabling environments for the subsidiaries</li> <li>» Reducing legal limitations of the business</li> <li>» Reduction of overhead expenses</li> </ul>	<p>On commencement</p> <ul style="list-style-type: none"> <li>» Develop framework for measuring Board vision</li> <li>» Define the competitive efficiency ratio</li> <li>» Define KPI outcomes</li> <li>» Establish governance framework</li> </ul> <p>After 12 months</p> <ul style="list-style-type: none"> <li>» Improve the efficiency ratio to X%</li> <li>» Assess and measure if Board vision is delivered</li> <li>» Assess KPI outcomes</li> </ul>	<ol style="list-style-type: none"> <li>1. Provide</li> <li>5. Deliver</li> </ol>
 <p><b>RELATIONSHIPS</b></p>	<p>Develop a reputation as a trusted partner of clients including Indigenous Australians and Government</p> <p>We will achieve this by:</p> <ul style="list-style-type: none"> <li>» Having a positive net promoter score for relationship management</li> <li>» Measuring and respond to levels of partner satisfaction</li> <li>» Developing further relationships with government and strengthening current relationships.</li> <li>» Leveraging expertise and the unique knowledge base</li> </ul>	<p>On commencement</p> <ul style="list-style-type: none"> <li>» Map stakeholders for the ILSC Core</li> <li>» Establish purpose of the unique knowledge base</li> <li>» Baseline existing relationships</li> <li>» Develop a strategy for extension</li> <li>» Develop process to measure NPS and baseline</li> </ul> <p>After 12 months</p> <ul style="list-style-type: none"> <li>» Achieve a NPS score of X</li> <li>» Unique knowledge base established and available for use</li> </ul>	<ol style="list-style-type: none"> <li>2. Leverage</li> <li>3. Grow</li> <li>4. Demonstrate</li> <li>6. Complied</li> </ol>
 <p><b>MEASUREMENT</b></p>	<p>Demonstrate Indigenous Australians' contribution to Australia as whole (including social, environment &amp; economic achievements)</p> <p>We will achieve this by:</p> <ul style="list-style-type: none"> <li>» Developing performance metrics required for ROM and ROI</li> <li>» Developing a methodology to calculate ROM</li> <li>» Developing a strategy to balance ROI and ROM</li> <li>» Developing a methodology to demonstrate the value and the contribution to Australia's GDP</li> </ul>	<p>On commencement</p> <ul style="list-style-type: none"> <li>» Establish ROM methodology</li> <li>» Establish baseline for measurement</li> <li>» Establish performance metrics for ROM and ROI</li> <li>» Establish strategy to balance ROM and ROI</li> </ul> <p>After 12 months</p> <ul style="list-style-type: none"> <li>» Report on ROM and ROI</li> <li>» Create the methodology to demonstrate contribution to GDP</li> </ul>	<ol style="list-style-type: none"> <li>2. Leverage</li> <li>3. Grow</li> <li>4. Demonstrate</li> <li>5. Deliver</li> </ol>

## ILSC Core Principles

There are a number of guiding principles for the ILSC Core.

### **ILSC Board members should not hold a role on the Board of a subsidiary**

The ILSC Board must retain autonomy from and authority of the ILSC Group, including subsidiaries. To achieve this, any real or perceived conflicts should be removed, including the burden on ILSC Directors to represent the ILSC on subsidiaries.

Directorship on ILSC subsidiaries should exist at the pleasure of the ILSC Board. The ILSC Board must have confidence and freedom to make decisions about Directorships without real or perceived conflict. To effectively represent the ILSC's interests on subsidiary Boards will be achieved by increasing the authority, direction and leadership of subsidiaries from the ILSC Board.

### **ILSC subsidiaries do not undertake ILSC functions of acquiring, holding or divesting land or water assets.**

The ILSC is responsible for the delivery of its legislated mandate including acquiring and divesting land and water-based assets. It must do so in line with its statutory obligations but also in line with the ILSC Board's strategy. ILSC subsidiaries do not own land and water interests or any associated assets, nor do ILSC subsidiaries have a role in the divestment of assets.

The ILSC must be able to undertake these functions without a real or perceived conflict of interest. Subsidiaries with a vested interest are therefore not best placed to carryout these activities (for example: divesting a property which it manages).

Separation of these functions is critical to:

- Protecting the interests and reputation of the ILSC
- Freeing the ILSC to make unbiased decisions about its assets and the delivery of its core mandate.

### **Maintain clear delineation between managing and operating assets**

While subsidiaries do not undertake or impede the ILSC's core mandate, they are well placed to manage ILSC land and water assets, for the Indigenous Estate. Subsidiaries are uniquely placed to make informed and independent decisions about the best management of ILSC owned assets to maximise Return on Investment and Return on Mandate.

### **Proven operators are not wholly-owned subsidiaries of the ILSC**

Independent and proven operators are best placed to bring the industry's expertise and successful operational models to Indigenous owned and managed assets.

The ILSC does not have the resources or expertise necessary to establish the scale required to aspire to being expert and proven operators. To attempt to do so would result in a significant drain on its resources, and diversion from core mandate.

The ILSC should not establish or own proven operating entities, but rather draw on those already in place, with proven economic success and attract those to operating Indigenous lands.



## ILSC Core Clients

There are a number of clients that rely on the ILSC Core for services and that will utilise its functions.

### Indigenous Australians

The role of the ILSC Core is to assure and facilitate activities to ensure the ATSI Act is followed, that the other layers deliver on their purpose, and that benefits are delivered for all Indigenous Australians including those that are urban, regional, remote, and traditional. This includes engaging and liaising with various Indigenous peak bodies.

#### They need:

- ❖ Social and economic prosperity, and the opportunity for self-determination
- ❖ Procurement of delivery for projects with cultural, social, environmental and economic benefit
- ❖ National Indigenous Land Strategy (NILS) consultation and ongoing engagement
- ❖ Confidence that compensation funds are being held and managed appropriately
- ❖ Relationship management across communities and segments of people to drive equitable benefit distribution

### ILSC Board

The Board has statutory obligations that need to be discharged and then reported to the Minister. The ILSC Core acts as a delivery arm for the Board.

#### They need:

- ❖ Financial and government reporting
- ❖ Relationship management and clear communications
- ❖ Delivery of strategic direction to the group

### Minister for Indigenous Australians

The Minister for Indigenous Australians sits within the Prime Minister and Cabinet portfolio. The Minister has responsibilities for Indigenous Affairs.

#### The Minister needs:

- ❖ Clear communication around strategy and vision to maintain a close and trusted relationship
- ❖ Compliance reporting to meet statutory requirements
- ❖ Delivery of projects with cultural, social, environmental and economic benefit
- ❖ Support and representation at Senate Estimates, and confidence that decisions, spending and programs are defensible

### Minister for Finance

As the owners of the PGPA Act and the Future Fund, the Department of Finance and the Finance Minister require compliance activities.

#### They need:

- ❖ Portfolio Budget Statements (PBS) reporting
- ❖ Assurance and reporting around Public Governance Performance and Accountability (PGPA) Act compliance



## Services of the ILSC Core

The ILSC Core will deliver a number of key services:


 Strategy development	 Governance, assurance & integrity	 Treasury service	 Stakeholder engagement
<p><b>What does it deliver?</b></p> <ul style="list-style-type: none"> <li>➤ Enacting the strategic direction of the Board through setting high-level strategic direction for the Group</li> <li>➤ Ensuring that the line of sight is created through the ILSC Group</li> <li>➤ Assessment of achievement of strategic objectives</li> <li>➤ Specify for the group where it is to operate in a commercial sense but not how to operate</li> <li>➤ Developing the repository and enabling others to leverage the Indigenous Estate's knowledge base to increase Indigenous benefits</li> </ul>	<p><b>What does it deliver?</b></p> <ul style="list-style-type: none"> <li>➤ Reporting required to meet legislative requirements</li> <li>➤ Development of a Return on Mandate measurement framework</li> <li>➤ Reporting to Government on the Return on Mandate and Investment</li> <li>➤ Participation and representation at Senate Estimates</li> <li>➤ Assuring the utilisation and further development of the knowledge base of the Indigenous Estate</li> <li>➤ Developing and undertaking risk assessments across the Group</li> </ul>	<p><b>What does it deliver?</b></p> <ul style="list-style-type: none"> <li>➤ Funding and grants through Company X for distribution both within the Group and to outsourced providers</li> <li>➤ Receipt of money from the Commonwealth and the tracking of it's distribution including the funding streams for non-commercial investments</li> <li>➤ Specifying the balance of investment into ROM and ROI outcomes</li> <li>➤ Receipt of investment returns from Company X</li> </ul>	<p><b>What does it deliver?</b></p> <ul style="list-style-type: none"> <li>➤ Engagement with Indigenous Australians across the various urban, regional, remote, and Indigenous Groups and geographic regions</li> <li>➤ Engagement with Indigenous Peak Bodies and other groups</li> <li>➤ Engagement with Government through the Minister for Indigenous Affairs, Department of Finance and the Minister of Finance</li> <li>➤ Engagement with Company X</li> </ul>



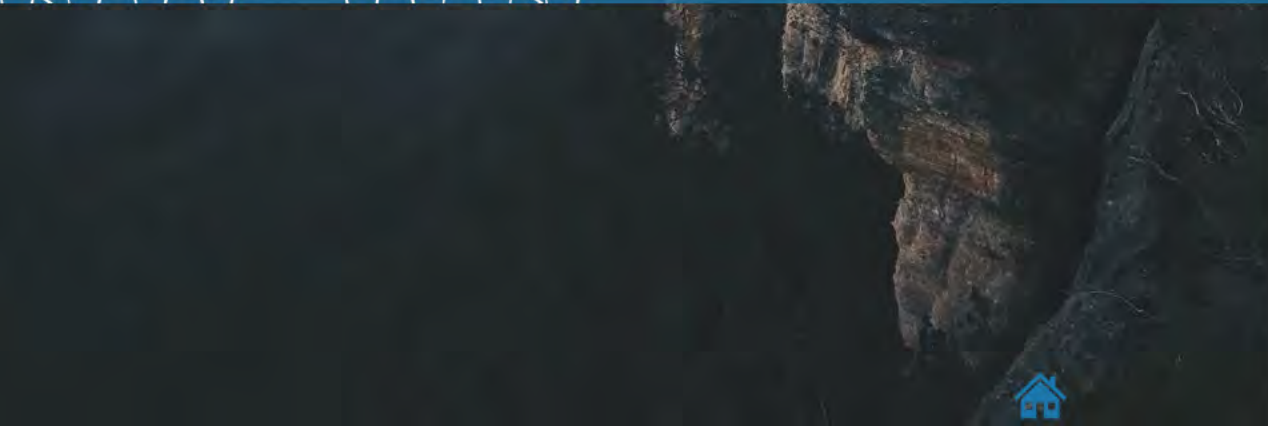
## The ILSC Core functions and their needs

There are four key functions that will remain in the ILSC Core, the below describes what is required to perform these functions.

ILSC Core function	What ILSC Core needs from others
<p><b>Set ILSC Group strategy</b> Determine the overarching strategic direction, values, and culture for the Group.</p>	<ul style="list-style-type: none"> <li>➤ Stakeholder relationships and engagement with Indigenous beneficiaries, influential groups and peak bodies, Government, and program suppliers</li> <li>➤ A strong relationship with the Board and a clearly communicated mandate, which requires consistent communication across the Group</li> <li>➤ Strong relationships with internal stakeholders, supported by two-way communications, accountability, and alignment</li> <li>➤ Access to tailored legal advice regarding the PGPA Act and governance</li> </ul>
<p><b>Resource allocation</b> Perform a high-level Treasury function to transfer funds to Company X.</p>	<ul style="list-style-type: none"> <li>➤ Governance relationships that foster accountability and alignment</li> <li>➤ Compliance with reporting frameworks that provide clear reporting lines and data access to inform decision making</li> <li>➤ Execution of strategy that takes into account the risk appetite of the ILSC Group and delivers on Return on Mandate and Return on Investment targets</li> <li>➤ Portfolio-level financial advice that creates clear lines of sight between ILSC Core and where money is spent</li> </ul>
<p><b>Assurance</b> Ensure performance of the Group and provide confidence to stakeholders.</p>	<ul style="list-style-type: none"> <li>➤ Compliance with Return on Mandate measurement methodology and KPIs</li> <li>➤ Data to feed into the compliance framework</li> <li>➤ Information flows to inform the outcomes of the KPI framework, the risk framework, and the compliance framework</li> <li>➤ Reporting of return on mandate and investment outcomes</li> </ul>
<p><b>Policy setting</b> Set overarching policy, risk appetite for the Group, and charters</p>	<ul style="list-style-type: none"> <li>➤ Guidance from the Board about levels of risk appetite and appropriate risk strategies</li> <li>➤ Risk frameworks that have been developed in consultation with the private sector and reflect how much risk commercial entities are willing to bear</li> <li>➤ Feedback and information from the Group to feed into policy setting</li> <li>➤ Legal advice to ensure that the Group delivers on mandate within the framework set by the ATSI Act and PGPA Act</li> </ul>

 **Note:** There is also a fundamental need for the ILSC Group as a whole to develop strong relationships with Indigenous Australians so they can provide input into decision making. A societal shift towards self-determination for Indigenous people is also needed, which will be supported by the work of the ILSC Group.





## Company X

- ❏ Strategic direction
- ❏ Objectives and key results
- ❏ Company X's Clients
- ❏ Services
- ❏ Functions and needs



# Company X: Strategic direction

## WHY do we do what we do?

Company X is a partner of choice because it develops the capability of both Indigenous Groups and the private sector to create opportunities to grow the Indigenous Estate. It makes decisions that facilitate and always provide Return on Mandate whilst optimising investment returns which maximises enduring value by taking a whole portfolio view providing returns across social, cultural, environmental and economic benefits.

## HOW do we do what we do?

### We build on our strengths

- > Act as a broker between the private sector and Indigenous Groups
- > Inject a commercial focus to the ILSC Group
- > Connect additional private investment for social impact investing therefore increasing the ability to provide Return on Mandate
- > Leverage and build upon the unique knowledge base

### We cultivate relationships and develop capability

- > Provide the connection between Indigenous Groups and private investment
- > Build and optimise relationships between the commercial sector and the Indigenous Estate
- > Balance goals of stakeholders to achieve equitable outcomes
- > Empower Indigenous stakeholders to operate in the commercial sector

### We drive delivery of mandate and investment across the portfolio

- > Manage and deploy funds to investment managers and land owners who are best placed to deliver on ROM and ROI
- > Across the portfolio apply Return on Mandate measurement set by the ILSC Core
- > Enable investment managers to maximise Return on Investment whilst continuing to deliver Return on Mandate

## WHAT do we do?

### We develop trusted relationships

- > Deliver benefits through relationships, networks and partnerships with engagement and communication
- > Provide trusted advice and expertise
- > Build the expertise and experience of Indigenous and commercial partners

### We connect vision with investment managers

- > Manage and disseminate the knowledge base of the Indigenous Estate to those who are best placed to deliver on mandate
- > Adhere to ILSC core charter using governance frameworks for risk management, compliance and aggregated reporting

### We build wealth and create benefits

- > Undertake whole of ILSC portfolio management through appropriate allocations to investment managers
- > Build capacity in the Indigenous Estate to become investment ready and enable the creation of benefits and wealth

## Company X Measures of Success

The primary functions of the ILSC Group is the acquisition and management of land and water assets that deliver return on mandate for Indigenous Australians. **Company X** will know it has been successful in delivering on this if it has:

### 1. Provided Indigenous Australians with a valuable asset base from which to drive self-determination

- Implemented the focused investment strategy and provided an evidence base to support it through consultation and research with stakeholders
- Engaging with investment managers and continuously seeking feedback a
- Undertake business development to identify opportunities that will lead to ROM and enable self determination

### 2. Leveraged and built the unique knowledge base to create value for the Indigenous Estate

- Leveraged the unique knowledge base
- Managed information inputs into and usage of the unique knowledge base for investment managers
- Have undertaken consultation about the unique knowledge base and delivered feedback to ILSC Core

### 3. Grown the value of the Indigenous Estate in line with the needs of Indigenous Australians

- Have conducted localised consultation to gain feedback from diverse groups
- Created opportunities in sectors and geographies that resonate with Indigenous people, and connected Indigenous businesses with investment managers
- Realising mandate benefits and delivering these for Indigenous Australiana enabling them to grow wealth, and realising investment benefits that will increase the ability to deliver return on mandate

### 4. Demonstrated that Indigenous Australians are valuable contributors to Australia's growth

- Undertaken consultation with Indigenous and commercial stakeholders to understand their needs and implement measurement processes that reflect the needs of stakeholders
- Have measured and communicated the value that the ILSC Group has contributed to Australia's growth

### 5. Delivered outcomes that have built a track record of success which is attracting further private investment



- Undertook measurement of ROM and ROI activities and communicated with external stakeholders about ROM and ROI performance
- Secure and maintain a positive reputation
- Demonstrated the increasing number of Indigenous communities bringing opportunities to Company X and proactive approaches from investment managers who want to work with the ILSC Group

### 6. Complied with Government requirements and regulations

- Complied with all ILSC Core and Government requirements
- Reported in accordance with ILSC Core frameworks
- Managed the contracts of investment managers in line with Government requirements

# Company X: objectives and key results

There **overarching objective** of the Company X is to be the custodian of the Indigenous Estate and manage the investments of the ILSC to deliver Return on Mandate and Return on Investment.

The objectives that sit under these for Company X are:		Targets:	Contribution to measurement
<p><b>DELIVER RETURN ON MANDATE</b></p> 	<p>Broker Indigenous and commercial interests stakeholder framework</p> <p><b>We will achieve this by:</b></p> <ul style="list-style-type: none"> <li>▸ <i>Brokering the relationship between Indigenous and commercial interest, which will lead to the attraction of third-party capital and increased efficiency of capital allocation</i></li> <li>▸ <i>Delivering education that builds the Indigenous capability to partner with the commercial sector</i></li> <li>▸ <i>Leverage and grow the indigenous knowledge base</i></li> </ul> <p>Develop the social impact investment framework that measures return on mandate</p> <p><b>We will achieve this by:</b></p> <ul style="list-style-type: none"> <li>▸ <i>Developing a framework that delivers the return on mandate specified by the ILSC core, that considers the need for any return on investment opportunities to also deliver mandate benefits</i></li> </ul> <p>Co-designing and adhering to the ILSC Board reporting framework</p> <p><b>We will achieve this by:</b></p> <ul style="list-style-type: none"> <li>▸ <i>Building and adhering framework that delivers the reporting requirements of the ILSC Core Board</i></li> </ul>	<p><i>On commencement</i></p> <ul style="list-style-type: none"> <li>▸ <i>Develop social impact investment framework</i></li> <li>▸ <i>Develop Board reporting framework</i></li> <li>▸ <i>Develop Indigenous and commercial stakeholder framework</i></li> </ul> <p><i>After 12 months</i></p> <ul style="list-style-type: none"> <li>▸ <i>Demonstrate that capital and investment has been matched</i></li> <li>▸ <i>Report based on Board reporting framework</i></li> <li>▸ <i>Measure and report on ROM</i></li> </ul>	<ol style="list-style-type: none"> <li>1. Provide</li> <li>2. Leverage</li> <li>3. Grow</li> <li>4. Demonstrate</li> <li>6. Comply</li> </ol>
<p><b>DELIVER RETURN IN INVESTMENT</b></p> 	<p>Develop and agree on a clear framework for the investment process</p> <p><b>We will achieve this by:</b></p> <ul style="list-style-type: none"> <li>▸ <i>Building a framework and focused investment strategy that considers the risk appetite and return on investment expectations of the ILSC Board and the ILSC Core</i></li> <li>▸ <i>Monitoring investment performance across the ILSC Group portfolio</i></li> <li>▸ <i>Diversifying the ILSC Group investment portfolio across geographies and industries</i></li> <li>▸ <i>Increasing financial returns for the ILSC Group</i></li> <li>▸ <i>Develop and deliver the processes to enable the ROI functions</i></li> </ul> <p>Create the strategy for managing existing investments</p> <p><b>We will achieve this by:</b></p> <ul style="list-style-type: none"> <li>▸ <i>Identifying how existing investments will be managed and transitioned</i></li> </ul> <p>Develop the contract management framework</p> <p><b>We will achieve this by:</b></p> <ul style="list-style-type: none"> <li>▸ <i>Developing the contract management framework to manage the relationships with investment managers</i></li> </ul> <p>Match capital with quality investments</p> <p><b>We will achieve this by:</b></p> <ul style="list-style-type: none"> <li>▸ <i>Stimulating the Indigenous economy by matching Indigenous organisations with commercial companies to create value for both parties</i></li> </ul>	<p><i>On commencement</i></p> <ul style="list-style-type: none"> <li>▸ <i>Establish framework for investment</i></li> <li>▸ <i>Create investment transition strategy</i></li> <li>▸ <i>Establish contract management framework</i></li> </ul> <p><i>After 12 months</i></p> <ul style="list-style-type: none"> <li>▸ <i>Increase financial returns for the ILSC Group to \$X</i></li> <li>▸ <i>Execute investment transition strategy</i></li> <li>▸ <i>Match X# of Indigenous organisations with commercial companies</i></li> <li>▸ <i>Achieve X% ROI across investments</i></li> <li>▸ <i>Increase the amount of funds available for ROM investment by X%</i></li> </ul>	<ol style="list-style-type: none"> <li>1. Provide</li> <li>3. Grow</li> <li>4. Demonstrate</li> <li>5. Deliver</li> </ol>



## Company X Principles

There are a number of guiding principles that will shape the operation of Company X.

### Return on Investment enables greater Return on Mandate

Pursuing mandate activities which yield a greater economic return, financial benefit for the ILSC itself (to be re-invested), and which build the value (being the productivity and profitability) of the Indigenous Estate facilitates:

- Setting up future Indigenous owners with an asset yielding economic returns
- Enable the ILSC to receive a financial return on its investment so as to re-invest in other mandate activities

Ultimately, this Return on Investment facilitates greater Return on Mandate.

### Company X be empowered to deliver within the ILSC's remit

There will be no law change to facilitate the creation of Company X, meaning that all activities undertaken by Company X need to fall within the legislated remit of the ILSC.

However, as a separate entity Company X will be empowered in decision making. While appropriate controls will be in place, Company X will be empowered to make decisions and achieve goals.

### Land assets are acquired to be divested immediately

The ILSC reason for existence is to return land and water-related assets to the Indigenous Estate. Fundamental to this is the granting of assets for the ownership, control, enjoyment and benefit of Indigenous people (through a corporation).

The shorter the period an asset is held by the ILSC, the less landholding costs incurred and which can be diverted to acquisition and management investments.

This means that the priority should be to acquire assets which can be divested at the time of acquisition.

### Assets are acquired which can reasonably be expected to deliver a Return on Investment at acquisition

We must acquire assets that have economic, cultural, social and environmental benefit. Our ability to divest assets immediately after acquisition relies on the readiness of the property (condition, fit for use, ability to generate income) and the readiness of the group (governance and financial security).

As such, the divestment criteria must be front and centre in the due diligence of acquiring properties. Our priority should be to acquire assets that are investment-ready and income generating. At a minimum the ILSC Group should be prepared to pay a rent equivalent.



## Company X's Clients

There are a number of clients that rely on the Company X functions and the services they deliver.

### Indigenous Clients

The success of Company X will be determined by its ability to positively impact on the Indigenous Estate. Connecting and brokering relationships between those in the Indigenous Estate with the expertise and knowledge and those wishing to invest will be key to Company X delivering its unique value proposition to the market.

They need:

- Opportunities to engage with investors, with the confidence and trust that their interests will be protected
- Brokerage, facilitation, and relationship management between themselves and the commercial world
- Investment expertise and investor relations to connect opportunities with capital, including translation and education about the investment world
- Support for self-determination, including the development of skills to make opportunities investment-ready and become informed participants in the investment
- Maximised and sustained growth across all of the benefits for the Indigenous Estate
- Land acquisition and divestment

### Investment Managers

Investment Managers will be delivering outcomes on behalf of Company X and the Group as a whole, and require specific inputs from Company X.

They need:

- Relationship management and ongoing guidance
- Funding models and frameworks to report within



Will Company X offer 'traditional shared services'? If so, who would the clients of the shared services function be? What are their needs?



Who are the current shared services clients? How will they transition to future state?



### Co-Participants and Investors

These stakeholders could be investment companies, not-for-profits or private investors who are looking to explore opportunities in the Indigenous Estate.

They need:

- End-to-end management of their investments
- Opportunities to collaborate with other parties in order to enhance the Indigenous Estate and deliver commercial returns
- Assessment processes around potential opportunities that provides a pool of scoped opportunities
- Advice and representation when exploring opportunities
- Brokerage, facilitation, and relationship management between themselves and Indigenous parties

### ILSC Core

ILSC Core relies on Company X for the delivery of mandate, meaning that they are an essential up-stream client for Company X.

They need:

- A structure of investments that are diversified across sectors and geographies
- Portfolio management
- Execution of governance, assurance, and risk management processes
- Alignment of ILSC Core vision with the vision of investors so that the ILSC Group vision and objectives can be executed
- Adherence to ethical standards
- Intelligence about what is happening in the commercial world and the development of intellectual property
- Relevant reporting so that Core can meet statutory requirements and remain compliant with the PGPA Act and the ATSI Act



## Services of Company X

### Company X will deliver a number of key services:

 Indigenous relationship & capability development	 Opportunity development and capability matching	 Portfolio management	 Finance function
<p>What does it deliver?</p> <ul style="list-style-type: none"> <li>➤ Relationship development, management and maintenance between Indigenous parties and investors, facilitated by two-way communication between all players</li> <li>➤ Advisory services for commercial stakeholders about how to work in the Indigenous space, including how to deliver economic, social, cultural and environmental outcomes alongside financial returns and how to work with Indigenous organisations</li> <li>➤ Active representation for investors and protection of the interests of key Indigenous stakeholders</li> <li>➤ Support Indigenous stakeholders in achieving self-determination, including aligning expectations between them and the commercial world</li> <li>➤ Utilisation of the knowledge base of the Indigenous Estate</li> </ul>	<p>What does it deliver?</p> <ul style="list-style-type: none"> <li>➤ Matching of skills, experiences, and expertise around opportunities</li> <li>➤ Enabling access to high quality investment opportunities that deliver social, cultural and environmental and economic benefits</li> <li>➤ Broker opportunities with appropriate risk levels, and active risk management</li> <li>➤ Services and support for Indigenous businesses to become partnership and investment ready</li> <li>➤ Identification of a suite of opportunities at different levels of maturity (from incubator to investment ready) that are in line with the ILSC Group strategy</li> <li>➤ Strategic and tactical research and development for the Indigenous Estate and IP development</li> <li>➤ Business development to provide a pool of scoped opportunities</li> <li>➤ Deliver land management grants, and land acquisition and development</li> </ul>	<p>What does it deliver?</p> <ul style="list-style-type: none"> <li>➤ A focused investment strategy that aligns with the broad ILSC core investment strategy, charters and targets</li> <li>➤ Holistic plans to deliver financial returns to the ILSC Group whilst continuing to deliver Return on Mandate</li> <li>➤ Plan the suite of opportunities that should be pursued to achieve balance and diversification across sectors and geographies</li> <li>➤ Assurance that investment decisions are delivering on mandate</li> <li>➤ Ability to leverage intellectual property (IP) for better decision making</li> <li>➤ Enhanced return on investment</li> </ul>	<p>What does it deliver?</p> <ul style="list-style-type: none"> <li>➤ Assurance that funds are being managed and allocated appropriately, in line with ILSC Core direction</li> <li>➤ Reporting and compliance frameworks</li> <li>➤ Development of overarching strategy to guide the direction of funds with the investment managers, in line with ILSC Group direction</li> <li>➤ Expectation management and communication with stakeholder groups around fund allocation and portfolio investment decisions</li> <li>➤ Pooling of returns from investment managers and providing these to the ILSC core</li> </ul>

## Company X functions and their needs

There are four key functions that Company X will provide, the below describes what it required from others to perform these functions.

Company X function	What Company X needs from others
<p><b>Indigenous relationship &amp; capability development</b> Company X will act as a bridge between the Indigenous business and commercial worlds</p>	<ul style="list-style-type: none"> <li>➤ Relationships and connection with Indigenous clients from ILSC Core, so that engagement and expertise to feed in at every level of decision making and across investment types</li> <li>➤ Third-parties who can deliver appropriate training to Indigenous clients and private sector entities, managed through contracts</li> </ul>
<p><b>Opportunity development and capability matching</b> While Company X will develop opportunities to pursue, they will need partners to deliver them</p>	<ul style="list-style-type: none"> <li>➤ Relationships with asset owners who will determine how to manage their assets</li> <li>➤ Relationships with parties who can deliver on opportunities for the benefit of the Indigenous Estate, and who are open to working with each other to achieve their respective goals</li> <li>➤ Legal advice around the activities that Company X can and cannot undertake, given that functions need to be anchored in legislation that guides the Core</li> </ul>
<p><b>ILSC Group portfolio management</b> Follow guidelines set by ILSC Core around ROM and ROI, and determine the best opportunities to invest in</p>	<ul style="list-style-type: none"> <li>➤ Clear direction on policy and strategy from ILSC Core, and government intelligence to guide decision making and provide assurance that the Group is meeting statutory requirements</li> <li>➤ Clear and defined charters from the core which enables Company X to deliver on mandate and operate, including clear governance, lines of authority, and expectations</li> <li>➤ Skills and capabilities from Indigenous stakeholders at every level of decision making</li> <li>➤ Charters with clear parameters, responsibilities, objectives, return (Return on Mandate and Return on Investment expectations, and risk tolerance levels</li> <li>➤ Appropriate funds from ILSC Core and assurance that funding will remain consistent</li> </ul>
<p><b>Finance function</b> Allocate funds according to strategies and providing financial returns to the ILSC Core</p>	<ul style="list-style-type: none"> <li>➤ Funds from ILSC Core with clear expectations around performance and returns (both Return on Mandate and Return on Investment)</li> <li>➤ Systems to support financial management, including an investment platform and risk management systems</li> <li>➤ Legal advice around the functions that are legislated, given that Company X will need to act in accordance with the ILSC Group's mandate</li> <li>➤ Sector specific investment management will be outsourced, meaning Company X will require investment managers that will deliver expected returns and manage assets appropriately.</li> </ul>





## Detailed Design Principles

- Detailed design principles for ILSC Core
- Detailed design principles for Company X



## ILSC Core principles for further design

A number of implications and considerations for the detailed design of the ILSC have been identified and captured here.

### ILSC Core Workforce and skills requirements



The executive roles that sit within the ILSC Core are Group CEO, Group CFO, Senior Policy Advisors, Group General Council, Senior Manager of Governance, Risk Compliance, Senior Manager Government Compliance Reporting. These roles will be required to have a strong connection and relationship skills with Government. Governance and Board structures

- The ILSC Core Board will need to have strong skills and expertise around Government.
- The ILSC Core and Company X Board will need to have independent members, with different skillsets
- Secretariat skills are required at both the ILSC core and Company X layers to support the Boards

#### Financial skills

- High-level budget allocation for the treasury function
- Internal auditing

#### Managerial skills

- Issue management and group crisis management
- Performance measurement and evaluation
- Risk management

#### Strategy development requirements:

- Indigenous relationship management across Indigenous peak bodies, government organisations, beneficiaries in order to inform strategy
- Strategic thinking and strategy development

#### Legal expertise:

- Managing legal risk
- Compliance reporting and corporate governance
- Strategic legal advice

#### Government relationships:





- Experience with bureaucracy and statutory understanding
- Ability to bring government and commercial entities together and facilitate relationships
- Commercial expertise

#### Indigenous Knowledge base

- Skills to manage the unique knowledge base

Change Management strategies need to be created that specify the shift for the organisation and then implemented to ensure a smooth transition to the new model

## ILSC Core principles for further design continued

	<p>A number of implications and considerations for the detailed design of the ILSC have been identified and captured here.</p>
<p><b>Other</b></p> 	<p><b>Other important considerations that need to be addressed:</b></p> <ul style="list-style-type: none"> <li>➤ The Board's views on the implementation process will determine how we proceed with the change process. We need to work through what the best implementation strategy is</li> <li>➤ The success of this design will depend on how well we align the core statutory/assurance function with a commercial/private sector view</li> </ul> <p><b>There are reputational risks associated with change that need to be considered:</b></p> <ul style="list-style-type: none"> <li>➤ There are reputational risks associated with each option for change (a gradual change or an immediate change)</li> <li>➤ The current political and social environment needs to be considered. We need to understand when an appropriate time for communication and change will be</li> </ul>
<p><b>Finance</b></p> 	<p><b>The revenue flow for the group will be:</b></p> <ul style="list-style-type: none"> <li>➤ The Government provides funding to the ILSC core</li> <li>➤ The treasury function within the ILSC Core determines the allocations of these funds to Company X</li> <li>➤ There will be revenue streams that flow from operations back into the ILSC core which can be reinvested and could be used to fund social, cultural and environmental benefits</li> <li>➤ Private investment is occurring at the investment managers level</li> </ul> <p><b>The land asset flow for the group will be:</b></p> <ul style="list-style-type: none"> <li>➤ The identification of land to acquire can be done either internally or through approaches from external. This could occur through business development or acquisition requests from enabling entities approaching Company X who would purchase the land</li> <li>➤ All land is divested as a straight through transaction</li> <li>➤ Opportunities can be presented to Indigenous Groups prior to the divestment of land</li> <li>➤ Land use agreement is between the fund and the owner. The Indigenous group would agree on how their land was to be used</li> </ul>
<p><b>Governance</b></p> 	<p><b>Effective governance structures will be critical to the effective operations and continuing of Return on Mandate for the ILSC group. The following needs to be considered:</b></p> <ul style="list-style-type: none"> <li>➤ How will reporting function between the different layers of the group</li> <li>➤ What relationships need to be maintained</li> <li>➤ A board and a CEO at both the ILSC core and Company X is required. One with strong abilities to work with Government and the other with strong commercial background and abilities</li> </ul>



Where does the prioritisation of Indigenous culture sit?

# Company X principles for further design

A number of implications and considerations for the detailed design of the Company X have been identified and captured here.

## Workforce and Skills



The executive roles that sit within the Company X are the CEO, ILSC Investment Trust Manager, General Managers, CFO, Chief Risk Officer, Business Development Manager, Chief Investment Manager and a Senior Legal Advisor of Company X. These will need to have strong commercial and entrepreneurial experience, alongside strong Indigenous relationship management capabilities.

We need to maintain the principle of building a lean organisation. A single person can hold multiple skills, so while Company X requires a large number of new skills and capabilities, there is no need to build an organisation that is reliant on bureaucratic processes between functions

Indigenous relationship management and capability development

- › Education and capability development to get Indigenous partners investor ready will be needed, but does not have to be run internally to Company X. This will mainly require expertise to manage contracted third-parties to deliver
- › Transactional assurance and risk, based on a tight charter
- › Education for commercial entities looking to do business with an Indigenous partner
- › R&D and IP development to develop best-practice standards, share information across portfolios, and build the ILSC Group's unique knowledge base
- › Relationship management with the Core will be essential to unlock relationships with Indigenous stakeholders

Investment and business analysis skills

- › Analytical skills and due diligence to assess opportunities
- › Investor relations
- › Investment operations management
- › Entrepreneurial skill to identify opportunities with Return on Mandate and Return on Investment potential
- › Experience and an understanding of how to invest to ensure Return on Mandate
- › Business development and marketing

Financial and compliance skills

- › Financial and legal regulatory compliance
- › Risk management
- › Fund management
- › Contract management

Land acquisition skills

Need to ensure that we understand what potential investors are seeking

## Legislative & Legal



All activities undertaken by Company X need to be anchored in the functions of the ILSC Group

- › Legal advice is needed around Company X's powers and authority, and any assurance structures that need to be put in place

For taxation purposes, land will be acquired by the ILSC Core

We need to determine the Board's appetite for governance, and seek their input into governance structures.

- › Challenges can be overcome with clear and strong governance, and a disciplined relationship between ILSC Core, Company X and the investment managers that is supported by assurance, compliance and performance expectations

In terms of governance, Company X needs to be able to operate separately from the ILSC core in order to achieve goals, while also balancing the ILSC Core's needs to own mandate. We need to determine what structures will be best to achieve this balance.

## Operating Platforms



Requirements for the type and size of systems will depend on the size of Company X. Systems that need to be put in place include:

- › Investment platform
- › CRM software
- › Geographic information systems and spatial systems
- › Finance systems
- › HR systems
- › Risk management systems
- › Productivity and analysis platforms
- › Access to external datasets to build and maintain the knowledge base of the Indigenous Estate



# Organisational Structure



- ILSC Core organisational structure
- Company X organisational structure



# Process Classification Framework

The American Productivity & Quality Centre (APQC) developed the Cross-Industry Process Classification framework which is a taxonomy of cross-functional business processes. This allows for benchmarking and process improvement and supports organisation design. Whilst there are 13-enterprise-level categories of processes in the framework, only 12 are relevant to ILSC as the organisation doesn't sell any physical products.

The 12 categories are listed below and colour coded into three categories:

- **Sustain and Grow the Organisation**
- **Deliver Services to Customers**
- **Supporting the organisation**

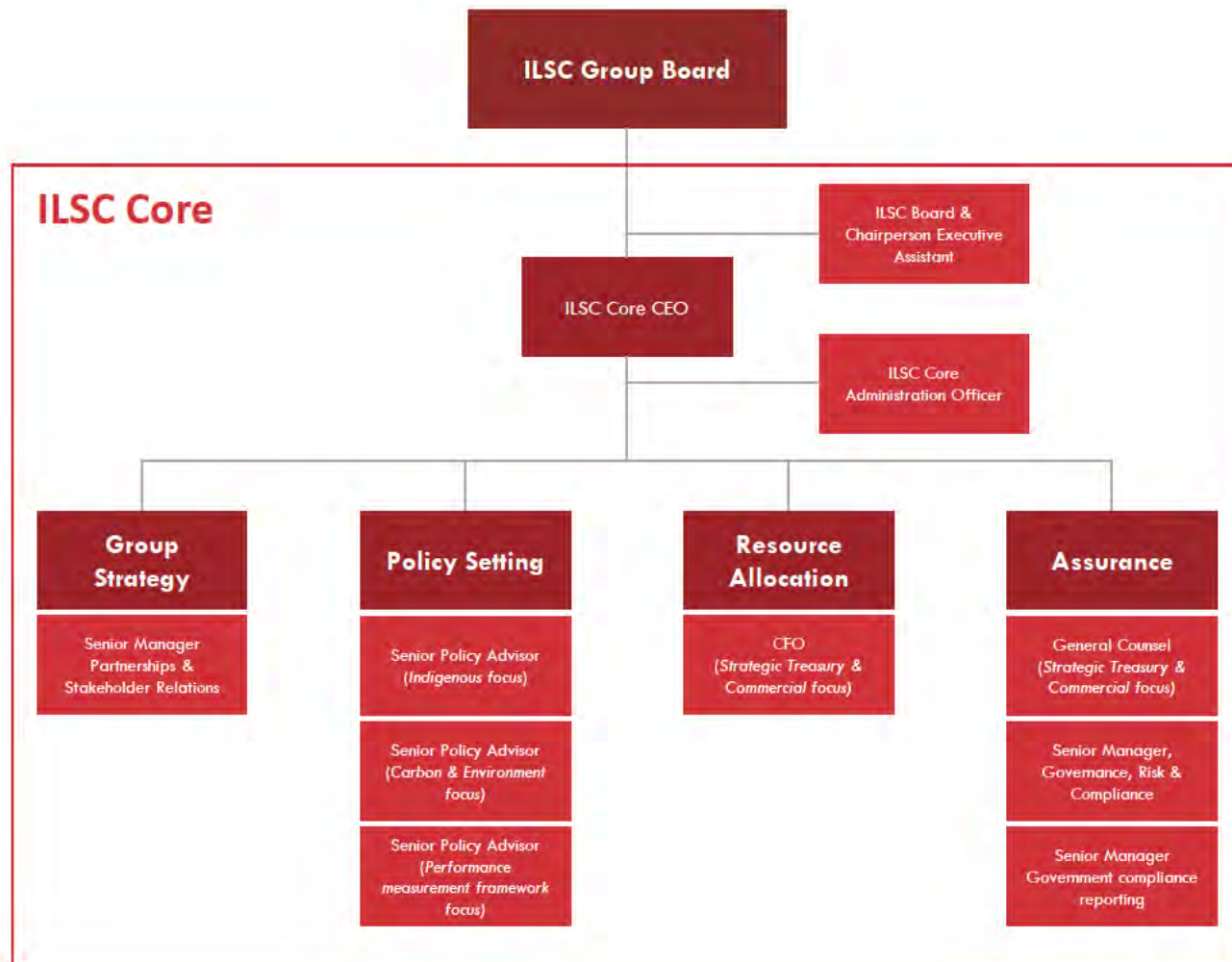
The future functions identified in the BluePrint for the ILSC Core fit into the categories ticked below.

Functional category	Process Classification	ILSC Core	Company X (ROM-Focused Division)	Company X (Investment Trust Manager)
Sustain and Grow the Organisation	Develop Vision and Strategy	✓		
	Develop and Manage Products and Services		✓	✓
	Market and Sell Products and Services		✓	✓
Deliver Services to Customers	Deliver Services		✓	✓
	Manage Customer Service		✓	✓
Supporting the organisation	Develop and Manage Human Capital		✓	
	Manage Information Technology (IT)		✓	
	Manage Financial Resources	✓	✓	✓
	Acquire, Construct and Manage Assets		✓	✓
	Manage Enterprise Risk, Compliance, Remediation, and Resiliency	✓	✓	✓
Sustain and Grow the Organisation	Manage External Relationships	✓	✓	✓
	Develop and Manage Business Capabilities		✓	

<sup>1</sup>APQC (American Productivity & Quality Center) (2016) *Process Classification Framework*. Houston, Texas. APQC.

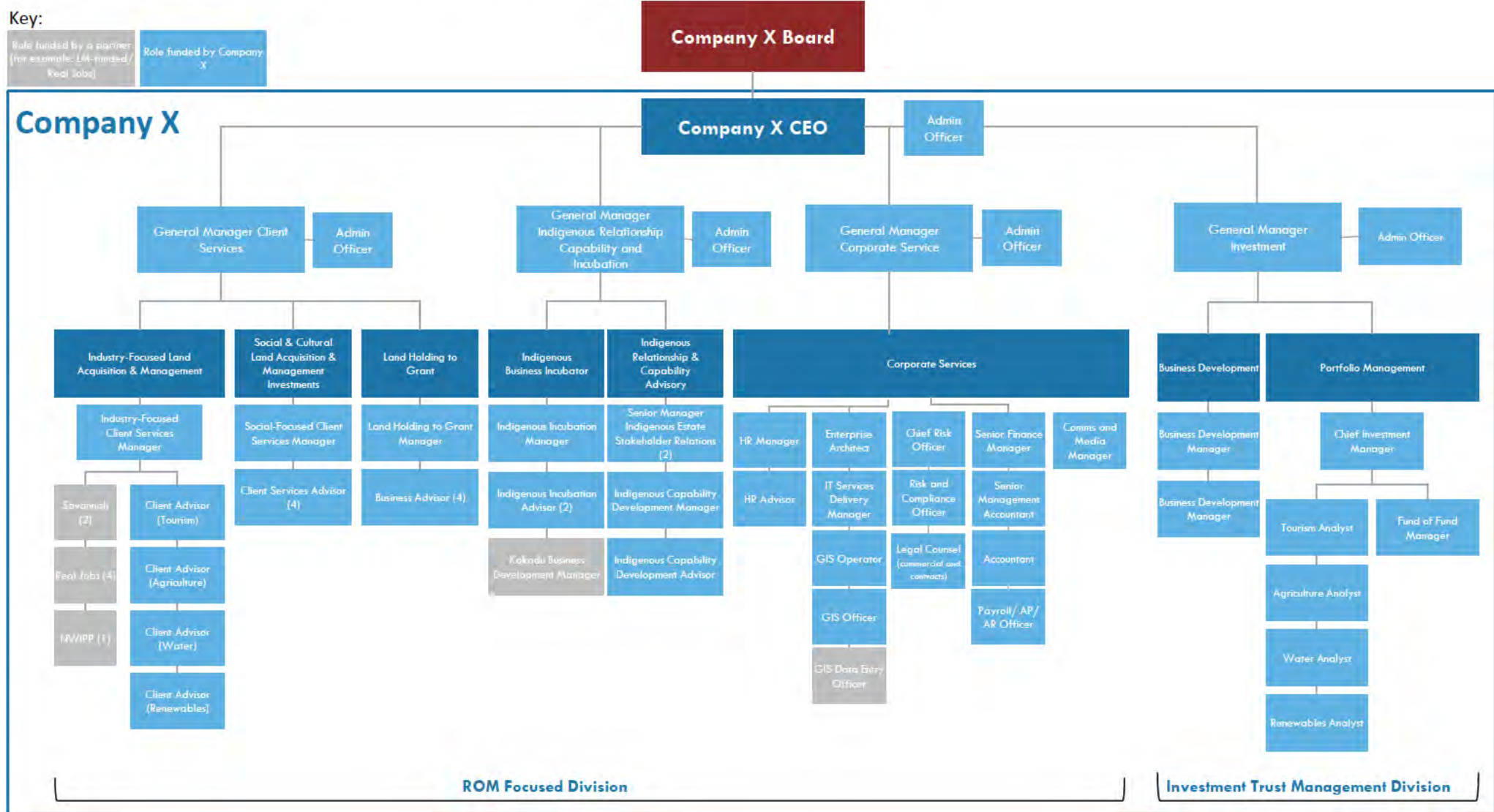
## ILSC Core: proposed organisational structure

The proposed future-state organisational structure for the ILSC Core is outlined below. This structure identifies a total of **eleven roles** that will be required.



# Company X: proposed organisational structure

The proposed future-state organisational structure for Company X is outlined below. This structure identifies a total of **ten roles in the Investment Trust Management Division of Company X** and **fifty-three roles in the ROM-Focused Division** that will be required.





## ILSC Group: proposed organisational structure

The new structure proposes a significant number of new roles, which deliver functions and services not currently delivered today. It also represents a significant reduction in roles in comparison to the current structure.

Component of Future-state ILSC Group	Proposed Number of Roles	Current Number of Roles
<b>ILSC Core</b>	11	17 (3 vacancies)
<b>Company X</b>		
Investment Trust Manager	10	0
ROM-Focused Division (Includes CEO and support plus partner funded roles (externally funded))	53	104 (16 vacancies)
<b>TOTAL</b>	<b>74</b>	<b>131</b> (24 vacancies) <b>107</b> current heads

*Note: there are 10 current roles (including 5 vacancies) that currently deliver functions outside those that will be in Company X or the ILSC Core. These include 9 trainee / cadet roles and 1 Agribusiness role which manages the operations of Primary Partners currently. These roles form part of the overall reduction when moving to the future-state structure.*

The proposed model for the future state will represent a 36% reduction in total roles in the current structure, and a 31% reduction on current heads.

Other points to note include:

- Eight of the new roles in the ROM-Focused Division are new roles delivering the newly identified services and functions proposed for Company X, and ten more are restructured around industry-based projects rather than geography.
- There aren't any roles in the business that deliver the same functions as those proposed in the Investment Trust Manager area of the business.





## The ILSC Group's needs from outsourced investment managers

- ❖ The ILSC Group's strategic requirements from investment managers
- ❖ Client needs from investment managers
- ❖ Investment managers key measures of success



## ILSC Group's strategic requirements from investment managers

### Why does the ILSC Group need investment managers?

Investment managers (outsourced) will operationalise the focused investment strategy set by Company X for their sector, which is aligned to the strategic direction set by ILSC Core. To do this the ILSC Group will require investment managers to attract external investment that will enable the ILSC Group to generate additional returns on mandate and investment.

### What does the ILSC Group require from Investment Managers?

The services that the ILSC Group will require from outsourced investment managers are:

**Investment Management** that is in line with contracts that are held by the ILSC Group. Investment management should involve:

- Ensuring that investments deliver on their desired purpose
- Determining the appropriate investment mix, and working to achieve the optimal mix
- Reporting on the performance of assets
- Managing investor funds, whether from a single investor or group of investors

**Opportunity Development**, which will result in:

- A suite of sector-specific opportunities, supported by analysis outlining their benefits and expected returns, to attract investors
- Identification of potential acquisitions within the sector, that can be presented to the Group for assessment
- Assessment and development of opportunities to build and grow the assets of Indigenous groups who are interested in understanding if opportunities are commercially viable

**Investor Relationship Management**, which will result in:

- Private investors engaging with opportunities and investing financially into funds
- Indigenous groups understanding their unique contribution to funds, realising the potential returns of assets, and benefiting from expected returns

In order to achieve desired outcomes, outsourced investment managers will rely on the ILSC Group to provide:

- Clear strategy around priority areas for investment, and a mandate from the Group in which to deliver on expectations
- Buy-in from Indigenous leaders to secure the mandate to operate
- Research and development from the ILSC Group that draws on their unique knowledge base
- Clear scope to determine where investment managers operate (for example, industries or geographies) and seek opportunities
- Frameworks and tools to assess opportunities and deliver appropriate returns
- Support to give commercial investors and Indigenous investors confidence to do business

The pre-conditions required for investment managers are:

- Clearly defined legal structures that articulate the purpose
- Organisational structures that enable it to fulfil its functions
- A source of money that can be used to achieve an outcome
- Appropriate resourcing and scope for operations

## Client needs from investment managers

Investment managers (outsourced) have a number of key clients, including the ILSC Group. The services they provide will be tailored to meet the needs of these clients and governed by contracts.

### ILSC Group

The ILSC Group will be a key investor for Investment Managers. It will shape the purpose and scope of operations for investment managers, and determine the mandate and financial returns they need to deliver on.

Contractual arrangement with Fund Managers will ensure investments are executed in furtherance of ILSC's mandate.

The ILSC Group will require:

- Relationship management and clear communication from investment managers
- Financial returns that are in line with expectations
- Other mandated returns around economic, social, cultural and environmental benefits that are in line with mandated agreements
- Activities to be carried out in line with expectations, and operations to be undertaken that are within the scope of operating agreements
- Assurance and reporting to meet requirements

In order to meet the needs of the ILSC Group, Investment Managers will need to build and maintain relationships with other stakeholders. These additional stakeholders include:

### Indigenous Group Investors

Indigenous Groups can provide a range of different types of investments opportunities and assets into the investment managers layer (for example: land assets, fishing rights or other financial assets). These groups are both investors and beneficiaries of opportunities, and are important to drive the purpose of asset usage in line with self-determination.

They need:

- Opportunities to benefit and develop the Indigenous Estate that use assets (for example, a piece of land) to its maximum level of productivity
- Social, cultural, environmental and economic benefits for the Indigenous Estate that are sustainable
- Training, education and cultural development to be considered alongside economic benefits
- Opportunities to invest in assets through a partnership

### Private Investors

Private investors are groups who are external to the ILSC Group, who wish to invest capital into a fund or asset. These investors are seeking opportunities to invest into for-profit, for-purpose entities.

They need:

- Continual relationship management from Investment Managers
- Opportunities to invest their money that will deliver economic, social, cultural and environmental returns, alongside financial Return on Investments
- Measurement, reporting and assurance around Return on Investment and Return on Mandate
- Financial returns that are in line with expectations

### Proven Operators

These operators are the recipients of funding to deliver specific benefits, under mandated conditions.

They need:

- Contractual relationships to ensure conditions are fulfilled
- Due diligence and relationship management from the investment manager
- Clear frameworks within which to operate

## Investment Managers Key Measures of Success

The ILSC Group will expect outsourced investment managers to deliver a number of services in line with its objectives. In order to meet requirements, the ILSC Group will require investment managers to:

**Attract additional funds into the Indigenous Estate** by combining traditional investment models with Indigenous assets. This will involve building unique value propositions and brands around their ability to leverage the Indigenous Estate and private investors and determining if potential deals are appropriate for investment.

The success of this will be demonstrated by:

- Investors (private-sector and Indigenous) that invest into opportunities, and that derive financial returns from investment activities
- Direction of additional revenue streams towards land holders, investors, and the ILSC Group
- Leveraging the ILSC Group's buy-in from Government and Indigenous leaders, and undertaking activities that support this, including building relationships between the private sector and Indigenous people

**Provide sector-specific expertise**, which will involve demonstrating financial and investment skills and expertise to secure investable funds and matching funding opportunities to Indigenous assets that will benefit the Indigenous Estate.

The success of this will be demonstrated by:

- Return on Investment that achieve targets set by the ILSC Group
- Provide a track record of success to increase co-investment and provide assurance to investors
- Setting up structures and processes that provide the assurance required to give commercial investors confidence

**Source trusted operators to derive benefits** from Indigenous assets, which will involve providing a vehicle for Indigenous Australians to realise sustainable returns from their assets beyond rent from land.

The success of this will be demonstrated by:

- Identifying trusted operators and developing relationships with them
- Measures of ROI and ROM that are reported back to the ILSC Group to be managed and tracked over time
- The management of contractual arrangements generating returns with proven operators that are in line with ILSC Group requirements
- Structuring investments that meet the requirements of the ILSC Group and that leverage trusted operators

**Manage risk and reporting** that is in line with the appetite and requirements of the ILSC Group. This will involve reporting to the ILSC Group that demonstrates where activities deliver returns on mandate and investment.

The success of this will be demonstrated by:

- Developing and executing an investment model that meets the needs of the ILSC Group
- Deployment and measurement of funds to their maximum effect, including the development of benchmarks and analysis of progress
- Utilising frameworks developed by the ILSC Group to measure ROM and ROI



**Australian Government**  
**Indigenous Land and Sea Corporation**



**The ILSC GROUP**

**PEOPLE. COUNTRY. OPPORTUNITY.**





01 July 2020

The Honourable Ken Wyatt AM, MP  
Minister for Indigenous Australians  
Parliament House  
CANBERRA ACT 2600  
Email [minister.wyatt@ia.pm.gov.au](mailto:minister.wyatt@ia.pm.gov.au)

Dear Minister Wyatt

**Re: Board committee functionality and a further issue with declaration of conflict of interest**

As you have now received notice of the resignation from ILSC Deputy Chair Joseph Elu, there are a number of issues that need to be immediately addressed, so that the Board can continue to function. Director Elu's departure leaves vacant positions on a number of Board committees that cannot be filled due to unresolved governance issues. I have listed the committees below and the associated issues requiring a resolution or new Board members as per my correspondence to you dated 21 May, 01 and 19 June.

The Board appoints Directors to these committees. Given the current Board situation whereby four Directors (Odegaard, Crossin, Martin and Ah See) appear to be unable to reconcile what has been identified in governance reviews as issues of conflict of interest, new governance matters that need to be addressed are unlikely to be adequately considered by these four Directors. Having tried to confront the issues head on and focus decisions on the best outcome for the organization and therefore our Indigenous stakeholders, there has been no success in revising governance matters. The fact that these four Directors hold sway due to their numbers rather than due to the complete absence of real, perceived or potential conflicts is an untenable situation. I cannot recall any corporate setting where four Directors (three whose terms have expired) are holding an organization to ransom for what appears to be personal gain and recklessly interfere in its governance to which all Directors are held accountable. I urge you to consider the seriousness of this situation if left unaddressed any longer.

At the Board meeting of 25 June in which at your request I was absent, the Board in its deliberations passed an interim budget only and I am to understand in discussions with Director Tucker that four Directors:

- After having the budget papers for 6 weeks, refusing to discuss the budget at the 17 June meeting and receiving an extensive outline from the CFO, clearly still didn't understand the budget;
- Disregarded or did not understand safeguarding measures whereby the focus is to protect the ILSC Group in FY21 owing to the consequences of COVID-19 (such reconfiguration measures recommended by NCCC, the APS and noting the appropriate response from Qantas);
- The discussion was not balanced with a clear attempt to manipulate the budget by imposing conditions and a trade-off to pass the budget. The trade-off was to cease activities of the Strategic Reform Unit (SRU) within 2 months (the SRU established to carry out the restructure and efficiency review has identified governance and financial issues of Yamanah and Primary Partners of which these four are Directors). This appears to be a reprisal action;
- Determined to continue funding to Primary Partners and Yamanah Investments (the Yamanah pilot project I have sought to wind down due to a number of serious expenditure qualifications and is now a non-essential project in the current economic climate);

This yet again raises the damaging consequence of four Directors controlling the agenda (three whose terms have expired) that precariously positions the ILSC as a diminished entity.

For the ILSC Board to continue to function and lead the ILSC, the Board committee positions vacated by Director Elu need to be filled, but there have been no nominations for a week - from the four Directors:

#### ILSC Audit and Risk Committee (ARC)

Under the recently adopted Charter for the ARC, it is noted that the Board is required to appoint at least three persons to ARC. Those persons are currently Deputy Chair Elu, Director Crossin and Ms Maria Storti an independent Chair. Members of ARC (to quote the Charter) need to have appropriate qualifications, knowledge, skills or experience to enable ARC to perform the functions and collectively possess the expertise necessary to effectively advise the Board. Further, at least one member of ARC must have appropriate professional accounting or related financial management experience and qualifications. At present that is Ms. Storti.

I believe there are two matters within the above that will not be addressed by the current ILSC Board due to the sway of numbers rather than best governance practice:

1. Appropriate qualifications, knowledge, skills or experience to enable ARC to perform the functions and collectively possess the expertise necessary to effectively advise the Board – this is professional financial capability.

I believe that Director Tucker and myself have the appropriate qualifications, knowledge, skills or experience to enable ARC to perform the functions and possess the expertise necessary to effectively advise the Board. Director Tucker, whilst no longer a Subsidiary Board Director (due to identified conflict of interest) has not nominated for this committee, as he is unable to devote the time required for the deep financial scrutiny. You will appreciate that he owns and manages a Civil Engineering group (Carey Mining). As Chair, I cannot be on the ARC committee.

2. Conflict of interest relating to no Subsidiary Board member holding a position on the ARC.

With consideration given to the governance reviews in relation to conflicts of interest, having a Director on the ARC committee and a Subsidiary Board is an anomaly that the ILSC must address immediately. Given proposals at the last few Board meetings to remove Directors from Subsidiaries, these four Directors have refused to identify and confront this issue and are now controlling decisions due to their number, so it is unlikely they will have an appetite to address this.

#### Remuneration and Nominations Committee (RANC)

RANC is comprised of the ILSC Chair and one other ILSC Director. However, under the RANC Charter, no member can be a member of any subsidiary Board. Therefore, anyone nominating must either fit that criteria or resign from any subsidiary position.

Given the reluctance of four Directors to step down from Subsidiary Board positions, Director Tucker is the only eligible Director and he has not nominated due to the extra time commitment.

#### Group CEO Recruitment Selection Committee

The Board recently decided four Directors were to sit on the Selection Committee, the two RANC members, Directors Odegaard and Ah-See. I am currently the only RANC member. Director Tucker is eligible but has not nominated due to time limitations.

Without a Selection Committee, a decision on the Group CEO appointment will be affected.

#### **Further issues with conflict of interest**

As you are aware of issues of conflict of interest and issues regarding the activities of Yamanah Investments, I would like to inform you that for the last three Board meetings, Director Bruce Martin has declared that he has interests to update regarding two companies that he is involved with. At each meeting Director Martin has stated that he will send an updated schedule to the Group General Council. As this has not happened to date, I am extremely concerned about the work that these companies do and why Director Martin is either just unorganised, dismissive of the importance of this



corporate governance or deliberately delaying this information. No Director of the ILSC is immune to corporate governance and as you are aware, this avoids any potential, perceived or real conflicts of interest. The risk of financial and reputational damage is becoming more extreme every time Director Martin fails in his duty as a Director of the ILSC. I have not been on a board - including ASX boards, where this behaviour would be tolerated. I intend as Chair to request Director Martin not participate in the next Board meeting if he fails to provide information that he has undertaken to provide for three successive board meetings.

Director Martin has not responded to my request to ascertain his availability to continue as an ILSC Director until a decision on longer term appointments is made.

Minister, I believe you fully appreciate my absolute concerns with regards to conflicts of interest, qualifications of expenditure and professional standings of all Directors pertaining to the governance of this organisation, particularly at a time where personal interests are in conflict with the reprioritization on how the ILSC group operates. I cannot stress more strongly, the need for the Board refresh as conveyed to you in several correspondence.

Today, we are a progressive organisation and therefore during this period of strategic reform, every detail of adherence to best practice is examined and reassessed. Practices that have occurred in the past are not necessarily the best going forward and in our review process, these are being addressed. Be it at board, management or operational level; a board, management or operational practice; our thorough review will reassess every aspect of this organisation. The ILSC now has a Future Fund as this is the best financial decision, we are now the Land and Sea Corporation as this encompasses all Indigenous interests and we now need to achieve best corporate practices.

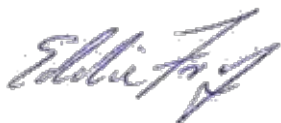
I eagerly await your investigator nomination so we can commence the investigation you have requested.

I again request that you assist me to hold this organisation accountable for the Australian Federal Government, Indigenous Australians and all Australians, beginning with the Board of Directors. I again ask for a Board refresh to continue to operate this corporation for the very purpose that it was established and for all Indigenous people that we are here to assist.

Finally, I wish to convey to you that domestic and international corporate entities with massive investment capital have sought meetings with me personally, with respect to project investment into the Indigenous Estate. This Board situation will likely affect the desire for joint investment with the ILSC, as the accountability of the organisation and its governance practices with respect to conflicts of interest are currently requiring Ministerial intervention.

Minister, you deliberately asked of me how I would run the ILSC if it was global mineral resource group. The starting point is the Board of Directors. I cannot impress upon you enough, the need to refresh the Board as I have suggested.

Yours sincerely



Eddie Fry

ILSC Chair



13 July 2020

The Honourable Ken Wyatt AM, MP  
Minister for Indigenous Australians  
Parliament House  
CANBERRA ACT 2600  
Email [minister.wyatt@ia.pm.gov.au](mailto:minister.wyatt@ia.pm.gov.au)

Dear Minister Wyatt

**Re: Fundamental issues of governance and breach of fiduciary duty by Directors of the ILSC**

I wrote to you on 01 July 2020 raising fundamental issues of governance for the Indigenous Land and Sea Corporation (ILSC) due to the action of four Directors (Odegaard, Crossin, Martin and Ah See) who continually appear to be unable to identify and reconcile what has been identified in governance reviews as issues of conflict of interest.

I have not been advised of the appointment of new Directors to the ILSC following the expiration of terms of three Directors. New Director appointments will not impede the investigation by Dr Vivienne Thom but will in fact enable the ILSC to proceed with matters that have been detrimentally unaddressed by these four Directors.

I believe the behaviours of the four named Directors is absolutely unacceptable from any corporate governance perspective – more so for a statutory agency such as ILSC and I want to ensure that you are aware of my concerns.

The four Directors premeditatedly withdrew from the Board meeting on 17 June 2020, without genuine reason and after they sought confirmation that there would be no quorum for any Board decisions. With fundamental matters to address, I view this as a significant breach of fiduciary duty as this action to deliberately disrupt the meeting, raises the question of potential detriment to the organisation in not enabling the passing of the budget FY20-21, among other items. The budget was then brought to an extraordinary meeting on 25 June (Chaired by the Deputy Joseph Elu) and was again not passed by the four Directors. This exacerbated the disruption for the ILSC to continue to function as the same budget will now be brought to the August Board meeting. If then resolved, it will highlight the pointless waste of time brought about by these Directors actions.

At the ILSC Board meeting of 26 March, the Board **unanimously** adopted the Business Continuity Principles which addressed the financial stability of the group during the unknown economic environment caused by the pandemic and into the future of economic recovery. The Principles included operating models; how ILSC maintains core mandate and services to clients; and ILSC's role in the protection, relief and recovery of the Indigenous Estate during these times. Future decisions would be easier with the early adoption of guiding principles, in preparation of facing difficult decisions and actions during the immediate crisis. Difficult decisions have arisen, three of which are unpalatable to four Directors.

1. The proposed ILSC Groupwide Core Governance and Operating Principles presented to the 7 May Board meeting which involved re-evaluating conflicts of interests and removing ILSC Directors from Subsidiary Boards. Agreed and actioned by Director Tucker, but rejected by Directors Odegaard, Crossin, Martin and Ah See (as Directors of Subsidiaries).
2. the FY20-21 financial budget which restricts the expenditure of the ILSC funds by the Subsidiaries Yamanah Investments and Primary Partners of which these four are the Directors. Given the objections to date, will these Directors allow this same carefully forecast budget to pass at the August meeting or again cause disruption?
3. the RANC determination at the 17 June Board meeting to remove Directors Odegaard, Crossin, Martin and Ah See from Yamanah Investments and Primary Partners Boards and the interim appointment of two ILSC Executives for three reasons: preservation of cash in ceasing Director remuneration, allowing a thorough investigation and reassessment of operations and the expansion of Executives experience particularly in the case of the current Indigenous Acting GCEO.

The important work of the ILSC must not be allowed to be halted by the actions of Directors Odegaard, Crossin, Martin and Ah See who object to the adoption of Governance and Operating Principles, budgets and changes due to apparent self-interest. ILSC Directors having adopted Business Continuity Principles and approved of the Strategic Reform must surely allow the implementation of the changes to better serve Indigenous people, communities and the Indigenous Estate.

Directors must exercise their powers to discharge their duties with care and diligence, in good faith and for the proper purpose, to be enablers and not disrupters. By refusing to discuss and adopt Governance and Operating Principles, accept conflicts of interest, adopt a prudent budget, proclamations of motions of no confidence in the GCEO and Chair and ensuring no quorum for a Board meeting to proceed are serious detrimental actions of Directors that show a lack of respect for the organisation and those we are mandated to assist.

I believe that Directors should concentrate on their duty, pay close attention to Board matters and papers and ask pertinent questions to inform themselves on matters that they don't understand.

It was disturbing to learn that at the 25 June Board meeting Chaired by Deputy Elu in my absence, Director Crossin said she would be agreeable to an interim 3-month 'business as usual budget', to which Directors Martin, Odegaard and Ah See agreed. I question the wisdom and authority of the four Directors only being agreeable to an interim 3-month budget. This is contrary to actions by the Australian Government and private sector domestic and global companies that are reconfiguring their business model to reign in expenditure and shelve projects that are not vital at this time. Qantas as an example in not proceeding with project Sunrise, is a clear message that prudent fiscal management and cost control is the primary object of every corporation in the world during this pandemic.

The ILSC will continue to conduct business, taking into account the necessity to remain solvent in the next 1-3 years. Unfortunately, it is my view that Directors Crossin, Martin, Odegaard and Ah See do not share the same understanding as evidenced by their disruption of the budget application. At the Board meeting of 27 May, in consideration of the risk faced by the ILSC Group with regards to the cash balance at the FYE out to FY 22, I requested (through Director input)

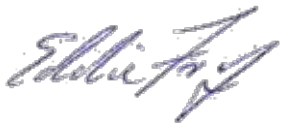
that ILSC Finance bring back to the Board three budget options and advise the Board how this would impact periods going forward. Director Crossin appears to have missed this careful fiscal planning as she advised at the 25 June extraordinary budget focused meeting that she was unaware of where the amounts for the three scenarios had arisen.

At the 25 June meeting Director Tucker restated his opposition to an interim budget and what was being proposed by these four Directors. He said “that in his view they clearly did not understand the budget, the pandemic situation and its impact on the ILSC Group. It was apparent they were prepared to make trade-offs to pass the budget and were insistent on keeping Yamanah and Primary Partners alive. Was this a strategic decision during this COVID-19 changed landscape?”

While the attitude of disruption pervades at Board level, the impact of operations of the organisation is significant. Decisive action now to get the organisation back on track and instep with the Government agenda and repositioning the ILSC during this COVID-19 period will enable a stronger ILSC to emerge. I cannot stress enough that Director changes are paramount so that our focus can revert back to the future, rather than dwelling on personal agendas.

Your immediate attention to refresh the ILSC board is requested as per my previous correspondence. Director Tucker and I look forward to supporting the Indigenous community as continuing Directors.

Yours sincerely



Eddie Fry  
ILSC Chair