



# Australian Meat Processor Corporation Ltd

**Performance Review 2016 – 2020**



# Disclaimer

## **Inherent Limitations**

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- assessing the impact on banking and finance covenants;
- assessing human resources and organisational structures; and
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The findings in this report have been formed on the above basis.

## **Third party reliance**

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# Executive Summary

## Background

The Australian Meat Processor Corporation (AMPC) is the Research and Development Corporation (RDC) for the Australian red meat processing industry. AMPC administers statutory levies collected by the Commonwealth from processors for the purposes of conducting research, development and extension (RD&E) and marketing services for the Australian red meat processing industry.

AMPC directs statutory levies as detailed in a Statutory Funding Agreement (SFA) with the Commonwealth. The SFA requires AMPC to conduct an independent performance review addressing the operations, investments and engagement of AMPC with the Australian red meat processing industry more broadly, for the purpose of providing Government and other stakeholders with an assessment of AMPC's efficiency and operational effectiveness. KPMG was contracted by AMPC to complete a performance review for the period of 2016 – 2020 (referred herein as the review period). This report presents the findings of the independent performance review.

## Terms of Reference

The terms of reference for this review can be summarised as an assessment of AMPC's:

1. Performance in meeting its obligations under its **Statutory Funding Agreement** for 2016-20;
2. Development, implementation and the efficiency in the delivery of its **Strategic and Operating Plans**;
3. Structures and operations to ensure good **corporate governance**;
4. **Engagement, consultation and communication** with, and feedback to, stakeholders;
5. Efforts in **cross-RDC collaboration**;
6. **Delivery of benefits** including both value and return on investment; and
7. Effectiveness in implementing **recommendations from the 2015 Performance Review and the 2018 Board Composition Project**.

The review includes recommendations to improve AMPC's performance in delivering research, development, extension and marketing services.

## An Evolving Operating Environment

AMPC is operating in an environment where the Red Meat Industry Strategic Plan (MISP), Red Meat Memorandum of Understanding (MoU) and broader RDC model are currently under review. AMPC's continued understanding of its role in and the future impacts of this evolving environment is critical, while continuing to deliver against its core function as a service delivery RDC for the red meat processing sector. AMPC should continue to engage in industry discussions and monitor the progress of the MoU and MISP reviews in the context of its statutory obligations and to deliver ongoing value to its levy payers.

## Progress in the review period

AMPC has made substantial progress in respect of both its corporate governance and operations during the review period, with particular improvement in the past 12-18 months as confirmed by key stakeholders and documented during the performance review assessment. Specific areas of progress



include the implementation of the key recommendations from the 2015 Review with respect to Corporate Governance, with particular focus on risk management, Board skills and performance, and currently demonstrated through a greater level of focus on the scope of AMPC's service delivery through its Strategic Plan revision process due for completion by 30 June 2020. Additionally, AMPC has relaunched a range of programs including the Plant Initiated Projects, and made a noticeable shift from a passive investor in R&D activity to a service delivery provider focused on delivering returns for levy payers. It has also been evidenced that more recently in the review period AMPC has made a concerted effort to enhance and drive further constructive engagement with key Red Meat Industry stakeholders and are currently making updates to key communication plans and platforms focused on enhancing levy payer and member communications and engagement.

### **Initiatives underway**

The purpose of this report is to review AMPC's performance throughout the review period, however it is recognised that there are a number of initiatives underway for completion by 30 June 2020 that will contribute to both its continuous improvement and compliance with the 2016 – 2020 SFA. Examples include:

- Finalisation of a revised 2020 – 2025 Strategic Plan which aligns AMPC's strategic documents with the broader Red Meat Industry and will provide further clarity around cross-program investment horizons; and
- A new Strategic Communications Plan to align stakeholder engagement, communications and ongoing collaboration under the Strategic Plan, driving ongoing value and benefit for levy payers.

### **Areas for improvement**

While the overall performance of AMPC across the duration of the review period has improved, there are a number of areas identified that require further improvements in how the organisation operates and delivers against its statutory requirements and benefit to levy payers. The relative maturity displayed across the organisation and a continuous improvement approach to corporate governance in more recent years enables greater clarity of purpose and role of AMPC as it moves to deliver against its service delivery organisation focus. A renewed focus on driving a culture of continuous improvement will provide benefits through improved strategic planning, constructive engagement with Red Meat Industry stakeholders, and the delivery of R&D programs that provide tangible benefits to the processing sector. The AMPC Board needs to continue to drive an ongoing good corporate governance culture within both the Board and the organisation. This will continue to promote clearer separation of duties between the Board and Executive; allowing the Board to focus on AMPC's medium-to-long term strategic horizon with the Executive empowered to deliver against both the agreed Strategic and Operating Plans objectives. Modernisation of the AMPC Constitution to further align with good corporate governance principles including Director appointment process and number of terms, voting procedures and other recommended governance procedural updates will also support the continued performance of the organisation. Others areas for attention relate to program governance, impact assessment evaluation and communications.

### **Recommendations**

Overall, AMPC's improvement in performance over the review period has been well demonstrated. The recommendations provided serve to build on the positive steps taken by AMPC during the review period and focus on continuous improvement and supporting enhanced delivery of benefits to levy payers by the organisation. There are 16 recommendations for AMPC to consider as detailed in the table below and further outlined within the relevant review sections contained in the body of the report.



In addition to these recommendations it is expected that AMPC will continue to implement the final outstanding recommendations from the 2015 Review, to the extent they do not conflict with or have been superseded by, the recommendations below.

### Corporate Governance

1. Undertake revisions to AMPC Constitution to modernise its governance practices, in particular:
  - Director terms of 3 years with a maximum of 3 terms;
  - Introduce Director election rotation to remove 'whole-of-board' election/replacement in one year and maintain corporate knowledge. Stagger election for Year 1: 3 Directors, Year 2: 2 Directors and Year 3: 2 Directors;
  - Special qualification directors replaced naming to Independent Directors and appointed by members at the Annual General Meeting election based on whole-of-board skills assessment and requirement;
  - Remove the alternate director provision;
  - Consistency of/updating reference to roles (e.g. CEO to Executive Officer); and
  - Update AGM election process to Direct Voting from Preferential Voting.
2. AMPC to implement a Board appointment process for Processor Directors aligned to the skills based requirement as defined under the SFA and Constitution and in line with ASX Corporate Governance principles and recommendations (within limitations of AMPC Constitution) that accounts for timeframes to call for nominations aligned to skill requirements and allows for independent review prior to voting by members at the AGM.
3. Continue to drive an enhanced continuous improvement Corporate Governance culture within the organisation by ensuring the SFA, Constitution and Red Meat MoU are practically leveraged in AMPC's Governance Policy to guide Board and Executive performance and delivery.
4. Continue to enhance the clear separation of powers between the Board and Executive. This will be achieved through the Board's continued focus on longer-term AMPC strategy, industry operating environment and Corporate Governance related matters; and the Executive being charged with full authority to make decisions and act on behalf of the organisation to ensure delivery against the KPIs and objectives detailed in the approved Strategic Plan and Annual Operating Plans.
5. Develop and/or review the following Board policies to align with current best practice:
  - Risk management framework to consider further assessment and monitoring of material exposure to environmental, social or governance risks i.e. changes to MoU, RDC reform, community attitudes;
  - Board meetings resolution register; and
  - Policy for the ongoing professional development of directors.

### Company Structure and Funding

6. Implement a Memorandum of Understanding (MoU) with MLA to improve the delivery and operational benefit to both levy payers, the Red Meat Industry and each organisation. The MoU is to clearly define the process around engagement, consultation in annual investment process, organisational operational and reporting needs and expectations, program and investment reporting requirements, process for the commercialisation of IP, process for sharing of industry insights and strategic investment prioritization process for sharing.
7. Continue to drive a collaborative relationship with DAWE both in respect to the SFA, Strategic Plan, Annual Operating Plans and broader R&D outcomes, this includes ensuring ongoing



compliance with the SFA through timely engagement with and submission of compliance and audit reports to DAWE.

### **Company Operations**

8. Continue to drive an industry insights and service delivery model approach to AMPC strategic planning, aligned with broader Red Meat Industry priorities and clearly define AMPC investment and role through the the finalisation of the 2020 – 2025 Strategic Plan by 30 June 2020 and effective implementation across the organisation prior to the end of the current SFA in November 2020. This also ensures AMPC’s alignment with broader Red Meat Industry horizons (i.e. Red Meat 2030, MISP 2020 – 2030 and MLA’s Strategic Plan).

### **Project Planning and Effective Delivery**

9. Finalise updates to the Project Governance Policy, including whole of program development process.

### **Engagement, Consultation and Communications**

10. Continue to focus on effective engagement and consultation with AMIC as RO/PIC per recently agreed consultation process. To ensure ongoing benefits to levy payers and the wider Red Meat Industry, the consultation process should continue to focus on effective and regular engagement above the minimum requirements as detailed in the Red Meat MOU (refer minimum 6-monthly consultation and engagement with AMIC during strategic planning and annual operating planning processes).

11. Finalise Communications Plan by 30 June 2020 and ensure effective implementation prior to end of current SFA period in line with the 2020 – 2025 Strategic Plan. The Communications Plan should continue to provide clear definition of AMPC’s role as an RDC and service delivery organisation within the Red Meat Industry; timely updates on RD&E project scoping, status and outcomes; and ensure appropriate engagement and updates to levy payers, members, Red Meat Industry, research providers and Government stakeholders.

### **Delivery of Benefits**

12. Update the Evaluation Framework to reflect the more structured and consistent Research Programs impact assessment process that has been implemented in 2018 and 2019 (i.e. annual reviews of selected programs), in addition to the existing 5-year Strategic Plan impact assessment and overall ROI.

# Contents

Disclaimer	2
Executive Summary	3
Table Index	8
Figure Index	8
Abbreviations	9
1. Introduction	10
2. Operating environment	12
3. Response to the 2015 Performance Review	15
4. Corporate governance	20
5. Company structure and funding	29
6. Company operations	34
7. Program planning and effective delivery	39
8. Engagement, consultation and communication	45
9. Delivery of benefits	49
10. Conclusion and recommendations	53
11. References	57
12. Appendix	58



# Table Index

Table 1: GHD 2015 Performance Review Recommendations .....	16
Table 2: Implementation of TPPG Board Composition Project Recommendations .....	18
Table 3: AMPC Corporate Governance Landscape .....	20
Table 4: Review Framework – Corporate Governance.....	20
Table 5: Adoption of ASX Corporate Governance Principles and Recommendations (4th Edition) .....	22
Table 6: Review framework: Company structure and funding.....	29
Table 7: Slaughter Levy rate .....	31
Table 8: Income - Statutory levy (\$m).....	31
Table 9: AMPC Reserves (\$m) .....	32
Table 10: Evaluation framework – Company Operations .....	34
Table 11: Evaluation framework – Program planning and delivery summary.....	39
Table 12: AMPC Budget vs. Actual Expenditure .....	43
Table 13: Evaluation Framework – Engagement, Consultation and Communication.....	46
Table 14: Evaluation Framework – Delivery of Benefits.....	49
Table 15: Economic impact assessment in 2019 GHD study (3 project average) .....	51
Table 16: Consolidated AMPC Performance Review Recommendations .....	54

# Figure Index

Figure 1: Australian Red Meat Industry Structure .....	12
Figure 2: AMPC Organisational Structure (March 2020).....	37
Figure 3: AMPC annual budget by Type, Program and Combined.....	42





# Abbreviations

<b>Term</b>	<b>Definition</b>
<b>2015 Review</b>	2015 SFA Performance Review, conducted by GHD
<b>AGM</b>	Annual General Meeting
<b>AMIC</b>	Australian Meat Industry Council
<b>AMPC</b>	Australian Meat Processor Corporation Ltd
<b>AOP</b>	Annual Operating Plan
<b>DAWE</b>	Department of Agriculture, Water and the Environment
<b>EGM</b>	Executive General Manager
<b>MISP</b>	Meat Industry Strategic Plan
<b>MLA</b>	Meat & Livestock Australia
<b>MoU</b>	Memorandum of Understanding
<b>PIC</b>	Peak Industry Council
<b>PIP</b>	Plant Initiated Project
<b>R&amp;D</b>	Research and development
<b>RD&amp;E</b>	Research, development and extension
<b>RDC</b>	Research and Development Corporation
<b>RMAC</b>	Red Meat Advisory Council
<b>ROI</b>	Return on Investment
<b>SFA</b>	Statutory Funding Agreement



# 1. Introduction

## Purpose

The Australian Meat Processor Corporation (AMPC) is the Research and Development Corporation (RDC) for the Australian red meat processing industry. AMPC administers statutory levies collected by the Commonwealth from processors for the purposes of conducting research, development and extension (RD&E) and marketing services for the Australian red meat processing industry.

AMPC directs statutory levies as detailed in a Statutory Funding Agreement (SFA) with the Commonwealth. The SFA requires AMPC to conduct an independent performance review addressing the operations, investments and engagement of AMPC with the Australian red meat processing industry more broadly, for the purpose of providing Government and other stakeholders with an assessment of AMPC's efficiency and operational effectiveness over the period of the SFA.

KPMG was contracted by AMPC to complete a performance review for the period of 2016 – 2020 (herein referred to as the review period). This report presents the findings of the independent performance review.

## Terms of reference

The terms of reference for this performance review are as follows:

1. Assess AMPC's performance in delivering research and development, extension and marketing services. This will include an assessment of the:
  - a. Performance of AMPC in meeting its obligations under its Statutory Funding Agreement 2016- 20 with the Commonwealth;
  - b. Development, implementation and the efficiency in the delivery of its strategic, annual operational, risk management, fraud control and intellectual property plans and the company's effectiveness in meeting the priorities, targets and budgets as set out in these plans;
  - c. Structure and operations of the company to ensure good practice and systems of corporate governance including AMPC's operational model for managing R&D delivery with Meat & Livestock Australia Limited;
  - d. The effectiveness of the arrangements for engagement, consultation and communication with, and feedback to, stakeholders, including the opportunities for levy payers and other contributors to influence the investment of levies; and
  - e. AMPC's efforts in cross-RDC collaboration.
2. Assess the delivery of benefits including the value and return on investment achieved for the Red Meat Industry and the community as foreshadowed in the company's strategic and operational plans.
3. Assess AMPC's effectiveness in addressing and implementing the recommendations from the 2015 Performance Review and findings of the 2018 Board Composition Project conducted by The Professional Partner Group.
4. Make recommendations for improvement to AMPC's performance in delivering research, development, extension and marketing services.



## Methodology

The review of AMPC's performance has been undertaken in three key phases:

- **Phase 1: Project Planning** – confirmation of key stakeholders, documents and the evaluation framework used to assess AMPC's performance over the review period;
- **Phase 2: Performance Review & Stakeholder Consultation** – desktop review of key documentation and interviews with key levy payers, industry, Government, and research provider stakeholders; and
- **Phase 3: Reporting** – finalise report and review with AMPC, submitting to DAWE for final approval.

## Recommendations

Through the review of AMPC's performance a number of recommendations have been identified that AMPC should consider addressing to support its continuous improvement and enhanced overall performance. These recommendations apply to the specific review areas outlined in the evaluation framework (refer Appendix 1) and will serve to improve the corporate governance of AMPC, its provision of services to levy paying members and its interaction with other Red Meat Industry peak bodies and key stakeholders.

In accordance with Section 18.8 of the SFA, AMPC are required to prepare a response to this review for DAWE, and further, develop an implementation plan to address these recommendations within three months of DAWE's acceptance of that response detailing dates and milestones for action.

## 2. Operating environment

### 2.1 Australian Meat Processor Corporation

AMPC is the declared red meat processor marketing and research body under Section 60(3AA) and Section 60(3AB) of the *Australian Meat and Live-stock Industry Act 1997*. As the RDC for the red meat processing sector, AMPC’s mandate is to provide research, development, extension and marketing services that improve the productivity, profitability and sustainability of the industry. At the time of this review AMPC represents 101 members operating 129 meat processing establishments, representing more than 90 per cent of Australia’s red meat processing capacity<sup>1</sup>.

The industry levies are defined under the *Australian Meat and Live-stock Industry Act 1997* which determines the amounts paid to the meat processor research body under Section 65D. Levies on beef and cattle are payable by processors for each animal slaughtered at an abattoir for human consumption, irrespective of whether they are a member of AMPC or not. AMPC administers statutory levies on behalf of the red meat processing industry as detailed in the SFA.

### 2.2 The Australian Red Meat Industry structure

AMPC is part of the broader Red Meat Industry structure that sit below the oversight of the Red Meat Advisory Council (RMAC). RMAC is a not-for-profit company established by the Red Meat Memorandum of Understanding (MoU) in 1998. RMAC oversees a structure of various industry bodies that develop policies for industry direction and provide levy-funded RD&E services responsible for program delivery, including AMPC, MLA and the Australian Livestock Export Corporation (LiveCorp) (see Figure 1 below).

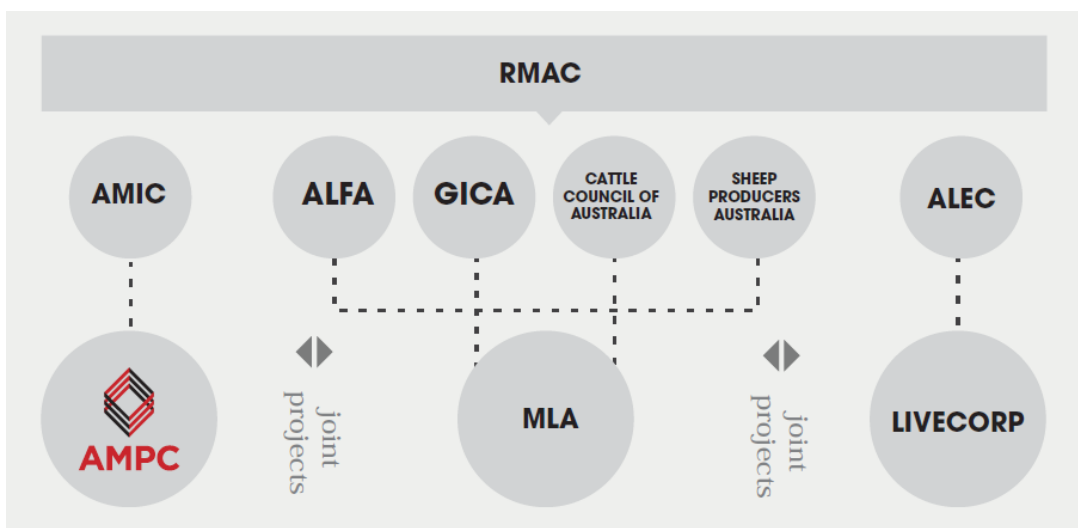


Figure 1: Australian Red Meat Industry Structure

<sup>1</sup> AMPC Annual Report 2018-2019



## 2.3 Changes to its external environment

In addition to considerable internal change over the reporting period, AMPC is operating in a time of significant external change as the Red Meat Industry reviews its governing structure and strategic plan in an effort to simplify, streamline and improve service delivery and advocacy on behalf of the entire red meat sector. In September 2018, RMAC commissioned a review of the MoU by an independent Taskforce which produced a White Paper including recommendations for the improvement of Red Meat Industry structures.

An analysis of these reviews are beyond the scope of this Report, however they do provide important context for AMPC as it develops its next Strategic Plan and continues to strive for efficiencies and tangible outcomes for the processing sector as a service delivery organisation.

### 2.3.1 Meat Industry Strategic Plan

The development of the Meat Industry Strategic Plan (MISP) 2030 has involved considerable collaboration across all levels of the Red Meat Industry. AMPC must ensure its Strategic Plan aligns with the priorities and direction of the MISP 2030 and provides a clear pathway for the delivery of RD&E outcomes specific to the meat processing sector priorities. To date, the consultation process has identified a broad industry intention to remove areas of duplication and ensure organisations roles are clearly defined to deliver maximum value for levy payers, the industry and the tax paying public.

### 2.3.2 Memorandum of Understanding

The MoU details the interrelationship of AMPC with other RDCs and Peak Industry Councils (PIC) by defining organisation roles and responsibilities, funding, planning and service delivery arrangements.

Under the MoU, AMPC plays a primary role in maximising the long-term viability and sustainability of the Red Meat Industry. It is important for AMPC to work within the defined parameters of the MoU and collaborate with other industry bodies where its work can inform progression of their respective areas of responsibility such as RD&E and marketing (MLA) and advocating for the interests of the processing sector (AMIC).

### 2.3.3 RDC system review

AMPC also operate within the broader Australian agriculture sector, for which the Australian Government commissioned a review into the effectiveness of the current RDC model "Modernising the RDC System". This review included consultation with both the general public (concluding in late 2019) and industry in the form of an online survey and written submissions. AMPC provided a written submission to the review detailing its views on a range of topics including:

- Delivering value for levy payers and tax payers under the current system;
- Keeping or changing the number of RDCs;
- Cross-sectoral issues affecting the wider agricultural sector;
- Opportunities for greater cross-sector and private sector collaboration;
- The role of RDCs in the provision of extension services; and
- The role of RDCs in policy formulation (in particular in relation to work alongside or in support of PICs).



## 2.4 Summary

Understanding the broader operating environment of AMPC and acknowledging the continuing discussions around ongoing industry priorities and structural reform is crucial. Changes in the operating environment inform how AMPC performs and delivers against its relevant obligations as prescribed in the SFA, AMPC Constitution and Red Meat MoU with alignment to both the MISP 2020 and 2030. While context is crucial it does not negate AMPC's responsibility to continue to ensure ongoing good corporate governance and deliver ongoing value and benefit to its levy payers and members.



# 3. Response to the 2015 Performance Review

## 3.1 Introduction

The 2015 Review was undertaken by GHD in accordance with the terms of reference detailed in AMPC's 2011 – 2015 SFA. During the current review period, AMPC have implemented the majority of recommendations identified by GHD, while simultaneously developing its operating model to provide for a greater focus on service delivery.

As an overarching comment, key stakeholders have recognised AMPC's efforts to improve its performance across the core review areas noted below, while identifying opportunities for continued progress of its corporate governance along with a request for continued attention to its clarity of purpose to complement the roles of other red meat RDCs and PICs.

Following the 2015 Review, AMPC also commissioned a Board Composition Project by The Professional Partner Group in 2018. This review sought to advise AMPC on its transition to a skill-based Board as required by its SFA.

It is noted that expectations around best practice corporate governance have evolved during the review period with the 2020 Review recommendations serving to update or clarify these requirements for AMPC in the current environment.

## 3.2 Assessment

Table 1 details the current status of AMPC's progress implementing recommendations from the 2015 Review. A status of complete or in progress to each recommendation has been applied.

Refer to Sections 4 – 9 of this Report for a detailed assessment of AMPC performance relative to the core areas of review.

In essence, AMPC have implemented (or are in the process of implementing) each of the recommendations provided in the 2015 Review. It is difficult to definitively state compliance for a number of recommendations given their subjective nature (e.g. stakeholder understanding of strategic planning process). Delivery against these recommendations has been assessed in the context of activities undertaken during the review period and through stakeholder consultation completed as part of this review.



Table 1: GHD 2015 Performance Review Recommendations

Recommendation		GHD Assessment/Action	Status
Corporate governance	Board to update governance practices	<ul style="list-style-type: none"> <li>Complete a Board Performance and Committee Evaluation</li> </ul>	Complete, refer Section 3
		<ul style="list-style-type: none"> <li>Establish a Nomination Committee</li> </ul>	Complete, refer Section 4
		<ul style="list-style-type: none"> <li>Establish an induction process for the Board</li> </ul>	Complete, refer Section 4
		<ul style="list-style-type: none"> <li>Develop a policy for on board training and ongoing professional development of directors</li> </ul>	In progress, refer Section 4
		<ul style="list-style-type: none"> <li>Develop a Diversity Policy</li> </ul>	Complete, refer Section 4
Company structure and funding	Evaluate effectiveness of reporting approach and reporting documents	<ul style="list-style-type: none"> <li>Evidence of documented changes to approach, structure and presentation of reporting documents</li> </ul>	Complete, refer Sections 5 – 9
		<ul style="list-style-type: none"> <li>Stakeholders understand reporting process</li> </ul>	Complete, refer Section 8
	Develop a strategy document for managing reserves	<ul style="list-style-type: none"> <li>A documented strategy for managing reserves has been developed</li> </ul>	Complete, refer Section 5
		<ul style="list-style-type: none"> <li>The strategy has been communicated to members</li> </ul>	Complete, refer Section 8
Review administrative issues	<ul style="list-style-type: none"> <li>Review administrative issues raised by stakeholders with respect to management of R&amp;D investments</li> </ul>	Complete, refer Section 7	
Company operations	Review company staffing structure	<ul style="list-style-type: none"> <li>Review the staffing structure to ensure it remains appropriate for the efficient and effective management of the company</li> </ul>	Complete, refer Section 6
		<ul style="list-style-type: none"> <li>Review implementation of the Relationship Agreement with MLA so that AMPC can manage projects efficiently and effectively</li> </ul>	Not complete, refer Section 7



Recommendation	GHD Assessment/Action	Status	
Program planning and effective delivery	Develop a formal consultation process for stakeholder input into strategic planning.	<ul style="list-style-type: none"> <li>A documented process has been developed for stakeholder consultation during strategic planning</li> </ul>	Complete, refer Section 8
		<ul style="list-style-type: none"> <li>Stakeholders understand strategic planning process</li> </ul>	Complete, refer Sections 7 and 8
	Consult with the Department to amend the SFA prescribed date that the AOP is submitted.	<ul style="list-style-type: none"> <li>Consultation with the Department</li> </ul>	Complete
		<ul style="list-style-type: none"> <li>Communication with MLA to understand their AOP submission date and timeline for submission</li> </ul>	Complete
	Further distinction between Joint, Core and PIP programs and investment.	<ul style="list-style-type: none"> <li>Ensure distinction between program types to improve understanding of the use of Commonwealth and levy payer funds</li> </ul>	Complete, refer Section 7
Engagement, consultation and communication	Review AMPC 2015 – 2018 Strategic Communications Plan	<ul style="list-style-type: none"> <li>Review has been undertaken within two years of implementation</li> </ul>	Not complete, refer Section 8
		<ul style="list-style-type: none"> <li>The goals have been evaluated and the necessary amendments to those goals has been made</li> </ul>	Not complete, refer Section 8
Delivery of benefits		<ul style="list-style-type: none"> <li>The evaluation framework has been undertaken and made transparent to levy payers</li> </ul>	Complete, refer Section 9
	Improve communication of programs and associated investments	<ul style="list-style-type: none"> <li>Levy payers understand program and investment reporting</li> </ul>	Ongoing, refer Section 8
		<ul style="list-style-type: none"> <li>Levy payers understand the benefits of AMPC's activities and investments</li> </ul>	Ongoing, refer Section 8
		<ul style="list-style-type: none"> <li>Outcomes of the evaluation framework have been communicated to levy payers in a timely manner</li> </ul>	Ongoing, refer Section 9

### 3.2.1 The 2018 Board Composition Project

Following a recommendation from the 2015 Review, AMPC engaged The Professional Partner Group (TPPG) in 2018 to undertake an assessment of its Board with respect to its obligations under Sections 14.3 and 14.5 of the SFA (the Project).

The Project sought to assess the skills of the current directors and provide the basis for the election of a Board through an independent process established by the Nomination Committee. The project facilitated a self-assessment of Directors against the set attributes identified in Section 14.3 of the SFA including knowledge of:

- Corporate governance;
- Production and/or processing in the meat and livestock industry;



- Finance and business management;
- Legal and compliance;
- Promotion of products;
- Domestic and international market development of products and international trade;
- Technology and technology transfer;
- Commercialisation and adoption of results in research and development; and
- Administration of research and development.

The Project also sought to review the presence of additional skills identified in AMPC’s Constitution including:

- Livestock management and welfare; and
- Human resources.

The Project concluded that AMPC did demonstrate collective expertise required by the SFA, while acknowledging risks to the ongoing demonstration including:<sup>2</sup>

- future changes in the composition of the Board;
- any behaviour that may breach the obligation to act in the interest of the organisation as a whole and for a proper purpose;
- the need to meet the ongoing challenges of modern governance; and
- failure to pursue the “independent panel” to consider and advise that the projects supported meet the agreed criteria and are in the best interest of the organisation, as a whole and/or failure to ensure controls adopted and monitored with respect to ensuring projects meet agreed project governance criteria.

To address the risks identified, TPPG provided the following recommendations. It is noted that a number of these recommendations have been implemented by AMPC or are in the progress of being implemented as part of its evolving corporate governance structure. AMPC implemented the GovernRight platform which captures many the recommendations and provides for ongoing updates to Board reporting and outcomes focus.

*Table 2: Implementation of TPPG Board Composition Project Recommendations*

Recommendation	Status
Focus executive reporting on delivery of strategic imperatives and risk management.	Completed and ongoing through focus on the development of the Strategic Plan and regular review of its Risk Management Plan in line with GovernRight platform.
Align existing current practices, strategic imperatives and performance targets for consideration by the Board.	Ongoing, refer AMPC’s Strategic Plan under revision.
Move governance focus (Board and Committees) to strategic outcomes.	Ongoing and developing, evidenced by Strategic Plan development process, board paper preparation in line with the GovernRight platform.
Align sub-committee agenda around relevant components of strategic outcomes and oversight of key management functions.	Completed and ongoing through the Audit & Risk and Nomination & Remuneration Committees.

<sup>2</sup> The Professional Partner Group, Board Composition Project, 19 November 2018



Recommendation	Status
Focus reporting on attaining endorsed outcomes rather than activity to achieve - would significantly reduce current qualitative activity reports.	Ongoing and developing, as evidenced by implementation of GovernRight platform.
Initially consider relevant items by Committee and then, as necessary, elevate to Board by exception. Same report, with Committee recommendation.	Completed and ongoing.
Introduce Emerging Governance Items to the Board and Reporting process.	Completed and ongoing.

### 3.3 Recommendations

Following the assessment of AMPC’s 2015 Review and the TPPG Project, it is acknowledged that a number of recommendations if not already actioned, are underway and/or ongoing. Where deemed relevant and required for ongoing performance enhancement, the previous recommendations have been built on in distinct sections below, adapting where appropriate to address the current context of good corporate governance and consideration of AMPC’s evolving operating environment.



# 4. Corporate governance

## 4.1 Introduction

AMPC is a public company limited by guarantee and its operations are bound by the *Corporations Act (Cth) 2001*, the *Australian Meat and Live-stock Industry Act 1997* and the 2016 – 2020 SFA with the Commonwealth Government. The Constitution sets out the specific rules governing the internal affairs of the company, such as AMPC’s operations, corporate governance, membership and Board of directors. Under AMPC’s Constitution and the SFA, AMPC is required to maintain, implement and regularly review a framework of good corporate governance practices to ensure proper use and management of funds, which should meet governance expectations and draw on better practice guides, including guidelines provided by the Commonwealth and the Australian Stock Exchange (ASX).

### 4.1.1 AMPC corporate governance environment

AMPC is continuously evolving its reporting framework in line with the requirements of the SFA, industry governing documents and best practice corporate governance. It is important for AMPC reports and policies to be aligned with each other and external industry governance measures.

Table 3: AMPC Corporate Governance Landscape

Internal	External
DAWE – AMPC Statutory Funding Agreement 2016 – 2020	Corporations Act (Cth) 2001
AMPC Constitution	ASX Corporate Governance Principles and Recommendations
AMPC Governance Policy	Red Meat Memorandum of Understanding

## 4.2 Assessment

### 4.2.1 Evaluation framework

AMPC performance in this section has been summarised in accordance with the evaluation framework that identifies the key review area, data source for assessment and the associated requirements of AMPC detailed in relevant governing documentation.

The assessment of AMPC’s performance is detailed in the following sections.

Table 4: Review Framework – Corporate Governance

Review area	Documents/source	Requirement
Corporate governance	<ul style="list-style-type: none"> <li>ASX Corporate Governance Principles and Recommendations</li> <li>AMPC Constitution</li> </ul>	Governance Framework (SFA s14.1 & s14.2)  ASX Corporate Governance Principles and Recommendations (adapted where appropriate)



Review area	Documents/source	Requirement
	<ul style="list-style-type: none"> <li>AMPC Governance Policy</li> <li>AMPC Board Composition Project Report</li> <li>Discussions with AMPC Chair, Audit &amp; Risk Committee and Executive</li> <li>Annual reports 2016 – 2020</li> <li>Board meeting minutes 2016 – 2020</li> </ul>	AMPC Board Requirements (SFA s14.3, 14.4 & 14.5) Pecuniary Interests (SFA s14.6) Constitution appropriate for RDC (SFA s15.6)
Compliance audit and certification reports	<ul style="list-style-type: none"> <li>AMPC Compliance Audit Reports 2016 – 2020</li> <li>AMPC Certification Reports 2016 – 2020</li> <li>Stakeholder engagement: Executive and DAWE</li> </ul>	Compliance with Audit Report (SFA s34) Compliance with Certification Report (SFA s35)
Risk, Fraud Control and Intellectual property Management Plans	<ul style="list-style-type: none"> <li>AMPC Governance Policy</li> <li>AMPC Risk Management Plan 2019</li> <li>AMPC Fraud Control Plan 2019</li> <li>AMPC Intellectual Policy Plan 2017</li> <li>AMPC Reserves Policy 2019</li> <li>Discussion with AMPC Audit &amp; Risk Committee, and Executive</li> </ul>	Management of the funds (SFA s25) Regular review (SFA s14.1) - Documented process for the development and review of plans Reserves Policy (SFA s25.4)

## 4.2.2 Corporate governance

### AMPC maintains, implements and regularly reviews a framework of good corporate governance

Sections 14.1 and 14.2 of the SFA outline the requirement for AMPC to maintain a Governance Policy which includes a clear statement of AMPC’s commitment to effective governance, by including the following areas:

- Board charter;
- Matters reserved for the Board;
- Board delegations of authority;
- Charter of the Audit and Risk Committee and Nomination and Remuneration Committee;
- Board appointments, composition (including requirements for diversity and a number of independent directors), renewal and succession planning;
- Regular Board performance evaluations; and



- Code of Conduct and ethics for directors and senior management.

AMPC has implemented a Corporate Governance Policy 2020 that details its approach to these requirements. This document is updated on a biennial basis and references the requirements of the ASX Corporate Governance Principles and Recommendations.

The ASX principles have been designed for entities listed on the ASX, however the SFA outlines the requirement for AMPC to draw on these principles as a best practice guide. Given the unique nature of AMPC as an industry-owned RDC which operates in partnership with the government, the ASX principles and recommendations have been adapted to meet the governance model of AMPC. The 2016 – 2020 SFA referenced the third edition (2014) of the ASX principles, which have subsequently been updated to the fourth edition (2019). For the sake of currency AMPC’s governance has been reviewed against relevant principles identified in the fourth edition.

*Table 5: Adoption of ASX Corporate Governance Principles and Recommendations (4th Edition)*

Principle	Definition	Evidence of AMPC adoption or adaptation
Lay solid foundations for management and oversight	Clearly delineate the respective roles and responsibilities of its Board and management and regularly review their performance.	<ul style="list-style-type: none"> <li>• The 2015 Review highlighted the requirement for a Board and Committee performance evaluation.</li> <li>• During the review period AMPC engaged a third party to review and assess its Board composition against key elements for the skills based Board requirement per the SFA.</li> <li>• An internally formalised process is a requirement and would allow the Board to regularly review their individual and collective performance, and drive a culture of continuous improvement.</li> </ul>
Structure the Board to be effective and add value	Board should be of an appropriate size and collectively have the skills, commitment and knowledge of the entity and the industry in which it operates, to enable it to discharge its duties effectively and to add value.	<ul style="list-style-type: none"> <li>• AMPC’s Board composition review found AMPC to have sufficient knowledge and expertise to discharge its duties and add value.</li> <li>• The review identified a number of risks that could serve to impede this knowledge, providing recommendations for adoption by AMPC as detailed in Section 3.</li> </ul>
Instil a culture of acting lawfully, ethically and responsibly	Instil and continually reinforce a culture across the organisation of acting lawfully, ethically and responsibly.	<ul style="list-style-type: none"> <li>• This review has found that AMPC has taken reasonable actions by publicising their company values and Corporate Governance Policy 2020 on their website, maintaining a relevant Code of Conduct, Conflict of Interest Policy, Conflict of Interest Register and Whistleblower Policy.</li> </ul>
Safeguard the integrity of corporate reports	Implement appropriate processes to verify the integrity of its corporate reports.	<ul style="list-style-type: none"> <li>• AMPC has an established Audit and Risk Committee which assists the Board in supporting appropriate processes to protect the integrity of AMPC’s corporate reports.</li> <li>• The Audit and Risk Committee have been very active in reviewing, updating and/or</li> </ul>



Principle	Definition	Evidence of AMPC adoption or adaptation
Recognise and manage risk	Establish a sound risk management framework and periodically review the effectiveness of that framework.	<p>implementing further policies and practices expected of AMPC.</p> <ul style="list-style-type: none"> <li>• This review has found that AMPC has an established and active Audit and Risk Committee and appropriately discloses the frequency of their meetings in the Annual Reports throughout the review period (2015-16, 2016-17, 2017-18, 2018-19).</li> <li>• The Audit and Risk Committee has recently reviewed AMPC's risk management frameworks and plans during the review period.</li> <li>• AMPC have implemented both a definition of key risks and a register that identifies the status and controls in place to mitigate risk across the following core areas: infrastructure, program portfolios, fraud &amp; risk management, HR, cyber security, stakeholders, MLA, finance &amp; accounting, reserve management, insurance, investments, compliance and legal. This could be expanded to consider broader ESG risks to the business.</li> </ul>
Remunerate fairly and responsibly	Pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives to align their interests with the creation of value for security holders and with the entity's values and risk appetite.	<ul style="list-style-type: none"> <li>• AMPC has established a Nomination and Remuneration Committee following the 2015 Review. AMPC also discloses detail of remuneration policies and the total remuneration for key management personnel in the Corporate Governance Statement and Financial Statement contained in the Annual Reports during the review period (2015-16, 2016-17, 2017-18, 2018-19).</li> </ul>

## Constitution

The AMPC Constitution stipulates the rules governing its operations as a public company limited by guarantee. The current Constitution is dated 29 November 2016 and is a revision of the earlier Constitution dated 28 November 2013.

The SFA states that AMPC agrees to amend its Constitution if there is a conflict between the AMPC Constitution and AMPC's obligations under the SFA. The SFA also states that any change to the Constitution needs to be approved by the Minister. The Minister has delegated this authority to the Department.

AMPC is required to ensure that the Constitution remains appropriate to perform the functions of the declared industry marketing and research body, with changes to the Constitution subject to discussion with the Commonwealth.



As part of the review process, the AMPC Constitution was reviewed in the context of current AMPC operations being undertaken in line with the requirements detailed in the Constitution and that the Constitution remain appropriate as per the SFA.

As outlined above, the AMPC Constitution was last amended in 2016. Upon review of the Constitution in line with good corporate governance principles, it was evident that while the organisation has been compliant with the Constitution during the review period the Constitution should be modernised in line with more contemporary and appropriate governance requirements. In particular, the Constitution review should address Board appointment process including voting process, number of terms and the staging of Board appointments to ensure not all Directors terms cease at the same time. Additionally some further good corporate governance administration amendments such as the removal of Alternate Directors and implementation of specific direct voting procedures should be reviewed and updated.

Any revisions to the Constitution should be reviewed holistically to ensure they don't inadvertently create a governance gap within the organisation (e.g. transitioning from Special Qualification Directors to Independent Directors while ensuring the requisite skillset is maintained by the Board).

### **Board charter**

AMPC shifted to a more independent and structured governance model in 2013 (during the previous review period) following AMPC's increased investment focus and program management role. As part of this transition, AMPC developed a Board Charter effective from 2015, which outlines AMPC's requirement to have a skills based Board as required by the Constitution and SFA. In line with the ASX principles, the Board Charter addresses that the structure of the Board is to be effective and add value.

The ASX guidelines mandate the requirement for a majority of independent directors and an independent chairman to ensure that directors are not aligned with the interests of management and are able to bring an independent judgement to bear on issues before the Board. A constraint on the independence of AMPC's Board is the Board composition requirement detailed in the Constitution to comprise of seven Processor Directors and two Special Qualification Directors. Processor Directors impair independence as they are voted by members and hold close knowledge of the industry, members and market participant perspectives. The composition requirement for two Special Qualifications Directors is fundamental to enhancing independence of the Board by mitigating the risks that arise as a result of industry related Board members, which is common for entities similar to AMPC. In line with the SFA, AMPC's Audit and Risk Committee Charter specifies the requirement for the Committee to comprise of a majority of Independent Directors. This review has found that the Audit and Risk Committee currently comprises of a majority of independent directors as outlined in Section 14.4 of the SFA.

AMPC's Board Charter defines the Board's responsibility in matters relating to the strategic direction, policies and practices for AMPC. Consistent with the 2018 Board Composition Project undertaken by the Professional Partner Group, this review has found that AMPC can enhance the separation of powers between the Board and Executive to ensure the Board is focused on longer-term strategy and corporate governance and Executive is charged with full authority to deliver against the approved Strategic Plan and Annual Operating Plans.

### **Matters reserved for the Board**

Matters for the Board are communicated through the Corporate Governance Policy and Board Charter. These matters are supported through the delegations of authority, as detailed below.

The performance of the Executive General Manager (EGM) is assessed through an annual structured process which requires sign off by the Chairperson, deputy Chairperson and an Independent Director. In the later timeframe of the review period, the Board has provided clarity around the performance





measurement metrics and how these metrics are embedded in the organisational structure, for the purpose of aligning the Executive and senior management to the overall strategic plan and business objectives.

### **Board delegations of authority**

In line with the SFA, AMPC has developed a Board Delegation of Authority for specific duties and responsibilities from the Board to a Committee or Committees. The initial Delegation of Authority Policy was approved in 2017 and has since been amended in 2019, showing the timeliness of AMPC's review of the Policy. The Delegation of Authority Policy provides clear information on the approval limits delegated to the Board, EGM and employees of AMPC.

### **Board Sub-Committees**

AMPC currently has an Audit and Risk Committee and Nomination and Remuneration Committee in place. The Nomination and Remuneration Committee was implemented during the review period subsequent to the recommendation raised in the 2015 performance review. The Nomination and Remuneration Committee is a requirement of the ASX principles for the purpose of assisting the board in the oversight of AMPC's nominations and remuneration activities as related to both the Board and EGM.

In line with the ASX principles, AMPC has an Audit and Risk Committee for the purpose of assisting the Board in fulfilling their corporate governance responsibilities under the Corporations Act, Constitution, SFA and MoU. In accordance with the ASX principles, the Committee discloses in the Annual Report the members of the Committee and the number of times the Committee met during the reporting period.

It is noted that the Audit and Risk Committee has been very active and diligent in their undertakings within the review period especially from 2017.

### **Board appointment, composition, renewal and succession planning**

The Nomination and Remuneration Committee has been delegated the power to communicate recommendations to the Board regarding appointment of directors, remuneration policies and practices and general succession planning. The SFA requirement for a skills based Board requires AMPC to periodically review the individual and collective skills of directors. In best practice this is achieved by maintaining a Board skills matrix which is used to map individual directors' skills and is useful in driving succession planning and the Board appointment process. AMPC has a Board skills matrix which was last reviewed in 2017 in line with the most recent AMPC Board appointments. The Board skills matrix should continue to be reviewed and incorporated into ongoing Board performance evaluations and as part of Board succession planning.

In line with the SFA skills based Board requirement and the Director appointment process, there was limited documentation or formal AMPC policy or process on the 2017 Director appointments. While there is reference to an open call for Processor Director nominations and a proposed independent skills assessment of all applications, no formal process was documented for review. In line with the roles and responsibilities of the Nomination and Remuneration Committee and the requirements under both the SFA, Constitution and good corporate governance principles on Board appointments and skills base, a documented process is required. The process should include a specific call for the required skills via the Processor Director call for nominations and upon the close of nomination process, all nominations should be reviewed and assessed by an Independent Selection Committee against the skills and governance requirements of the Board. Following this assessment those deemed eligible should be proposed for member election at the Annual General Meeting.



Subsequent to the recommendation raised in the 2015 Review, AMPC implemented a Diversity Policy in 2016 which is a requirement to address the composition of the Board. The Diversity Policy has since been updated in 2019, suggesting that the Board is performing sufficient reviews of the Policy to ensure its relevance. The Diversity Policy applies not only to Board and Senior Management but any individual within AMPC as it seeks to foster a diverse and inclusive workplace environment.

### **Board performance evaluations**

The 2015 Review highlighted the requirement for a Board and Committee performance evaluation. This review has found that a Board performance evaluation process has not been documented since this recommendation was raised. AMPC conducted a board performance evaluation in preparation for the most recent Board appointment in 2017 and also engaged The Professional Partner Group (TPPG) to undertake an assessment of its Board in 2018 with respect to the Board's obligations under the SFA. Refer to earlier Section 3.2.1 for detailed discussion of the findings from the assessment and AMPC's actions following the external assessment. In addition to ad-hoc reviews that AMPC conducts, the Board should document a formalised annual Board performance review process. A documented process, implemented annually, will allow the Board to review the ongoing composition and skills mix of the Board and drive a culture of continuous improvement Corporate Governance culture within the organisation. An annual review process will increase in priority follow the Constitution changes to transition Board appointments to annual and on a rolling rotation.

The 2015 Review raised the recommendation that AMPC develop a policy for on Board training and ongoing professional development of directors. Directors are covered by the AMPC Staff Induction Handbook. In terms of ongoing professional development of directors it is noted that AMPC Board members have the opportunity to undertake the AICD Company Directors Course however this is voluntary for Board members. There continues to be no clear policy or process around ongoing professional development and collective training of the Board.

### **Code of conduct**

AMPC maintains a recently approved Code of Conduct, which is made available to all AMPC staff and public on the AMPC website. The Code of Conduct is embedded in the operating decision-making and behaviour of AMPC by maintaining the appropriate policies and practices such as a Conflict of Interest Policy, Conflict of Interest Register and Whistleblower Policy

### **4.2.3 Compliance audit and certification reports**

Under the SFA AMPC is required to provide the Commonwealth with a Compliance Audit Report and Certification Report within five months of the end of its financial year. AMPC's Compliance Audit Report is completed by an Independent Auditor, Nexia Court & Co. The Certification Reports are financial statements of compliance signed by the Chairperson and EGM.

This review has included the Directors Reports and Audited Financial Reports throughout the review period. The documents are in accordance with the Corporations Act 2001, Corporations Regulations 2001 and have been signed by the AMPC Board and Independent Auditor.

As a consequence of AMPC's improved Corporate Governance during the review period it has been able to deliver consistent, quality reports to comply with its obligations under the SFA and to inform key stakeholders of its strategy and progress on key activities. It is suggested that AMPC continue to drive a collaborative relationship with DAWE both in respect to the SFA, Strategic Plan, Annual Operating Plans and broader R&D outcomes. This includes AMPC ensuring the timely submission of documentation to DAWE.



#### **4.2.4 Risk, Fraud Control and Intellectual Property Management Plans**

AMPC is required to maintain, implement and regularly review a Risk Management Plan, Fraud Control Plan and Intellectual Property Management Plan for the purpose of supporting the achievement of its strategic objectives and fulfilling its governance obligations. AMPC's Risk Management Plan aligns risk management processes to following areas of the business; strategic and planning, stakeholder engagement, governance, financial, operational and program portfolio.

The review of the Risk, Fraud Control and Intellectual Property Management Plans has shown that all plans have been reviewed and finalised during the review period. The Risk Management Plan and Fraud Control Policy were last reviewed in 2019, while the Intellectual Property Plan is dated 2017 and is in the process of review as at April 2020.

##### **Documented process for the development and review of plans**

###### Risk Management Plan and Fraud Control Policy

The Audit and Risk Committee has been delegated operational oversight of AMPC's risk management and has been appointed by the Board to assist the Board in fulfilling its financial management oversight responsibilities. As such the Committee is responsible for the maintenance, implementation and review of the Risk Management Plan and Fraud Control Policy.

Ultimately the Board is responsible for risk management and recognises that effective management of risk is an integral part of good management and is vital to the growth and success of AMPC. During the review period the Committee developed a Risk Appetite for AMPC, which is included in the Risk Management Plan and is fundamental to the ongoing operations and strategic decisions of AMPC.

###### Intellectual Property

AMPC's Intellectual Property assets are recorded in its ERP and project management system on a project by project basis. AMPC's Intellectual Property Plan details that the EGM is responsible for management of IP rights and commercialisation pathways identified in the course of various projects, supported by program managers. While a record of IP ownership is kept, IP creation and protection measures must also be reported to the Board at least on an annual bases and reported to the Commonwealth and stakeholders through the Annual Report. It is recommended that AMPC review its approach and understanding, management and reporting of IP generated by its projects both with respect to its obligations under the MoU (and its future revision) and the implications of matched funding arrangements, as this is not evident through the performance review.

##### **Use of plans embedded in day-to-day activities**

It appears that the relevant governance policies and practices are made available to AMPC staff so that they are aware of the relevant corporate governance requirements associated with the operations and management of projects.

### **4.3 Summary of assessment**

AMPC has clearly improved its corporate governance over the review period, implementing a range recommendations from the 2015 Review and additional measures to improve performance.

AMPC and key stakeholders have acknowledged that the corporate governance of the organisation can continue to improve, ensuring its Corporate Governance practices around Constitution, policies, Board



versus Executive separation of powers and delivery against its Strategic Plan are in line with modern Governance expectations.

## 4.4 Recommendations

Following the assessment of AMPC's Corporate Governance performance the following recommendations have been identified.

Corporate Governance
<p>1. Undertake revisions to AMPC Constitution to modernise its governance practices, in particular:</p> <ul style="list-style-type: none"> <li>• Director terms of 3 years with a maximum of 3 terms;</li> <li>• Introduce Director election rotation to remove 'whole-of-board' election/replacement in one year and maintain corporate knowledge. Stagger election for Year 1: 3 Directors, Year 2: 2 Directors and Year 3: 2 Directors;</li> <li>• Special qualification directors replaced naming to Independent Directors and appointed by members at the Annual General Meeting election based on whole-of-board skills assessment and requirement;</li> <li>• Remove the alternate director provision;</li> <li>• Consistency of/updating reference to roles (e.g. CEO to Executive Officer); and</li> <li>• Update AGM election process to Direct Voting from Preferential Voting.</li> </ul>
<p>2. AMPC to implement a Board appointment process for Processor Directors aligned to the skills based requirement as defined under the SFA and Constitution and in line with ASX Corporate Governance principles and recommendations (within limitations of AMPC Constitution) that accounts for timeframes to call for nominations aligned to skill requirements and allows for independent review prior to voting by members at the AGM.</p>
<p>3. Continue to drive an enhanced continuous improvement Corporate Governance culture within the organisation by ensuring the SFA, Constitution and Red Meat MoU are practically leveraged in AMPC's Governance Policy to guide Board and Executive performance and delivery.</p>
<p>4. Continue to enhance the clear separation of powers between the Board and Executive. This will be achieved through the Board's continued focus on longer-term AMPC strategy, industry operating environment and Corporate Governance related matters; and the Executive being charged with full authority to make decisions and act on behalf of the organisation to ensure delivery against the KPIs and objectives detailed in the approved Strategic Plan and Annual Operating Plans.</p>
<p>5. Develop and/or review the following Board policies to align with current best practice:</p> <ul style="list-style-type: none"> <li>• Risk management framework to consider further assessment and monitoring of material exposure to environmental, social or governance risks i.e. changes to MoU, RDC reform, community attitudes;</li> <li>• Board meetings resolution register; and</li> <li>• Policy for the ongoing professional development of directors.</li> </ul>



# 5. Company structure and funding

## 5.1 Introduction

This section considers AMPC’s compliance with the SFA in respect of funding, application of the funds and membership. AMPC’s requirement to commission a performance review is also relevant as this speaks to regular assessment of the company structure and its capacity to comply with strict requirements around the collection and application of funds in the best interests of levy payers. An assessment of AMPC’s Constitution is required here to ensure it is both current and provides the requisite guidance for AMPC operations.

AMPC is the declared meat processor marketing body and meat processor research body under the *Australian Meat and Live-stock Industry Act 1997*, receiving payments of statutory levies from red meat processors. It is responsible for investing these funds into research, development and extension (RD&E) and marketing programs for the benefit of the industry and its participants as outlined in the SFA. This section of the review focuses on the compliance with the SFA in respect to structure and oversight and management of funding.

## 5.2 Assessment

### 5.2.1 Evaluation framework

AMPC performance in this section has been summarised in accordance with the evaluation framework that identifies the key review area, data source for assessment and the associated requirements of the AMPC detailed in relevant governing documentation.

The assessment of AMPC’s performance is detailed in the following sections.

*Table 6: Review framework: Company structure and funding*

Review area	Document/source	Requirement
Constitution and membership	<ul style="list-style-type: none"> <li>AMPC Constitution</li> <li>AMPC member register</li> <li>Stakeholder engagement: levy payers</li> </ul>	Membership available to all levy payers (SFA s15.4)
		Membership representative of all levy payers (SFA s15.5)
Collection and management of funds	<ul style="list-style-type: none"> <li>Annual Reports 2016 – 2020, including audited financial statements</li> </ul>	Application of funds (SFA s26)
		Audited financial reports complete and compliant (SFA s34, 35)
Performance review	<ul style="list-style-type: none"> <li>2015 Performance Review</li> </ul>	Review commissioned in accordance with Terms of Reference (SFA s18.4)
		Develop a response and implementation plan for DAWE approval (SFA s18.8)



## 5.2.2 Constitution and membership

### Constitution

The Constitution clearly sets out AMPC's requirements in admission and categories of membership, the process for conducting AGMs, including the requirements to notify members and reporting requirements of notifying members of resolutions made. This review has found that AMPC has complied with their requirements around the AGM process and that members understand the process. Additionally, the Constitution provides for membership of all levy payers as required under the SFA.

### Membership

The SFA stipulates that AMPC's role is to effectively represent and reflect the interests of its members and levy payers in respect of the industry's research and development and marketing interests. At the time of this review AMPC has 101 members operating in 129 meat processing establishments, representing more than 90 per cent of Australia's red meat processing capacity, as at FY 2019<sup>3</sup>. Membership is voluntary and all processors are eligible to apply to be a member through an application form. There is no membership fee or expiration on membership.

The SFA requires AMPC to ensure that levy payers who are not members of AMPC are advised of their entitlement to become members of AMPC and the process to become members. Additionally, AMPC is required to use reasonable endeavours to ensure that members of AMPC comprise a substantial proportion of all levy payers. At the start of the review period AMPC membership was at 124, comprising of 150 processing establishments and representing more than 97 per cent of the red meat processing capacity in Australia. Membership has currently decreased to just over 90 per cent of the processing capacity in Australia with 101 members. The decrease in AMPC's membership proportion of total levy payers could show that AMPC needs to continually review membership retention and develop mechanisms for building membership, which could be derived from AMPC's role in industry continuing to be clearly defined and communicated to stakeholders.

AMPC is required to communicate directly with members to review RD&E and marketing activity priorities and report on AMPC's performance against the Strategic Plan and Annual Operating Plans. Communication with members is documented in AMPC's Strategic Communications Plan 2015 – 2018. Communication and engagement with members occurs through channels such as the Annual Report, inclusion in consultation about key priorities, invitations to local AMPC events, subscription to AMPC's industry and R&D email updates, opportunity to participate as a processor test site and access to Plant Initiated Projects (PIP), overall giving members greater influence in their industry.

## 5.2.3 Collection and management of funds

DAWE collects levies from meat processors in accordance with the *Australian Meat and Live-stock Industry Act 1997* and *Primary Industries (Excise) Levies Act 1999 (Cth)*. The levies are then disbursed to AMPC in accordance with the SFA, for the purpose of investing into RD&E and marketing programs for the benefit of the industry and its participants. AMPC is able to apply for access to matched funds from the Commonwealth through the MLA Donor Company (MDC) for the operation of AMPC's Plant Initiated Projects (PIPs). All Red Meat Industry matched funding is provided to Meat & Livestock Australia which is made available to AMPC on application through MLA's fully owned subsidiary MDC which works to accelerate innovation in the Red Meat Industry.

The Meat Industry Strategic Plan (MISP) frames the overarching Red Meat Industry strategic objectives. Under the MoU all industry service providers provide direct input to build the strategy and use the

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<sup>3</sup> AMPC Annual Report 2018-19



overarching strategy to build their individual strategic plans and subsequently the Annual Operating Plan. AMPC's use of funds are directed by the Strategic Plan which will be discussed in detail in Section 6, and by their Annual Operating Plan which will be discussed in Section 7. In terms of dealings with key Red Meat Industry stakeholders such as MLA it would be timely to review the terms and process of engagement acknowledging the termination of the relationship agreement during the review period.

Given the substantial changes in the working relationship between AMPC and MLA, implementation of a Memorandum of Understanding (MoU) with MLA is recommended to improve the delivery and operational benefit to both levy payers, the Red Meat Industry and each organisation. The purpose of the MoU is to clearly define the processes around engagement, consultation in annual investment process, organisational, operational and reporting needs and expectations, program and investment reporting requirements, industry insights and strategic investment prioritisation process for sharing.

The *Primary Industries (Excise) Levies Act 1999* imposes the levy on beef and livestock (cattle, bobby calf, sheep, lambs and goats) payable by processors for each animal slaughtered at an abattoir for human consumption. The current rates of levies are summarised in Table 7 below.

Table 7: Slaughter Levy rate<sup>4</sup>

Sector	R&D (\$)	Marketing (\$)	Total (\$)
Beef (per kg)	0.0036	0.0024	0.0060
Sheep (per head)	0.090	0.060	0.150
Lamb (per head)	0.096	0.064	0.160
Goat (per head)	0.060	0.040	0.100

Based on the above levy rates, AMPC received approximately \$17-19 million per year over the review period to fund its operations with yearly income outlined in Table 88. Income fluctuates year-on-year due to nature of the business, being the variation in livestock slaughter numbers which will vary depending on unpredictable factors such as seasonal and market conditions.

Table 8: Income - Statutory levy (\$m)<sup>5</sup>

Financial Year (FY)	RD&E (\$m)	Marketing (\$m)	Total (\$m)
FY 2016	12.64	7.02	19.66
FY 2017	6.59	10.62	17.21
FY 2018	0.03	18.89	18.92

<sup>4</sup> AMPC levies, <https://www.agriculture.gov.au/ag-farm-food/levies/rates>

<sup>5</sup> AMPC Annual Report 2015-16, 2016-17, 2017-18, 2018-19 [Excludes matching funds from the Commonwealth, which are received by MLA rather than AMPC when funds are allocated to R&D programs]



FY 2019	10.54	8.77	19.31
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In addition to annual statutory levy income, AMPC is able to access the accumulated funds reserves, which refers to accumulated levy funds that have been received but not yet consumed. Throughout the review period the reserve balance has fluctuated between \$36m in FY 2018 to \$47m in FY 2016, with the most recent balance of \$38.05 as at 30 June 2019. Table 9 below shows the movement in the reserves balance over the review period.

Table 9: AMPC Reserves (\$m)

Financial Year (FY)	Pre-Statutory accumulated funds (\$m)	Statutory RD&E accumulated funds (\$m)	Statutory Marketing accumulated funds (\$m)	Total (\$m)
FY 2016	6.35	43.91	(3.48)	46.78
FY 2017	6.56	33.72	(1.02)	39.26
FY 2018	6.75	20.70	8.60	36.05
FY 2019	6.93	20.05	11.07	38.05

Reserves are utilised by AMPC to manage the volatility associated with levy income due as a result of the unpredictable and external factors such as seasonal and market conditions that vary livestock slaughter numbers. Following the 2015 Review recommendation, AMPC implemented a Reserves Policy effective January 2017, with latest amendments made in 2019 and currently under review in 2020 in line with the revised Strategic Plan process currently underway. The purpose of the Reserves Policy is to ensure sufficient financial reserves in supporting the efficient and effective performance of AMPC and the achievement of strategic outcomes and capacity to meet its fiduciary responsibilities, and to reduce the risk of AMPC becoming insolvent.

AMPC has developed a targeted Reserves Policy to plan AMPC's strategic income and expenditure, including the utilisation of the accumulated reserves balance. AMPC plans to follow this with the aim of achieving the targeted reserves balance at reporting date of 30 June 2020. During preparation of the Annual Operating Plan, AMPC will consider the sufficiency of the targeted reserves balance to ensure appropriate levels of reserves are maintained to encourage strategic investment, limit unnecessary accumulation of reserves and provide a foundation for cash flow imbalances. The Executive is required to review the sufficiency of reserves on a regular basis, and the Audit and Risk Committee perform an annual review.

## 5.2.4 Performance Reviews

The SFA mandates that AMPC must complete a Performance Review for submission to the Commonwealth at least six months before the expiry of the SFA. The subject of this report covers the performance review for the 2016 – 2020 period, meeting this requirement.

The 2015 Review was completed by GHD and covered the 2011 – 2015 period. The assessment of the implementation of the recommendations following the previous performance review by GHD has been discussed in Section 3.





### 5.3 Summary of assessment

As a consequence of AMPC’s improved Corporate Governance it has been able to deliver increasingly consistent reports to comply with its obligations under the SFA and to inform key stakeholders of strategy and progress on key activities.

In terms of dealings with key Red Meat Industry stakeholders such as MLA, it would be timely to review the terms and process of engagement acknowledging the termination of the relationship management agreement during the review period.

### 5.4 Recommendations

Following the assessment of AMPC’s company structure and funding the following recommendations have been developed.

Company Structure and Funding
6. Implement a Memorandum of Understanding (MoU) with MLA to improve the delivery and operational benefit to both levy payers, the Red Meat Industry and each organisation. The MoU is to clearly define the process around engagement, consultation in annual investment process, organisational operational and reporting needs and expectations, program and investment reporting requirements, process for the commercialisation of IP, process for sharing of industry insights and strategic investment prioritization process for sharing.
7. Continue to drive a collaborative relationship with DAWE both in respect to the SFA, Strategic Plan, Annual Operating Plans and broader R&D outcomes, this includes ensuring ongoing compliance with the SFA through timely engagement with and submission of compliance and audit reports to DAWE.



# 6. Company operations

## 6.1 Introduction

The Red Meat Memorandum of Understanding details how specific functions and responsibilities are allocated between key industry organisations, also providing guidance as to how these organisations are to interact with each other to progress industry initiatives.

To deliver on its obligations under the MoU, AMPC develops its Strategic Plan which is aligned with the MISP as required by the SFA. AMPC’s Annual Operating Plans are then prepared to detail how AMPC will deliver on an annual basis against its five year Strategic Plan.

The SFA requires that AMPC consults widely to inform the development of its Strategic Plan and this is articulated in its Consultation Plan, including engagement with key industry organisations such as AMIC and MLA, as well as members and other industry organisations.

AMPC has also developed its capabilities and performance as a service delivery organisation considerably during the reporting period. It is important that AMPC maintains an efficient and appropriate organisational structure to deliver on its statutory and strategic obligations. AMPC endeavour to minimise administrative costs so that the levy funds can be directed to program delivery and tangible outcomes for the industry.

## 6.2 Assessment

### 6.2.1 Evaluation framework

AMPC performance in this section has been summarised in accordance with the evaluation framework that identifies the key review area, data source for assessment and the associated requirements of the AMPC detailed in relevant governing documentation.

The assessment of AMPC’s performance is detailed in the following sections.

*Table 10: Evaluation framework – Company Operations*

Review area	Document/source	Requirement
Strategic Plan	<ul style="list-style-type: none"> <li>• AMPC Strategic Plan 2013 – 2017</li> <li>• AMPC Strategic Plan 2018 – 2022</li> <li>• Red Meat MoU</li> <li>• MISP 2020</li> <li>• AMPC Consultation Plan 2018 – 2022</li> <li>• Stakeholder engagement – AMPC Chair and Executive, members and other key stakeholders</li> </ul>	Develop and maintain a Strategic Plan (SFA s30), including: <ul style="list-style-type: none"> <li>- Review on an annual basis, consulting with and approved by DAWE</li> <li>- Clear linkages to the MISP</li> <li>- Informed by the implementation of a Consultation Plan</li> </ul>



Review area	Document/source	Requirement
Organisational Structure	<ul style="list-style-type: none"> <li>• AMPC Constitution</li> <li>• Organisational chart</li> <li>• Stakeholder engagement – AMPC Board and Executive, members and other key stakeholders</li> </ul>	Consistent with Constitution Organisational chart structured in line with Strategic Plan

## 6.2.2 Strategic Plan

Section 30 of the SFA requires AMPC to maintain a Strategic Plan that detail its:

- roles and responsibilities as the declared research body for the processing sector.
- investment priorities and planned outcomes.
- key deliverables and performance indicators.
- programs, including key activities undertaken.

The Strategic Plan is to provide clear linkages to MISP 2020 to articulate an overall clarity of purpose for AMPC with respect to the activities of the broader industry.

AMPC has two Strategic Plans applicable to the review period, the Strategic Plan 2013-2017 and the Strategic Plan 2018-2022. As further discussed below AMPC is currently revising the 2018 – 2022 Strategic Plan to finalise a Strategic Plan 2020-2025 for the purpose of re-aligning to the wider industry strategic planning timeframe. The Strategic Plan 2018 – 2022 saw material improvements through the introduction of refreshed strategic initiatives, with a clearer purpose, mission and strategy.

### Provide clear linkages between the Strategic Plan and MISP

The AMPC Strategic Plan 2018 – 2022 clearly details initiatives and linkages to MISP priorities. The following AMPC Strategic Themes are mapped to MISP priorities:

- Shape the future of the industry
- Unlock markets
- Protect and promote the industry
- Build enduring industry relationships
- Diversify funding sources
- Strengthen capabilities to become a world-class R&D organisation

AMPC will need to re-validate these strategic themes and their alignment with the revised MISP 2030 following its launch. During this review, it has been advised that AMPC is currently working through a revision of the 2018 – 2022 Strategic Plan to develop the 2020 – 2025 Strategic Plan which aligns with the MISP 2030 development timeframes.

It is key to recognise that AMPC has identified independently to this review, the need to align their Strategic Plans with the broader Red Meat Industry timeframes including the MISP, the SFA period and MLA’s Strategic Plans. It is encouraged that AMPC to finalise the 2020 – 2025 Strategic Plan by 30 June 2020 to ensure ongoing alignment and to further drive collaboration and cross-industry focus on the identified Red Meat Industry priorities, delivery enhanced benefits for both red meat processing levy payers however broader Red Meat Industry levy payers and stakeholders.



## **Consulting with the industry to develop the Strategic Plan**

The SFA outlines the requirement for the Strategic Plan to be developed in consultation with AMPC levy payers, the Commonwealth, prescribed industry bodies and other RDCs as deemed appropriate. The AMPC Consultation Plan 2018 – 2022 clearly defines the important role that consultation plays in the implementation of AMPC’s mandated activities. The document identifies methods, key stakeholders and high level findings of stakeholder engagement that are incorporated in governing documents including the AMPC Strategic Plan 2018 – 2022 and its Annual Operating Plan (which will be discussed in detail in Section 7). A more detailed review of the effectiveness of AMPC’s consultation plan will be discussed in Section 8.

Following recommendations in the 2015 Review, AMPC developed a Consultation Plan 2018 – 2022 to both detail the process by which key stakeholders would be engaged in the Strategic Plan process and to act as a record of the specific concerns and challenges of each sector (e.g. Government, members, producers, communities, customers, consumers, industry bodies, service providers and research partners) for future reference as RD&E programs were designed.

Stakeholder consultation as part of this review verified that AMPC undertook engagement and consultation with its key stakeholders to inform the development of its 2018 – 2022 Strategic Plan. A revision to the consultation plan that provides the basis for the development of the 2020 – 2025 Strategic Plan has not been sighted, giving rise to the assumption that the current version continues to guide AMPC in this regard.

## **Review the Strategic Plan each year in accordance with the SFA**

AMPC regularly utilise the Strategic Plan as the key reference point for the development of consistent documentation including its Annual Operating Plan, Evaluation Framework and Consultation Plan. These documents expressly reference the requirements of the SFA and detail the relevance of each document to the Strategic Plan.

## **Provide stakeholders with access to the Strategic Plan**

AMPC’s past and current strategic plans are made available to levy payers, stakeholders and the general public on the AMPC website, making them easily accessible to a range of stakeholders.

### **6.2.3 Organisational structure**

#### **Organisational structure facilitates achievement of company objectives**

AMPC’s structure for service delivery has undergone substantial change over the review period as it has met an increased responsibility of RD&E program delivery. Prior to 2013 MLA was primarily responsible for managing RD&E and marketing programs on behalf of AMPC while AMPC acted as a program funder. As of FY 2014, AMPC became responsible for the investment and management of Core R&D funds, requiring an updated organisational structure to meet the new demands of AMPC’s business. The organisational structure in Figure 3 incorporates two key areas being R&D (service delivery) and Corporate (administrative, communications and finance functions). R&D is segmented into four distinct areas with a separate program manager for each, with an overall increase in the number of staff from 12 in 2015 to 16 in 2020.

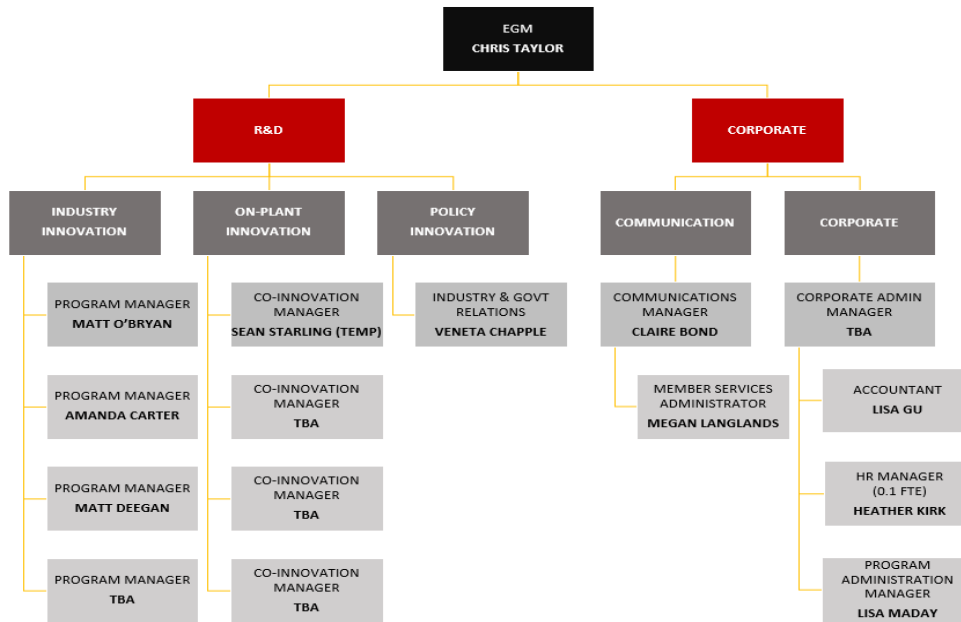


Figure 2: AMPC Organisational Structure (March 2020)

Changes to AMPC’s organisational structure have focussed on creating a more commercially oriented business grounded in service delivery. Through this review it has been found that changes to the organisational structure have been centred around enabling the EGM to focus on managing the business of AMPC in line with its strategic direction and the reordering and review of resourcing in line with the effective delivery of RD&E programs including the re-established Plant Initiated Projects program.

This has been supported by enabling senior staff to be responsible for their specific areas of expertise such as innovation, R&D program and communications management. For example, the current structure has seen the introduction of a member services role which will enhance member engagement by a full time resource being made available to address member needs. AMPC has also introduced a part time human resources manager during the review period. This has enabled the implementation of policies and processes for the on boarding, performance review and off boarding of employees during the latter part of the review period. Enhancing the initial and ongoing management and development of staff through streamlined policies and systems will help AMPC to maximise employee performance to meet the business’s goals and objectives.

AMPC and key stakeholders have acknowledged that high staff turnover has been a challenge during the review period. This review has suggested that staff turnover has resulted in some disruption of the communications and R&D program management areas of the business however the impact has not been material on the overall outputs and program impacts of the organisation.

Changes in organisational leadership during the review period have resulted in material performance improvement within AMPC recognised by both internal and external stakeholders consulted as part of this review. It is found that the staff turnover rates appears to have slowed down during the latter period of the review (2019-2020) as AMPC has addressed the required performance and structural changes required within the organisation during the review period laying the right organisational structure to support future strategic direction. AMPC recognises the importance of staff retention to maintain corporate knowledge, facilitate effective R&D program management and enhance stakeholder relationships given the nature of the business.



### 6.3 Summary of assessment

It has been observed that AMPC has made substantial improvements in the alignment of their strategic direction and organisational structure during the review period. AMPC is working to achieve this by shifting to a R&D service delivery model approach.

It was acknowledged that the high level of staff turnover during the review period has impacted the continuity and consistency in approach and performance. A focus on service delivery, member benefit and rebuilding corporate knowledge across the organisation will continue to drive performance of the business and ultimately benefit levy payers.

### 6.4 Recommendations

Following the assessment of AMPC's company operations the following recommendations have been developed.

Company Operations
8. Continue to drive an industry insights and service delivery model approach to AMPC strategic planning, aligned with broader Red Meat Industry priorities and clearly define AMPC investment and role through the the finalisation of the 2020 – 2025 Strategic Plan by 30 June 2020 and effective implementation across the organisation prior to the end of the current SFA in November 2020. This also ensures AMPC's alignment with broader Red Meat Industry horizons (i.e. Red Meat 2030, MISIP 2020 – 2030 and MLA's Strategic Plan).



# 7. Program planning and effective delivery

## 7.1 Introduction

This section reviews the ways in which AMPC delivers on its Strategic Plan, particularly through the implementation of its Annual Operating Plans.

AMPC invests in three key programs – Core, Joint and Plant Initiated Projects. Investment in each program is informed by consultation with key program stakeholders to develop its Strategic and Annual Operating Plans that are provided to DAWE for approval on an annual basis. As with all SFA required plans, AMPC’s Annual Operating Plans need to be approved by the AMPC Board and the DAWE.

AMPC consults with its PIC, AMIC, through an agreed R&D Development Process to identify, review, scope and approve projects for tender with research providers.

AMPC’s program delivery is particularly reliant on its working relationship with MLA, as they both contribute funding to Core, Joint and PIP projects. It is of great importance that MLA and AMPC have a productive working relationship as priorities are set for research and areas of alignment and/or duplications are identified. The recommendation in Section 5 speaks to the importance of clarity and efficiency in funding, but it is also relevant in this section as it relates to program planning and delivery.

## 7.2 Assessment

### 7.2.1 Evaluation framework

AMPC performance in this section has been summarised in accordance with the evaluation framework that identifies the key review areas, data source for assessment and the associated requirements of the AMPC detailed in relevant governing documentation.

The assessment of AMPC’s performance in program planning and delivery is detailed in the following sections.

*Table 11: Evaluation framework – Program planning and delivery summary*

Review area	Document/source	Requirement
Program Planning and Implementation	<ul style="list-style-type: none"> <li>Annual Operating Plans 2016 – 2020</li> <li>Annual Reports 2016 – 2020</li> <li>AMPC Program Governance Policy</li> </ul>	Develop an Annual Operating Plan to implement its Strategic Plan (SFA, s32), including: <ul style="list-style-type: none"> <li>- Activities funded</li> <li>- Performance indicators, metrics and deliverables</li> <li>- Estimates of income and expenditure</li> <li>- Detail on implementation and operationalisation of balanced portfolios</li> </ul>



Review area	Document/source	Requirement
	<ul style="list-style-type: none"> <li>AMPC Project Development Process</li> <li>AMPC PIP Policy</li> <li>Stakeholder engagement: DAWE, AMPC Executive, levy payers</li> </ul>	
Collaboration	<ul style="list-style-type: none"> <li>Strategic Plan 2018 – 2022</li> <li>Annual Operating Plans 2016 – 2020</li> <li>Consultation Plan 2018 – 2022</li> <li>Stakeholder engagement – AMPC Executive, members, MLA, AMIC and RMAC</li> </ul>	<p>Detail collaboration with industry and research providers in Annual Reporting (SFA, s33.2)</p> <p>Role and scope of AMPC, AMIC and MLA (Red Meat MoU (s5.2 &amp; 6.2) and MLA (s6.1))</p>

## 7.2.2 Annual Operating Plan

### The process for the development of Annual Operating Plan

Building on the key themes identified in its Strategic Plan, AMPC has consulted with its members and key stakeholders to identify top issues of concern to the sector. In 2018 this process identified the following issues:<sup>6</sup>

1. Labour;
2. Energy;
3. Market access;
4. Water and waste;
5. Technology, automation and productivity;
6. Regulatory burden, industrial relations and compliance;
7. Packaging;
8. Herd levels;
9. Consumer trends and education; and
10. Animal welfare and social license to operate.

AMPC’s Annual Operating Plan (AOP) details the process by which portfolios and programs are developed and balanced to deliver value for levy paying members, including consideration of the following factors:<sup>7</sup>

- Alignment: to member, industry and government priorities;
- Participation: opportunities for industry collaboration and participation in trials/tests;
- Adoption: opportunity for practical outputs for processors;
- Gaps: opportunities not yet addressed by the existing research;

<sup>6</sup> AMPC Annual Operating Plan 2019-20, pg. 7

<sup>7</sup> AMPC Annual Operating Plan 2019-20, pg. 14-15





- Continuance: building on previous R&D activities and avoiding duplication;
- Duration: short, medium, and longer-term priorities;
- Horizon: adjacent, incremental and transformational projects;
- Risk: technical, provider, financial risks and mitigation activities; and
- Outcomes: extent of industry return on AMPC's research investment.

### **Alignment of Annual Operating Plan with Strategic Plan and SFA**

The AOP clearly outlines alignment of each program to the MISP, R&D priorities, National Science & Research Development Priorities, and AMPC investment portfolios.

#### **7.2.3 AMPC Program Delivery**

AMPC's program delivery is aligned with the MISP 2020 and its strategic focus on the following strategic pillars:

- Consumer and community support
- Market growth and diversification
- Supply chain efficiency and productivity
- Productivity and profitability

AMPC supports these industry strategic pillars in the following three key ways.

#### **Core Program**

The Core Program is AMPC's primary RD&E program. It addresses key issues facing processors in terms of productivity, profitability, sustainability, integrity and capability. The Core Program was previously the responsibility of MLA however since FY 2014 it has been administered and delivered by AMPC, and supported by an industry-wide consultation process aimed at identifying and delivering innovative outcomes. Funding for this program comes from processor levies and is matched by government funding (where applicable).

#### **Joint Program**

The Joint Program generates supply chain improvements which support food safety, eating quality and increased market demand for red meat domestically and internationally. The program is collaboratively funded by AMPC and MLA, using both processor and producer levies, as well as government matched funds for eligible activities. MLA and AMPC facilitate development across the Red Meat Industry processing sector, establishing targets for joint activities. Activities include RD&E, marketing and market access programs, and are agreed within MLA's Annual Operating Plan. MLA are required to provide program reporting on the Joint Program to AMPC.

#### **Plant Initiated Projects Program**

The Plant Initiated Projects (PIP) Program is a mechanism for leveraging additional private investment in industry RD&E programs. It enables processors to identify and undertake RD&E projects that can generate benefits for the whole red meat processing sector. It fosters the transition to and adaption of new technologies at operating plants under real world conditions.

The program allows AMPC members to access part of their statutory levies, accumulated over a five-year period for the purpose of carrying out research and development initiatives in their own plant.



Members have five financial years to use funds accumulated in their PIP balance. This program is eligible for 50 per cent government matched funding.

In line with section 5, due to the intersection between AMPC and MLA around funding and program delivery, collaboration and engagement between AMPC and MLA is crucial and as per recommendations the establishment of a MoU between the two organisations is required.

### 7.2.4 Program Governance

AMPC developed a Program Governance Policy in 2018 (subsequently updated in 2019) to ensure:

- appropriate controls are in place to invest funds in a manner consistent with the expectations of levy payers and AMPC legal obligations;
- projects are given adequate consideration of the value and risks; and
- access to Commonwealth Matched Funds via MLA are secured on a project-by-project basis.

This Policy is currently under review and will incorporate improvements AMPC has identified to be applied across the project lifecycle. These improvements consider the following tasks and allow for an iterative process incorporating further information from key stakeholders throughout the process:

- source of the project idea (e.g. Strategic Plan, AMIC, AMPC member);
- project scoping considerations;
- formalised RFP development process; and
- revised project approval process.

### Document planned expenditure

Five year budget financials are provided in the first instance in AMPC’s Strategic Plan. These budgets include planned income, expenditure and levy reserve balances.

The Strategic Plan informs the AOP which provides detail on planned expenditure by type (Core, Joint, PIP and Corporate), by program and by Program and Type as noted in the figure below.

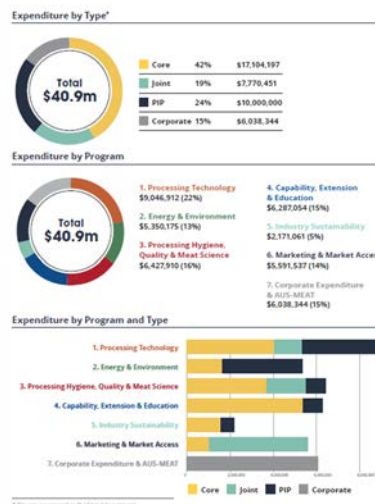


Figure 3: AMPC annual budget by Type, Program and Combined<sup>8</sup>

<sup>8</sup> AMPC Annual Operating Report 2019-20, page 41



AMPC's expenditure of collected levies has fluctuated significantly throughout the reporting period. This is due to a variety of factors including project specific variation but is primarily caused by overarching program development and execution. Continued efforts to align AMPC's Strategic Plan, Annual Operating Plans and engagement with key stakeholders including project partners and PIC's will serve to provide consistency for the project pipeline and associated expenditure.

Table 12: AMPC Budget vs. Actual Expenditure<sup>9</sup>

Financial Year	Budget	Actual	Variance %
2016-17	19,911,292	26,181,900	-31%
2017-18	35,874,343	22,714,781	37%
2018-19	33,681,554	16,265,031	52%
2019-20	34,874,649	28,279,339	19%

Note: 2019-20 is forecast as at 31 March 2020

### 7.2.5 Collaboration

AMPC recognises collaboration is important with both its members and other organisations throughout the industry. The Red Meat MoU identifies the structured way in which AMPC is to engage with MLA and AMIC in the development of their respective plans.

Stakeholder consultations have identified that more recently in the review period AMPC has made an improved effort to collaborate with Red Meat Industry stakeholders. This has consisted of regular conversations between the executive of AMPC, AMIC and MLA, in addition to interactions of operational staff at program specific levels. AMPC must exhibit a continued focus on collaboration with these organisations to ensure that they collectively share insights to deliver R&D services and provide targeted outputs to inform industry advocacy activities.

A range of initiatives including R&D development processes (in consultation with AMIC as per MoU requirements as PIC) have been established and these processes must be reflected in AMPC's strategic and operational plans to ensure these processes are embedded, providing for clear channels of communication and ultimately, delivery of R&D outcomes that can support AMIC's advocacy efforts on behalf of the processing sector.

This is exhibited at a variety of levels, including:

- Delivery of Core Programs working with multiple industry organisations;
- Delivery of Joint Programs with MLA;
- Delivery of PIP Programs with AMPC members; and
- Engagement with AMIC on both the design of RD&E programs and project outcomes to inform advocacy efforts for the processing sector.

### 7.2.6 R&D Extension and Adoption

In the way AMPC's R&D is structured, in particular the PIP Program and Core Program, industry extension and adoption is typically embedded in the R&D project scope itself. In many Core Programs it was evident that industry engagement and consultation formed key components of the R&D project scope, with a focus on regular updates and more immediate R&D insights shared with levy payers in a

<sup>9</sup> Data provided by AMPC



more iterative and incremental approach rather than solely as an extension at the end of the R&D. These allowed industry to adopt and on-board insights in a more timely manner. In respect to the PIP Programs, as these are plant initiated, the extension and adoption is core to the intent of these programs. We have observed that the nature of AMPC's levy payer base requires the organisation to deliver tangible R&D outcomes for members to leverage within their businesses in a more timely and responsive period. AMPC's Core Programs are also supported by regular industry engagement including seminars such as the Processor Forums delivered nationally and more recently through channels such as webinars. AMPC's continued focus on being a service delivery model will also strengthen its need to focus on continued industry extension and adoption.

### **7.3 Summary of assessment**

AMPC have made a concerted effort during the review period to focus on service delivery in addition to traditional program funding. Stakeholder feedback has been positive with respect to AMPC's increased management of PIPs.

AMPC's ability to implement a logical, transparent and consultative program development process will be critical to achieving buy-in from its members and key project partners including AMIC and MLA. The identification of clear links to both its Strategic Plan and the MISP will reinforce the benefits of AMPC delivered programs, highlighting where AMPC work is both informed by others and also supports broader industry priorities.

### **7.4 Recommendations**

Following the assessment of AMPC's program planning and delivery the following recommendations have been developed.

<b>Program Planning and Efficient Delivery Recommendations</b>	
9.	Finalise updates to the Project Governance Policy, including whole of program development process.



# 8. Engagement, consultation and communication

## 8.1 Introduction

In a complex sector, AMPC's engagement with its members, the broader industry, government and research providers is critical for effective service delivery. AMPC implemented a Strategic Communications Plan in the review period (2015 – 2018) and it is understood that AMPC is adhering to this plan which is currently under review to support the development of its 2020 – 2025 Strategic Plan.

Stakeholder feedback suggests that AMPC's communication, engagement and consultation was inconsistent early in the review period, improving particularly in the last 12 – 18 months. Stakeholders require AMPC to exhibit greater clarity of purpose, role and value, and this can only come through enhanced and constructive engagement with members and the broader industry. In line with its Strategic Plan, AMPC should look to consistently communicate the progress and outcomes of its R&D programs with members and the industry to ensure engagement is achieved not only in the consultation phase when developing plans, policies and programs, however when important work is underway and once it has been delivered (refer recommendation 10 in Section 7). This will serve to clarify any misconceptions as to the industry's understanding of AMPC's role as an R&D service delivery provider.

AMPC's Strategic Communication Plan has been developed in line with the requirements of the SFA, together with its Consultation Plan 2018 – 2022 that has informed the development of the Strategic Plan for the same period. These documents have also incorporated feedback from the 2015 Review.

## 8.2 Assessment

### 8.2.1 Evaluation Framework

AMPC performance in this section has been summarised in accordance with the evaluation framework that identifies the key review area, data source for assessment and the associated requirements of the AMPC detailed in relevant governing documentation.

The assessment of AMPC's performance in engagement, consultation and communications is detailed in the following section.



Table 13: Evaluation Framework – Engagement, Consultation and Communication

Review area	Document/source	Requirement
Engagement and Communication	<ul style="list-style-type: none"> <li>AMPC Strategic Communications Plan 2015 – 2018</li> <li>AMPC Consultation Plan 2018 – 2022</li> <li>Board meeting minutes 2016 – 2020</li> <li>Stakeholder engagement: AMPC Audit &amp; Risk Committee, Executive members and other key stakeholders incl. government and industry, business partners</li> <li>AMPC consultation documents</li> </ul>	<p>Consultation with industry (SFA, s28)</p> <p>Information on activities (SFA, s29)</p>

## 8.2.2 Consultation, engagement and communications with industry

AMPC are required to consult with industry to review R&D priorities and report progress against Strategic and Operational Plans. To guide engagement with the industry AMPC developed and implemented its Strategic Communications Plan 2015 – 2018. A new plan is under development in line with the latest iteration of the Strategic Plan (2020 – 2025).

From an engagement and communication perspective, a number of stakeholders identified that the role and purpose of AMPC was not always clearly understood. This relates to a perception of AMPC at times undertaking activities of a PIC, namely industry advocacy at stages during the review period. Stakeholders recognised that AMPC were required to investigate and engage with industry to understand issues relevant to both the scoping, implementation and adoption of its research, however cautioned them to bear in mind the distinction of responsibilities of Red Meat Industry organisations as identified in the MoU.

The absence of a Strategic Communications Plan for the period of 2018 – 2020 was noted and the development of a new plan as soon as possible in line with the 2020 – 2025 Strategic Plan will only strengthen and ensure clarity of role, continue to improve communication with stakeholders through targeted and appropriate channels, and inform the ongoing implementation of the new Strategic Plan.

### AMPC members

The Strategic Communications Plan 2015 – 2018 was informed by the outcomes of a member insights survey in 2014. This survey identified the need for AMPC to have clearer messaging about its role and function. Of the respondents surveyed, 57 per cent rated their knowledge of AMPC as average (33%), poor (12%) or very poor (12%). Considering that survey respondents were likely to be more engaged with AMPC than those who chose not to participate, there is an opportunity to build member and stakeholder understanding of the role and function of AMPC.

Members consulted during this process provided positive feedback about the contribution of AMPC to the development of the processing sector, with encouragement to continue a forward looking perspective on research to both reduce costs and add value. The AMPC managed PIP programs were also received particularly well. Members also noted that timely, personal and consistent communication and engagement would only continue to strengthen the benefit they receive from the organisation.



## Red Meat Industry organisations

All stakeholders recognised the Red Meat Industry to be complex. Many observed that while PICs and RDCs were working in the best interests of their respective members there were many opportunities to reduce duplication of efforts. AMPC's continued efforts to refine its operating rhythm with key organisations including RMAC, MLA and AMIC will serve to identify areas of collaboration and delegation between these groups, along with opportunities for important cost savings for all involved which will serve to provide better value for all levy payers.

Key stakeholders identified the establishment of regular meetings with AMPC to be of importance to align approach to key issues outside of formalised consultation processes. AMPC also recognised this need and have been actively working with these groups to establish regular informal discussions to increase visibility of its operations.

At an operational level, a number of stakeholders also identified that there was a need for AMPC to ensure new staff were appropriately briefed on both administrative (funding arrangements) and operational (program management) aspects of the business. Improvement in this area was believed to improve the efficiency of dealings with other organisations. A continued focus on AMPC's staff induction processes and transfer of corporate knowledge will serve to address these concerns.

## Research providers

The research sector provided positive feedback from their experience with AMPC over a range of project durations and values. Areas for improvement included the consideration of ways to incorporate researchers in project development processes to both provide their expertise to project formation but also allow for alignment of resourcing and capabilities in line with AMPC priority research areas.

High staff turnover was also acknowledged as disruption to projects and the program development process. Projects ultimately proceeded as planned, but were not completed as efficiently as possible due to these temporary delays.

### 8.2.3 Information on activities

AMPC are required by Section 29.1 of the SFA to make the following information available on its website (unless exempt on privacy and/or commercially sensitive grounds):

- this Agreement;
- AMPC's Governance Policy developed in accordance with clause 14.2;
- AMPC's Strategic Plan and Consultation Plan (including any public submissions received);
- the priorities used by AMPC to determine which projects it will fund;
- an overview of planned outcomes and Programs to achieve those outcomes;
- key Research and Development Activities (including Extension) and Marketing Activities which AMPC is funding;
- AMPC's Evaluation Framework and the outcomes of evaluations;
- AMPC's Annual Operational Plan;
- AMPC's Annual Report;
- Performance Review Report and AMPC's response to the Performance Review Report recommendations
- Public submissions received on the development of its Strategic Plan

All documentation is available on the website, except AMPC's response to the 2015 Review recommendations, along with public submissions received during the development of its Strategic Plan.



AMPC could consider the publication of a summary of information sources mapped against SFA requirements and it is noted that AMPC's website is currently under review and may well in future provide an appropriate location for this purpose.

### 8.3 Summary of assessment

AMPC have addressed the recommendations from the 2015 Review and are actively working on a new Strategic Communications Plan.

The most recent detailed assessment of membership views appears to be the Member Insights Study completed prior to the development of the 2015 – 2018 Strategic Communications Plan. Reviewing member & key stakeholder views in the current environment will assist the development of the revised communications plan and other key documents.

AMPC have complied with consultation requirements for the development of its key documents, including consultation with DAWE and key industry organisations.

It was highlighted that during the review period the role and function of AMPC has not been fully understood by industry.

The new revised communications plan will need to be informed by the 2020 review recommendations to improve the operating approach for interaction between AMPC and key Red Meat Industry stakeholders including RMAC, AMIC and MLA.

### 8.4 Recommendations

Following the assessment of AMPC's engagement, consultation and communication the following recommendations have been identified.

Engagement, Consultation and Communication Recommendations
10. Continue to focus on effective engagement and consultation with AMIC as RO/PIC per recently agreed consultation process. To ensure ongoing benefits to levy payers and the wider Red Meat Industry, the consultation process should continue to focus on effective and regular engagement above the minimum requirements as detailed in the Red Meat MOU (refer minimum 6-monthly consultation and engagement with AMIC during strategic planning and annual operating planning processes).
11. Finalise Communications Plan by 30 June 2020 and ensure effective implementation prior to end of current SFA period in line with the 2020 – 2025 Strategic Plan. The Communications Plan should continue to provide clear definition of AMPC's role as an RDC and service delivery organisation within the Red Meat Industry; timely updates on RD&E project scoping, status and outcomes; and ensure appropriate engagement and updates to levy payers, members, Red Meat Industry, research providers and Government stakeholders.





# 9. Delivery of benefits

## 9.1 Introduction

AMPC exists to deliver benefits to red meat processing levy payers and public tax payers via the Commonwealth Government. To review the performance of its various programs and overall service delivery AMPC has developed an Evaluation Framework in accordance with Section 31 of the SFA. The Evaluation Framework must be reviewed and updated within six months of the effective date of the next iteration of the SFA which will also align to and be informed by the assessment of performance of the new 2020 – 2025 Strategic Plan.

The Evaluation Framework is used to guide AMPC’s reporting on program delivery through a variety of means, including its Annual Report and other platforms including its website, member communications, industry events, workshops and social media. It is imperative that the Evaluation Framework is consistent with and enhanced by AMPC’s Strategic Communications Plan to ensure that AMPC stakeholders are made aware of RD&E benefits in a timely and structured manner.

AMPC commissioned a ROI study during the Review Period and should look to implement regular reporting of this nature in addition to its Strategic Plan to keep levy payers informed of project benefits and also AMPC and its key stakeholders on areas for improvement with respect to project selection, scoping, implementation and adoption.

## 9.2 Assessment

### 9.2.1 Evaluation Framework

AMPC performance in this section has been summarised in accordance with the evaluation framework that identifies the key review area, data source for assessment and the associated requirements of the AMPC detailed in relevant governing documentation.

The assessment of AMPC’s performance is detailed in the following sections and summarised collectively in the Appendix.

*Table 14: Evaluation Framework – Delivery of Benefits*

Review area	Document/source	Requirement
Evaluating Performance	<ul style="list-style-type: none"> <li>• AMPC Evaluation Framework 2017</li> <li>• Annual Reports 2016 – 2020</li> <li>• Annual Operating Plans 2016 – 2020</li> <li>• Annual Reports 2016 – 2020</li> <li>• Program Overview 2015 – 2017</li> <li>• AMPC ROI impact analysis</li> <li>• Stakeholder engagement: AMPC Board and Management,</li> </ul>	Development of an Evaluation Framework (SFA, s31) that: <ul style="list-style-type: none"> <li>- Is consistent with AMPC’s Strategic Plan</li> <li>- Ensures key performance information is collected and monitored</li> <li>- Includes a structured plan for the evaluation of the efficiency, effectiveness and impact of key investments</li> </ul>



	members and other key stakeholders incl. government and industry, business partners	- Includes a means of publishing and disseminating research
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## 9.2.2 AMPC's Evaluation Framework

### Evaluation Framework consistent with AMPC's Strategic Plan

AMPC's Evaluation Framework is consistent with its Strategic Plan and reinforces the necessity of clear and regular reporting to enable an assessment of performance across the Core, Joint and PIP program categories.

### Key performance related information is routinely collected and monitored

Key performance information including milestones and project data are adequately captured through AMPC's ERP and Project Management System.

### Structured plan for the systematic evaluation of the efficiency, effectiveness and impact of AMPC's key investments

AMPC's Evaluation Framework 2017 explicitly references the requirements of the SFA and the alignment of AMPC's programs to its 2018 – 2022 Strategic Plan and the overarching pillars of the MISP 2020. From a process point of view, the Evaluation Framework incorporates:

- Consideration of the program lifecycle – the need to assess at the point of investment, during implementation and upon completion;
- Evaluation groups – focused on grouping programs at a portfolio level (with specific reviews at a project or program level depending on the timing, size, type, expenditure, risk, uncertainty and involvement with other organisations);
- Ex Ante evaluation under its Portfolio Development Process – including implementation of its Project Assessment Tool (PAT) to determine if AMPC should accept, reject or consider a given project;
- Evaluation during projects – including milestones and contractual requirements, reviewing progress against the stated project objectives;
- Post project evaluation – again, to review contractual obligations, project outcomes, future recommendations, communications and marketing outcomes, industry adoption; and
- Outcome evaluations – which allow AMPC to evaluate results at a strategic lens (e.g. over a 5-year period in line with the Strategic Plan), also considering external context including Government and other RDC evaluations.

## 9.2.3 ROI reporting

### GHD report

Consistent with AMPC's Evaluation Framework, GHD were commissioned to perform a post impact assessment on three projects from AMPC's 2018/19 R&D Program. For the purpose of the project, the impact assessment was taken on projects from different sub-programs, including:

- Processing technologies;
- Processing hygiene, product integrity and meat science; and
- Industry improvement and economic analysis.

The benefit cost analysis used Present Value of Benefits (PVB) and Present Value of Costs (PVC) to



estimate Net Present Value (NPV) and Benefit Cost Ratio (BCR) at a discount rate of 5%. The Internal Rate of Return (IRR) and Modified Internal Rate of Return (MIRR) were also estimated from the annual net cash flows.

The analysis took a conservative approach in identifying benefits, excluding the some identified benefits due to weak, uncertain or casual relationships between research investment and R&D outcomes, or if the magnitude of the value of the benefit was thought to be minor. Examples of unquantified benefits included improved yield, improved quality, reduced labour costs, improved energy efficiency of plant, improved worker safety and hygiene, and improved animal welfare outcomes.

The quantified benefits were impressive as detailed in the table below:

*Table 15: Economic impact assessment in 2019 GHD study (3 project average)<sup>10</sup>*

Category	Value
Total costs	\$10.60
Total benefits	\$1.40
NPV	\$9.20
BCR	7.57
IRR	25%

AMPC acknowledged that the returns are much higher than typical rural industry R&D, and included a particular project with an abnormally high BCR.

In addition to the GHD study, additional impact evaluations have been completed by AgEconPlus in 2019 and through the commissioning of internal reviews (refer George Revell, 2018).

Through these impact assessments, AMPC has demonstrated its capacity to measure performance and return on its portfolio investments. Additionally, these additional assessments have not been fully detailed in the Evaluation Framework and it is recommended that AMPC update the Evaluation Framework to reflect the more structured and consistent approach demonstrated on monitoring and measuring impact.

It should also be acknowledged that there are efforts underway across the Red Meat Industry to align, where possible, impact assessment and benefits tracking between the RDCs and Red Meat 2030 efforts so that collective impact can be better measured and understood. Any updates to AMPC’s Evaluation Framework and approach to impact assessments should be considered in the context of the broader industry approach.

### 9.2.4 Documentation of outcomes

#### **Research and Development outcomes and the outcomes of evaluations are published and disseminated**

##### Annual Reports

Show both active and completed projects for the given financial year. This includes detail on project status, objectives, outputs and benefits to industry, applied across each Program that aligns with the Strategic Plan and MISP.

<sup>10</sup> GHD, AMPC Ex-Post Impact Assessment Program (Draft), 11 October 2019



## Project Reports and Snapshots

Made available on AMPC’s website, these documents provide detailed and summarised information on the outcome of projects and have been well received by stakeholders consulted throughout this process.

### **9.3 Summary of assessment**

AMPC have implemented recommendations from the 2015 Review including an overarching Evaluation Framework (2017). This document can be reviewed in the context of AMPCs work in preparation for its latest Strategic Plan and any amendment to the process implemented as part of that review.

Benefits of AMPC programs are detailed in Annual Reports and via project specific updates to members and the broader industry. GHD’s 2019 ROI assessment report of selected sub-programs, along with additional and subsequent assessments from AgEconPlus and internal reporting have provided a replicable model to continue to assess the ROI of AMPC’s RD&E investments and should be further detailed in the Evaluation Framework. AMPC should also take into account the broader Red Meat Industry impact assessment alignment efforts into how it undertakes future internal assessments.

### **9.4 Recommendations**

Following the assessment of AMPC’s delivery of benefits the following recommendation has been identified.

#### **Engagement, Consultation and Communication Recommendations**

12. Update the Evaluation Framework to reflect the more structured and consistent Research Programs impact assessment process that has been implemented in 2018 and 2019 (i.e. annual reviews of selected programs), in addition to the existing 5-year Strategic Plan impact assessment and overall ROI.



# 10. Conclusion and recommendations

## 10.1 Conclusion

AMPC has made substantial progress in respect of both its corporate governance and operations during the review period, with particular improvement in the past 12-18 months as confirmed by key stakeholders and documented during the performance review assessment. Specific areas of progress include the implementation of the key recommendations from the 2015 Review with respect to corporate governance, with particular focus on risk management, Board skills and performance, and currently demonstrated through a greater level of focus on the scope of AMPC's service delivery through its Strategic Plan revision process due for completion by 30 June 2020. Additionally, AMPC has relaunched a range of programs including the Plant Initiated Projects, and made a noticeable shift from a passive investor in R&D activity to a service delivery provider focused on delivering returns for levy payers. It has also been evidenced that more recently in the review period AMPC has made a concerted effort to enhance and drive further constructive engagement through more formalised channels with Red Meat Industry stakeholders and are currently making updates to key communication plans and platforms focused on enhancing levy payer and member communications and engagement.

While the overall performance of AMPC across the duration of the review period has improved, there are a number of areas identified that require further improvements in how the organisation operates and delivers against its statutory requirements and benefit to levy payers. The relative maturity displayed across the organisation and a continuous improvement approach to corporate governance in more recent years enables greater clarity of purpose and role of AMPC as it moves to deliver against its service delivery organisation focus. A renewed focus on driving a culture of continuous improvement will provide benefits through improved strategic planning, constructive engagement with Red Meat Industry stakeholders, and the delivery of R&D programs that provide tangible benefits to the processing sector. The AMPC Board needs to continue to drive an ongoing good corporate governance culture within both the Board and the organisation. This will continue to promote clearer separation of powers between the Board and Executive; allowing the Board to focus on AMPC's medium-to-long term strategic horizon with the Executive empowered to deliver against both the agreed Strategic and Operating Plans objectives. Modernisation of the AMPC Constitution to further align with good corporate governance principles including Director appointment process and number of terms, voting procedures and other recommended governance procedural updates will also support the continued performance of the organisation. Others areas for attention relate to program governance, impact assessment evaluation and communications.

AMPC is operating in a complex industry model and an environment where the Red Meat Industry Strategic Plan (MISP), Red Meat Memorandum of Understanding (MoU) and broader RDC model are currently under review. AMPC's continued understanding of its role in and the future impacts of this evolving environment is critical, while not negating the ongoing need to continue to deliver against its core function as a service delivery RDC for the red meat processing sector.

## 10.2 Recommendations

Overall, AMPC's improvement in performance over the review period has been well demonstrated. The recommendations provided serve to build on the positive steps taken by AMPC during the review period and focus on continuous improvement and supporting enhanced delivery of benefits to levy payers by the organisation. There are 16 recommendations for AMPC to consider as detailed in the table below.



In addition to these recommendations it is expected that AMPC will continue to implement the final outstanding recommendations from the 2015 Review, to the extent they do not conflict with or have been superseded by, the recommendations below.

It is recognised that there are a number of initiatives underway for completion by 30 June 2020 that will contribute to both its continuous improvement and compliance with the SFA moving forward including:

- Finalisation of a revised 2020 – 2025 Strategic Plan which aligns AMPC’s strategic documents with the broader Red Meat Industry and will provide further clarity around cross-program investment horizons; and
- A new Strategic Communications Plan to align stakeholder engagement, communications and ongoing collaboration under the Strategic Plan, driving ongoing value and benefit for levy payers.

The prioritisation of AMPC’s attention to the continuous improvement of its Corporate Governance structures and processes is a key takeaway from this report as highlighting by the majority of recommendations in this area. A continued focus on governance will provide the basis for improved service delivery and the continued pursuit of value for levy payers and members.

*Table 16: Consolidated AMPC Performance Review Recommendations*

<b>Corporate Governance</b>
<p>1. Undertake revisions to AMPC Constitution to modernise its governance practices, in particular:</p> <ul style="list-style-type: none"> <li>• Director terms of 3 years with a maximum of 3 terms;</li> <li>• Introduce Director election rotation to remove ‘whole-of-board’ election/replacement in one year and maintain corporate knowledge. Stagger election for Year 1: 3 Directors, Year 2: 2 Directors and Year 3: 2 Directors;</li> <li>• Special qualification directors replaced naming to Independent Directors and appointed by members at the Annual General Meeting election based on whole-of-board skills assessment and requirement;</li> <li>• Remove the alternate director provision;</li> <li>• Consistency of/updating reference to roles (e.g. CEO to Executive Officer); and</li> <li>• Update AGM election process to Direct Voting from Preferential Voting.</li> </ul>
<p>2. AMPC to implement a Board appointment process for Processor Directors aligned to the skills based requirement as defined under the SFA and Constitution and in line with ASX Corporate Governance principles and recommendations (within limitations of AMPC Constitution) that accounts for timeframes to call for nominations aligned to skill requirements and allows for independent review prior to voting by members at the AGM.</p>
<p>3. Continue to drive an enhanced continuous improvement Corporate Governance culture within the organisation by ensuring the SFA, Constitution and Red Meat MoU are practically leveraged in AMPC’s Governance Policy to guide Board and Executive performance and delivery.</p>
<p>4. Continue to enhance the clear separation of powers between the Board and Executive. This will be achieved through the Board’s continued focus on longer-term AMPC strategy, industry operating environment and Corporate Governance related matters; and the Executive being charged with full authority to make decisions and act on behalf of the organisation to ensure</p>



<p>delivery against the KPIs and objectives detailed in the approved Strategic Plan and Annual Operating Plans.</p>
<p>5. Develop and/or review the following Board policies to align with current best practice:</p> <ul style="list-style-type: none"> <li>• Risk management framework to consider further assessment and monitoring of material exposure to environmental, social or governance risks i.e. changes to MoU, RDC reform, community attitudes;</li> <li>• Board meetings resolution register; and</li> <li>• Policy for the ongoing professional development of directors.</li> </ul>
<p><b>Company Structure and Funding</b></p>
<p>6. Implement a Memorandum of Understanding (MoU) with MLA to improve the delivery and operational benefit to both levy payers, the Red Meat Industry and each organisation. The MoU is to clearly define the process around engagement, consultation in annual investment process, organisational operational and reporting needs and expectations, program and investment reporting requirements, process for the commercialisation of IP, process for sharing of industry insights and strategic investment prioritization process for sharing.</p>
<p>7. Continue to drive a collaborative relationship with DAWE both in respect to the SFA, Strategic Plan, Annual Operating Plans and broader R&amp;D outcomes, this includes ensuring ongoing compliance with the SFA through timely engagement with and submission of compliance and audit reports to DAWE.</p>
<p><b>Company Operations</b></p>
<p>8. Continue to drive an industry insights and service delivery model approach to AMPC strategic planning, aligned with broader Red Meat Industry priorities and clearly define AMPC investment and role through the the finalisation of the 2020 – 2025 Strategic Plan by 30 June 2020 and effective implementation across the organisation prior to the end of the current SFA in November 2020. This also ensures AMPC’s alignment with broader Red Meat Industry horizons (i.e. Red Meat 2030, MISP 2020 – 2030 and MLA’s Strategic Plan).</p>
<p><b>Project Planning and Effective Delivery</b></p>
<p>9. Finalise updates to the Project Governance Policy, including whole of program development process.</p>
<p><b>Engagement, Consultation and Communications</b></p>
<p>10. Continue to focus on effective engagement and consultation with AMIC as RO/PIC per recently agreed consultation process. To ensure ongoing benefits to levy payers and the wider Red Meat Industry, the consultation process should continue to focus on effective and regular engagement above the minimum requirements as detailed in the Red Meat MOU (refer minimum 6-monthly consultation and engagement with AMIC during strategic planning and annual operating planning processes).</p>
<p>11. Finalise Communications Plan by 30 June 2020 and ensure effective implementation prior to end of current SFA period in line with the 2020 – 2025 Strategic Plan. The Communications Plan should continue to provide clear definition of AMPC’s role as an RDC and service delivery organisation within the Red Meat Industry; timely updates on RD&amp;E project scoping, status and outcomes; and ensure appropriate engagement and updates to levy payers, members, Red Meat Industry, research providers and Government stakeholders.</p>



## Delivery of Benefits

12. Update the Evaluation Framework to reflect the more structured and consistent Research Programs impact assessment process that has been implemented in 2018 and 2019 (i.e. annual reviews of selected programs), in addition to the existing 5-year Strategic Plan impact assessment and overall ROI.





# 11. References

## External references

- ASX Corporate Governance Council, 2019, ASX Corporate Governance Principles and Recommendations Fourth Edition, ASX Corporate Governance Council, Sydney.
- Australian Commonwealth Government, 2001, *Corporations Act (Cth) 2001*, Act No. 50 of 2001 as amended.
- Australian Commonwealth Government, 2007, *Australian Meat and Live-stock Industry Act*, Act No. 206 of 1997 as amended.
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- Red Meat Advisory Council, 2019, Meat Industry Strategic Plan 2020, Barton.
- The Professional Partner Group, 2018, Findings of the AMPC Board Composition Project, The Professional Partner Group, North Sydney.

## Internal references

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- Australian Meat Processor Corporation, 2019, Annual Report 2018-19, Australian Meat Processor Corporation Ltd, North Sydney.



# 12. Appendix

## Appendix 1: Evaluation Framework Summary Table

The following assessment framework was used to guide the performance review:

4. Corporate Governance		
Review area	Documents/source	Requirement
Corporate governance	<ul style="list-style-type: none"> <li>ASX Corporate Governance Principles and Recommendations</li> <li>AMPC Constitution</li> <li>AMPC Governance Policy</li> <li>AMPC Board Composition Project Report</li> <li>Stakeholder engagement: AMPC Chair, Audit &amp; Risk Committee and Executive General Manager</li> <li>Annual reports 2016 – 2020</li> <li>Board meeting minutes 2016 – 2020</li> </ul>	Governance Framework (SFA s14.1 & s14.2), ASX Corporate Governance Principles and Recommendations (adapted where appropriate)
		AMPC Board Requirements (SFA s14.3, 14.4 & 14.5)
		Pecuniary Interests (SFA s14.6)
		Constitution appropriate for RDC (SFA s15.6)
Compliance audit and certification reports	<ul style="list-style-type: none"> <li>AMPC Compliance Audit Reports 2016 – 2020</li> <li>AMPC Certification Reports 2016 – 2020</li> <li>Stakeholder engagement: Executive and DAWE</li> </ul>	Compliance with Audit Report (SFA s34)
		Compliance with Certification Report (SFA s35)
Risk, Fraud Control and Intellectual property	<ul style="list-style-type: none"> <li>AMPC Governance Policy</li> <li>AMPC Risk Management Plan 2019</li> </ul>	Management of the funds (SFA s25)
		Regular review (SFA s14.1) - Documented process for the development and review of plans



Management Plans	<ul style="list-style-type: none"> <li>• AMPC Fraud Control Plan 2019</li> <li>• AMPC Intellectual Policy Plan 2017</li> <li>• AMPC Reserves Policy 2019</li> <li>• Discussion with AMPC Audit &amp; Risk Committee, and Executive</li> </ul>	Reserves Policy (SFA s25.4)
<b>5. Company Structure and Funding</b>		
Review area	Document/source	Requirement
Constitution and membership	<ul style="list-style-type: none"> <li>• AMPC Constitution</li> <li>• AMPC member register</li> <li>• Stakeholder engagement: levy payers</li> </ul>	Membership available to all levy payers (SFA s15.4)
		Membership representative of all levy payers (SFA s15.5)
Collection and management of funds	<ul style="list-style-type: none"> <li>• Annual Reports 2016 – 2020, including audited financial statements</li> </ul>	Application of funds (SFA s26)
		Audited financial reports complete and compliant (SFA s34, 35)
Performance review	<ul style="list-style-type: none"> <li>• 2015 Performance Review</li> </ul>	Review commissioned in accordance with Terms of Reference (SFA s18.4)
		Develop a response and implementation plan for DAWE approval (SFA s18.8)
<b>6. Company Operations</b>		
Review area	Document/source	Requirement
Strategic Plan	<ul style="list-style-type: none"> <li>• AMPC Strategic Plan 2013 – 2017</li> <li>• AMPC Strategic Plan 2018 – 2022</li> <li>• Red Meat MoU</li> <li>• MISP 2020</li> <li>• AMPC Consultation Plan 2018 – 2022</li> <li>• Stakeholder engagement: AMPC Chair and Executive, members and other key stakeholders</li> </ul>	Develop and maintain a Strategic Plan (SFA s30), including: <ul style="list-style-type: none"> <li>- Review on an annual basis, consulting with and approved by DAWE</li> <li>- Clear linkages to the MISP</li> <li>- Informed by the implementation of a Consultation Plan</li> </ul>
Organisational Structure	<ul style="list-style-type: none"> <li>• AMPC Constitution</li> <li>• Organisational chart</li> <li>• Stakeholder engagement: AMPC Board and Management</li> </ul>	Compliance with AMPC Constitution



	<ul style="list-style-type: none"> <li>Stakeholder engagement: AMPC Board and Executive, members</li> </ul>	
<b>7. Program Planning and Efficient Delivery</b>		
<b>Review area</b>	<b>Document/source</b>	<b>Requirement</b>
Program Planning and Implementation	<ul style="list-style-type: none"> <li>Annual Operating Plans 2016 – 2020</li> <li>Annual Reports 2016 – 2020</li> <li>AMPC Program Governance Policy</li> <li>AMPC Project Development Process</li> <li>AMPC PIP Policy</li> <li>Stakeholder engagement: DAWE, AMPC Executive, levy payers</li> </ul>	Develop an Annual Operating Plan to implement its Strategic Plan (SFA, s32), including: <ul style="list-style-type: none"> <li>Activities funded</li> <li>Performance indicators, metrics and deliverables</li> <li>Estimates of income and expenditure</li> <li>Detail on implementation and operationalisation of balanced portfolios</li> </ul>
Collaboration	<ul style="list-style-type: none"> <li>Strategic Plan 2018 – 2022</li> <li>Annual Operating Plans 2016 – 2020</li> <li>Consultation Plan 2018 – 2022</li> <li>Stakeholder engagement: AMPC Executive, members, MLA, AMIC and RMAC</li> </ul>	Detail collaboration with industry and research providers in Annual Reporting (SFA, s33.2)  Role and scope of AMPC, AMIC and MLA (Red Meat MoU (s5.2 & 6.2) and MLA (s6.1))
<b>8. Engagement, Consultation and Communication</b>		
<b>Review area</b>	<b>Document/source</b>	<b>Requirement</b>
Engagement and Communication	<ul style="list-style-type: none"> <li>AMPC Strategic Communications Plan 2015 – 2018</li> <li>AMPC Consultation Plan 2018 – 2022</li> <li>Board meeting minutes 2016 – 2020</li> <li>Stakeholder engagement: AMPC Audit &amp; Risk Committee, Executive members, government and industry, business partners</li> <li>AMPC consultation documents</li> </ul>	Consultation with industry (SFA, s28)  Information on activities (SFA, s29)



9. Delivery of Benefits		
Review area	Document/source	Requirement
Evaluating Performance	<ul style="list-style-type: none"> <li>• AMPC Evaluation Framework 2017</li> <li>• Annual reports 2016 – 2020</li> <li>• Annual Operating Plans 2016 – 2020</li> <li>• Annual Reports 2016 – 2020</li> <li>• Program Overview 2015 – 2017</li> <li>• AMPC cost benefit analysis</li> <li>• Stakeholder engagement: AMPC Board and Management, members, government and industry, business partners</li> </ul>	Development of an Evaluation Framework (SFA, s31) that: <ul style="list-style-type: none"> <li>- Is consistent with AMPC’s Strategic Plan</li> <li>- Ensures key performance information is collected and monitored</li> <li>- Includes a structured plan for the evaluation of the efficiency, effectiveness and impact of key investments</li> <li>- Includes a means of publishing and disseminating research</li> </ul>



## Appendix 2: AMPC Document Register

The following documents have been provided by AMPC to inform the performance review

### Minutes

- AGM minutes 2017
- Audit and Risk Management Committee meeting minutes 2016-20
- Board meeting minutes 2016-20
- Nomination and Risk Committee meeting minutes 2018-19

### Plans

- Annual Operating Plan 2015-16
- Annual Operating Plan 2016-17
- Annual Operating Plan 2017-18
- Annual Operating Plan 2018-19
- Annual Operating Plan 2019-20
- Communications Plan 2015-18
- Consultation Plan 2018-22
- Evaluation Framework 2017
- Fraud Control Plan 2019
- Intellectual Property Plan 2017
- Risk Management Plan 2019
- Strategic Plan 2013-17
- Strategic Plan 2018-22

### Policies

- Audit and Risk Management Committee Charter 2017
- Board Charter 2015
- Code of Conduct 2019
- Conflicts of Interest Policy 2019
- Corporate Governance Policy 2020
- Delegation of Authority 2019
- Diversity Policy 2019
- Nominations and Remuneration Committee Charter 2015
- Organisation Structure 2020
- Project Development Process
- Reserves Policy 2019
- Staff Induction Handbook 2020
- Whistleblower Policy 2020

### Registers

- Directors Standing Notice Register March 2020
- Employee Conflicts of Interest Register March 2020

### Reports

- Annual Report 2015-16
- Annual Report 2016-17
- Annual Report 2017-18
- Annual Report 2018-19
- Ex-Post Impact Assessment of three AMPC projects completed 2016 to 2018



### Appendix 3: Stakeholder Consultation

In order to complete the performance review a number of consultations were undertaken with the following groups, including the AMPC Board, Executive and external stakeholders:

Stakeholder group	Number of stakeholders interviewed
AMPC Chairman	1
AMPC Audit & Risk Committee	3
AMPC Executive	3
AMPC Levy Payers/Members	3
Department of Agriculture, Water and Environment	3
Research providers	2
MLA	3
RMAC	1
AMIC	1
<b>Total</b>	<b>20</b>



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