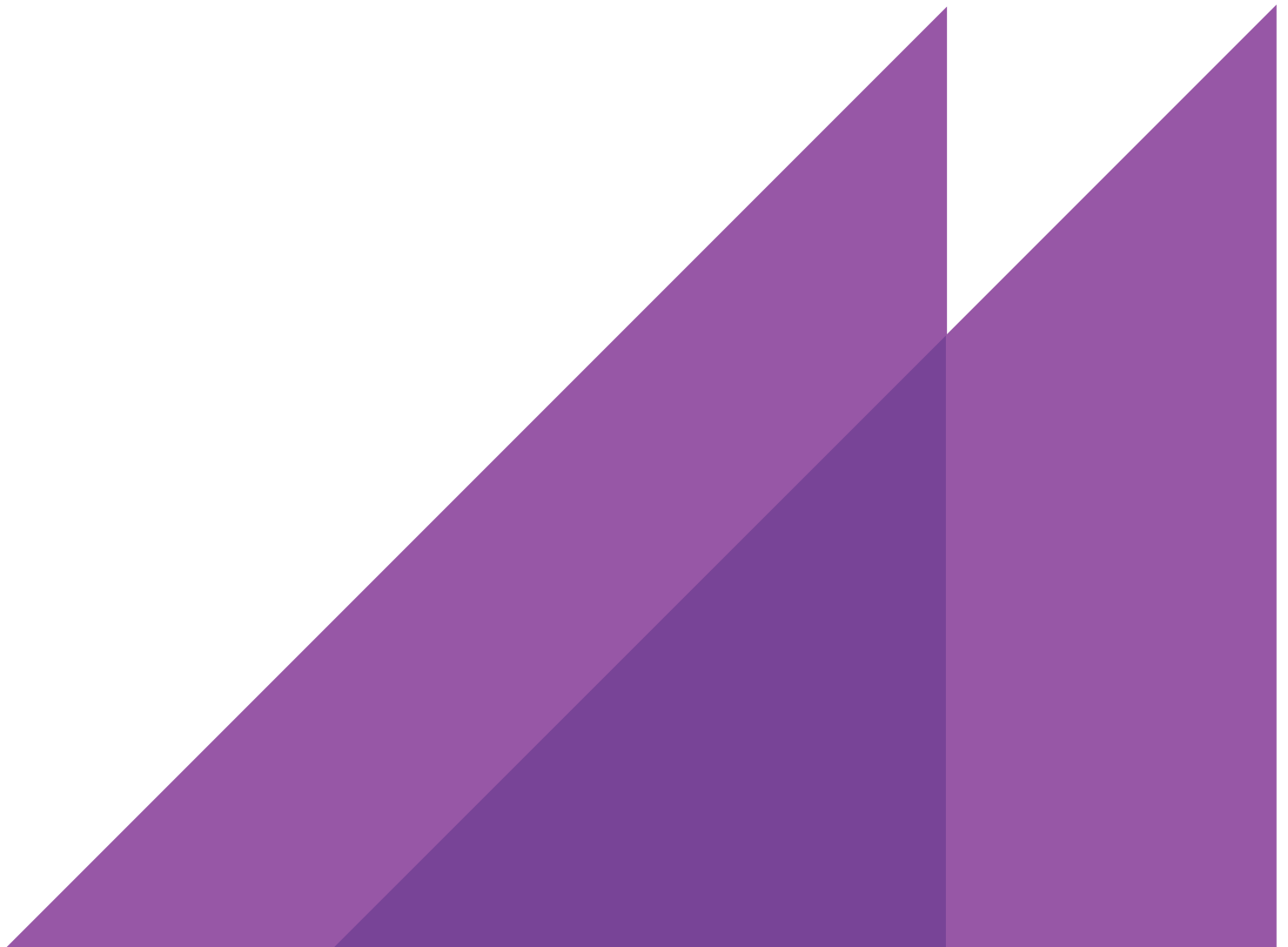


REPORT TO
MEAT AND LIVESTOCK AUSTRALIA
16 MARCH 2020

INDEPENDENT PERFORMANCE REVIEW



FOR THE PERIOD 2016-20
FINAL REPORT





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GLOSSARY OF TERMS

AICD	Australian Institute of Company Directors
ALEC	Australian Livestock Exporters Council
ALFA	Australian Lot Feeders Association
AMIC	Australian Meat Industry Council
AMPC	Australian Meat Processor Corporation
CCA	Cattle Council of Australia
CN30	Carbon Neutral by 2030 initiative
FTA	Free trade agreement
GICA	Goat Industry Council of Australia
GVP	Gross Value of Production
ISC	Integrity Systems Company
KPI	Key performance indicator
LiveCorp	Australian Livestock Export Corporation
MDC	MLA Donor Company
MISP 2020	Meat Industry Strategic Plan 2020
MLA	Meat and Livestock Australia
MoU	Memorandum of Understanding
NLIS	National Livestock Identification System
NVDs	National Vendor Declarations
PIC	Peak industry council
R&D	Research and development
RDC	Research and Development Corporation

RMAC	Red Meat Advisory Council
SCA	Sheepmeat Council of Australia
SFA	Statutory Funding Agreement



EXECUTIVE SUMMARY

Context

This report provides the results of an independent performance review of Meat and Livestock Australia's (MLA) operations between 2016 and 2020. The performance review is a requirement of a Statutory Funding Agreement (SFA) between MLA and the Australian Government.

The Terms of Reference (ToR) for the review require ACIL Allen to examine MLA and its two subsidiary companies, the MLA Donor Company (MDC) and the Integrity Systems Company (ISC). **Box 1.1** in the body of the report provides the full ToR of the review.

The report's findings and recommendations are based on consultation with a large number of organisations and individuals who represent a broad range of red meat supply chain stakeholders. The report also draws on a substantial number of documents held by MLA, MDC and ISC, as well as publicly available material.

The outcomes of this review will be used to inform the development of the next SFA between MLA and the Australian Government, as well as provide insight as to the future directions of the company.

Key findings

The report provides ample evidence to support the conclusion that MLA is a large, complex, but relatively mature organisation. The review provides ample evidence to suggest that MLA is on balance well-governed and managed.

The report shows that MLA has met the substantive obligations of the SFA. MLA has complied to the terms and conditions of its agreement with the Australian Government. It has also met obligations to levy payers and industry to deliver high quality RD&E and marketing outcomes in a cost-effective way.

Over the review period, MLA has enhanced efforts to engage meaningfully with stakeholders, to deliver benefits to industry stakeholders (across the supply chain) to provide significant and timely in-country support to government when negotiating trade deals, and to deliver against its own performance criteria (i.e. KPIs) in areas where significant funding has been allocated. The period between 2016 and 2020 has marked an era of solid performance despite MLA itself undergoing some internal reforms and leadership changes.

ACIL Allen has found that MLA's approach to assessing the economic impact and value of its research activities aligns with current best practise. We note the efforts to continue to improve the Path2Impact tool by incorporating additional information as it comes to hand. However, it is important that Path2Impact to continue to be viewed as an informational tool rather than a decision-making tool.

We hold the view that MLA should increase its efforts to assess social and environmental benefits and where possible seek to quantify these. There is merit in earmarking some MLA funds for projects where the potential outcomes could be very beneficial, but also far less certain. This should target major strategic challenge or 'moon shot' projects to ensure that higher risk but higher reward investments are not being overlooked during investment decision making.

MDC

The MDC is assessed as being an effective vehicle for delivering investments which leverage the co-contributions of the Australian Government and industry funding. MLA's move to integrate the MDC's governance and operational model with the parent company's model is prudent given that the MDC has reached its funding cap.

It will be important, however, to ensure MDC's progress against the funding cap is monitored closely and communicated to stakeholders on an ongoing basis. Such close monitoring will generate stakeholder confidence in MLA's management of the Donor Company.

ISC

The decision to incorporate a range of industry integrity system programs and initiatives was on balance sound according to the stakeholders consulted for this review. These stakeholders have high expectations that ISC will continue to ensure the integrity system delivers efficient and effective services to the supply chain, and are seeking a 'truly national system for livestock integrity and traceability'.¹ Stakeholders believe that ISC should focus on the immediate operational needs of the integrity system, despite the ISC seeking to prosecute an ambitious forward-looking digitisation and technology research agenda.

Stakeholder views accurately capture the strategic decision facing MLA and ISC. How should MLA and ISC determine the appropriate balance between the short-term operationalisation of the current integrity system and the longer-term opportunities to significantly optimise the system through technology adoption. Significant optimisation in the future will deliver benefits to all industry stakeholders. This is clear to see. However, it will come at a cost of immediate service delivery goals.

MLA and ISC understand the strategic and operational choices which lie ahead. It will be important to make decision which provide ISC with a clarity of purpose in the future.

Recommendations

The findings of this review are perhaps, as important, as its recommendations. We say this because MLA is a mature organisation which has been reviewed many times and has clearly adopted the recommendations of past evaluations. That said, the review has identified 5 opportunities for improvement (see Chapter 8 for a more detailed discussion about each recommendation). These opportunities, if pursued, aim to position MLA to meet the challenges of an uncertain future.

- *Recommendation 1:* Provide a clear direction and secure funding for the next 3-5 years so that ISC can better support its commitments to Australia's red meat integrity system.
- *Recommendation 2:* MLA should actively pursue the successful implementation of a Key Account Management strategy and framework (Project Auto) to form the narrative for how MLA will work with stakeholders to improve engagement and service delivery with associated reporting.
- *Recommendation 3:* MLA should maintain the practice of linking KPIs to the MISP. Stretch stakeholder satisfaction KPIs should be expanded in line with the Key Account Management strategy.
- *Recommendation 4:* MLA should implement a rolling schedule of facilitated self-assessment of all committees it convenes and funds. MLA should publish the findings along with the terms of reference and its service level agreement for each of the committees. Such an extension will propel MLA's engagement function to the next level of maturity.
- *Recommendation 5:* MLA should supplement its current evaluation model with more evaluation of issues that are difficult to analyse and do not fit well with a standard economic evaluation framework.

¹ ISC, Integrity System 2025, Implementation Plan and Technology Roadmap'



1.1 Background

1.1.1 Meat and Livestock Australia

Meat and Livestock Australia (MLA) is one of three legislated industry service bodies for Australia's red meat industry. It is one of 15 rural Research and Development Corporations (RDCs) which support the needs of primary producing industries through the delivery/oversight of services on behalf of levy payers and industry.

MLA is the declared industry marketing body and the industry research body under sections 60(1) and 60(2) of the *Australian Meat and Live-stock Industry Act 1997*. It is primarily funded by transaction levies paid on livestock sales, the Australian Government and voluntary contributions from industry partners. MLA has approximately 50,000 cattle, sheep, lamb and goat producers, and a range of red meat industry supply chain stakeholders who contribute to MLA's funding base.

MLA's purpose is to foster the long-term prosperity of the Australian red meat and livestock industry by investing in research and marketing activities. Its strategic direction and investment priorities to achieve this purpose are set out in its Strategic Plan 2016-2020, which is closely aligned with the red meat and livestock industry's Meat Industry Strategic Plan 2020 (MISP 2020) and the Australian Government's Rural Research, Development and Extension Priorities and its Science and Research Priorities.

Six strategic pillars form the foundation of MLA's Strategic Plan (see **Figure 1.1**). Each pillar is accompanied by an outcome statement indicating what will be achieved when the pillar is delivered successfully. MLA has 13 strategic priorities to help achieve these outcomes.

1.1.2 Subsidiary companies

MLA owns two subsidiary companies: MLA Donor Company (MDC) and Integrity Systems Company (ISC). Both companies are within the scope of this assessment and are considered in more detail throughout the report.

MLA Donor Company







MDC was established in 1998 as a wholly owned subsidiary of MLA. The principal activity of MDC is to act as an approved donor under s 61(1) of the *Australian Meat and Live-stock Industry Act* for research and development matching funding purposes.

MDC accelerates innovation across the value chain so the Australian red meat and livestock industry can remain competitive on the world stage. It does this by attracting commercial investment from individual enterprises and other organisations which share a mutual interest to co-invest in innovation

that benefits the industry. The Australian Government matches voluntary partner contributions in projects that address industry and government priorities and benefit the Australian community.

MDC has the same vision, mission and values as MLA. In 2016-17, MDC aligned its strategic direction to extending the MLA Strategic Plan 2016–2020 and the MISP 2020.²

FIGURE 1.1 MLA STRATEGIC PILLARS, OUTCOMES AND PRIORITIES 2016-2020

Pillar	Outcome	Priority
 <p>1. Consumer and community support</p>	The community continues to support and trust the Australian red meat and livestock industry, with industry practices in step with community expectations.	<ul style="list-style-type: none"> • Continuous improvement of the welfare of animals in our care • Stewardship of environmental resources • Role of red meat in a healthy diet
 <p>2. Market growth and diversification</p>	Improved access to markets, with marketing programs and value creating innovation driving increased consumer and customer preference and premiums for Australian red meat.	<ul style="list-style-type: none"> • Efficiency and value in trade and market access • Marketing and promoting Australian red meat and livestock
 <p>3. Supply chain efficiency and integrity</p>	Increased returns through the value chain, with participants and customers confident in product quality, pricing and integrity systems.	<ul style="list-style-type: none"> • Optimising product quality and cost efficiency • Guaranteeing product quality and systems integrity
 <p>4. Productivity and profitability</p>	Productivity gains through the value chain from the adoption of tools and technologies.	<ul style="list-style-type: none"> • Production efficiencies in farms and feedlots • Processing productivity • Live export productivity
 <p>5. Leadership and collaborative culture</p>	Industry participants are confident in industry leadership capability.	<ul style="list-style-type: none"> • Building leadership capability • Protecting and promoting our industry
 <p>6. Stakeholder engagement</p>	Industry participants are confident that the levy investment is delivering value.	<ul style="list-style-type: none"> • Engagement with producers and stakeholders

SOURCE: MLA STRATEGIC PLAN 2016-2020

Integrity Systems Company

ISC (formerly NLIS Ltd) is also a wholly owned subsidiary of MLA. It was created in September 2016 to ensure a streamlined, efficient management structure for the delivery of the Livestock Production Assurance (LPA) program, National Vendor Declarations (NVDs) and the National Livestock Identification System (NLIS).

ISC was launched following a recommendation by industry and government in 2015 through their SAFEMEAT partnership – that one company be given responsibility for delivering a fully integrated integrity system. The new streamlined structure was implemented to help ensure resources are more effectively directed to further develop and improve these key systems which underpin market access, customer expectations and the safety of Australian red meat and livestock.

ISC is also responsible for the delivery of significant components of MLA's Digital Value Chain Strategy, which aims to provide the new digital technology and data systems required to strengthen the integrity system programs with the most effective innovations available to industry.

² MDC Annual Report 2016-17, p 14.

1.2 Purpose

This report provides the results of an independent performance review of MLA's operations between 2016 and 2020. The performance review is a requirement of a Statutory Funding Agreement (SFA) between MLA and the Australian Government. The Terms of Reference (ToR) for the review are outlined in **Box 1.1**.

The outcomes of this review will be used to inform the development of the next SFA between MLA and the Australian Government, as well as provide insight as to the future directions of the company.

BOX 1.1 TERMS OF REFERENCE

The terms of the reference for the Performance Review must take into account MLA's performance in:

- (a) meeting its obligations under this Agreement and the Act;
- (b) implementing governance arrangements and practices for ensuring proper use and management of the Funds;
- (c) meeting the planned outcomes and targets of its Strategic Plan;
- (d) delivering benefits to members, Levy Payers, Industry and the broader community;
- (e) satisfying the Research & Development and Marketing interests meeting the needs of members, Levy Payers and Industry;
- (f) consulting with Levy Payers and Prescribed Industry Bodies and other stakeholders.

SOURCE: REQUEST FOR TENDER DOCUMENT 2019

1.3 Methodology

The methodology used for this review included data collection, documentary review, stakeholder consultation and analysis. The methodology was underpinned by the application of best practice evaluation principles which included analysis of MLA's strategic and operational efficiency, effectiveness and appropriateness, as outlined by the Australasian Evaluation Society's guidance for conducting independent performance reviews.

More than 200 individual documents and spreadsheets which were held by MLA or published materials were analysed for this independent review.

1.3.1 Document review and data collection

To ensure review findings are evidence-based, ACIL Allen examined numerous resources, documentation and data held by MLA. These documents and data included: foundation or primary documents; plans and reports; governance documents; compliance and financial reports to government; selected operational documents; previous reviews and evaluations; and other relevant research.

MLA supported the document review and data collection processes by collecting and storing a large volume of documents in a secure online document library and complying with several data requests from ACIL Allen throughout the life of the evaluation.

1.3.2 Stakeholder consultations

As part of the project a large number of stakeholders were asked to participate in the review. ACIL Allen consulted stakeholders representing a broad range of red meat supply chain interests and stakeholder group to capture data, insights and observations for analysis. Approximately 85 stakeholder categories/groups/interests were captured for this review.

The consultation approach was supported by a scoping discussion with the MLA Leadership Team which helped to identify the most important stakeholders and map them using criteria including influence, legislative and social-political role, MLA's need for the stakeholder to be engaged and the stakeholder's need to be engaged. The selection criteria process also involved identifying stakeholders who participated in the 2015 review so that observations about patterns of change within the organisation could be revealed and analysed.

A consultation guide was developed for stakeholder sessions to provide consistency in the consultation approach and to assist stakeholder preparation for the meetings.

The consultation meetings were conducted using a mix of face-to-face and teleconference formats, typically lasting between 1 to 1.5 hours. Details of the consultation meetings are provided in **Appendix D** of this report.

1.3.3 Performance against the ToR

Following the document review, data collection and consultation phases, ACIL Allen undertook an analysis of MLA, MDC and ISC's performance against the ToR. This analysis involved:

- a review of MLA, MDC and ISC's operating environment and key events, and its response to these events
- analysis of governance and organisation arrangements, and whether they provide effective and efficient organisational structures to support MLA's, MDC's and ISC's objectives
- consideration of how MLA, MDC and ISC have implemented their plans and investments over the review period
- analysis of stakeholder engagement, consultation and partnership processes
- consideration of investment decisions and the industry benefits delivered
- a review of MLA's response to the 2016 performance review recommendations
- a review of MLA's compliance with its obligations under the SFA.

1.3.4 Response to the previous performance review

The review also considered MLA's implementation of recommendations from the previous performance review, conducted by ACIL Allen in 2015-16.³ Each recommendation was reviewed to determine whether progress was due to actions undertaken by the organisations, external factors or the nature of the recommendations provided.

Given that ACIL Allen conducted the previous performance review, a senior director of ACIL Allen who was not involved in that review was engaged to independently assess the evidence of MLA's progress against the 2015-16 recommendations.

1.3.5 Recommendations and reporting

The final phase of the project involved the drafting of a report for consideration by MLA and the Australian Government. Preliminary analysis was presented to MLA for consideration and feedback. A draft report was then provided to MLA and the Australian Government at the same time for consideration.

All findings and recommendations presented in this report are ACIL Allen's and represent the independent nature of the review process.

1.4 Report structure

The remainder of this report is structured as follows:

- chapter 2 provides an overview of the red meat industry and considers MLA's operating context
- chapter 3 considers the governance and operations of MLA and its subsidiary companies

³ ACIL Allen Consulting (2016) Independent Performance Review of Meat And Livestock Australia and the MLA Donor Company, April 2016.

- chapter 4 analyses the ability of MLA and its subsidiaries to meet the performance requirements laid out in their strategies and plans
- chapter 5 discusses benefits delivered to industry, levy payers and the red meat supply chain
- chapter 6 examines MLA's performance in consulting with, and meeting the needs of its stakeholders, including Levy Payers and Peak Industry Council (PICs)
- chapter 7 assess MLA's compliance with its obligations under the SFA, and its implementation of recommendations from the last performance review conducted in 2015-16
- chapter 8 presents our conclusions our recommendations.



This chapter provides an overview of the red meat industry and considers MLA's operating context. This context is important for two reasons. First, it identifies some of the environmental and red meat industry factors which MLA has responded to over the review period. These factors are important in understanding the drivers for change within MLA and why MLA has taken certain actions. Second, it is useful in identifying the factors which are likely to shape MLA's decisions into the future.

2.1 The red meat industry (institutional landscape)

Australia's red meat industry includes cattle, sheep, lamb and goats and comprises producers, lot feeders, processors, retailers and exporters. Approximately 350,000 people are directly involved in the supply chain or in businesses that service the industry. The industry is made up of six sectors being grass-fed cattle producers, grain-fed cattle producers, sheep producers, goat producers, livestock exporters and processors (comprising retailers, smallgoods manufacturers and packers).

Each of these individual sectors has an elected body for policy and strategy formulation; these are known as Peak Industry Councils (PICs). They include the: Australian Livestock Exporters Council (ALEC); Australian Lot Feeders Association (ALFA); Australian Meat Industry Council (AMIC); Cattle Council of Australia (CCA); Goat Industry Council of Australia (GICA); and Sheepmeat Council of Australia (SCA).

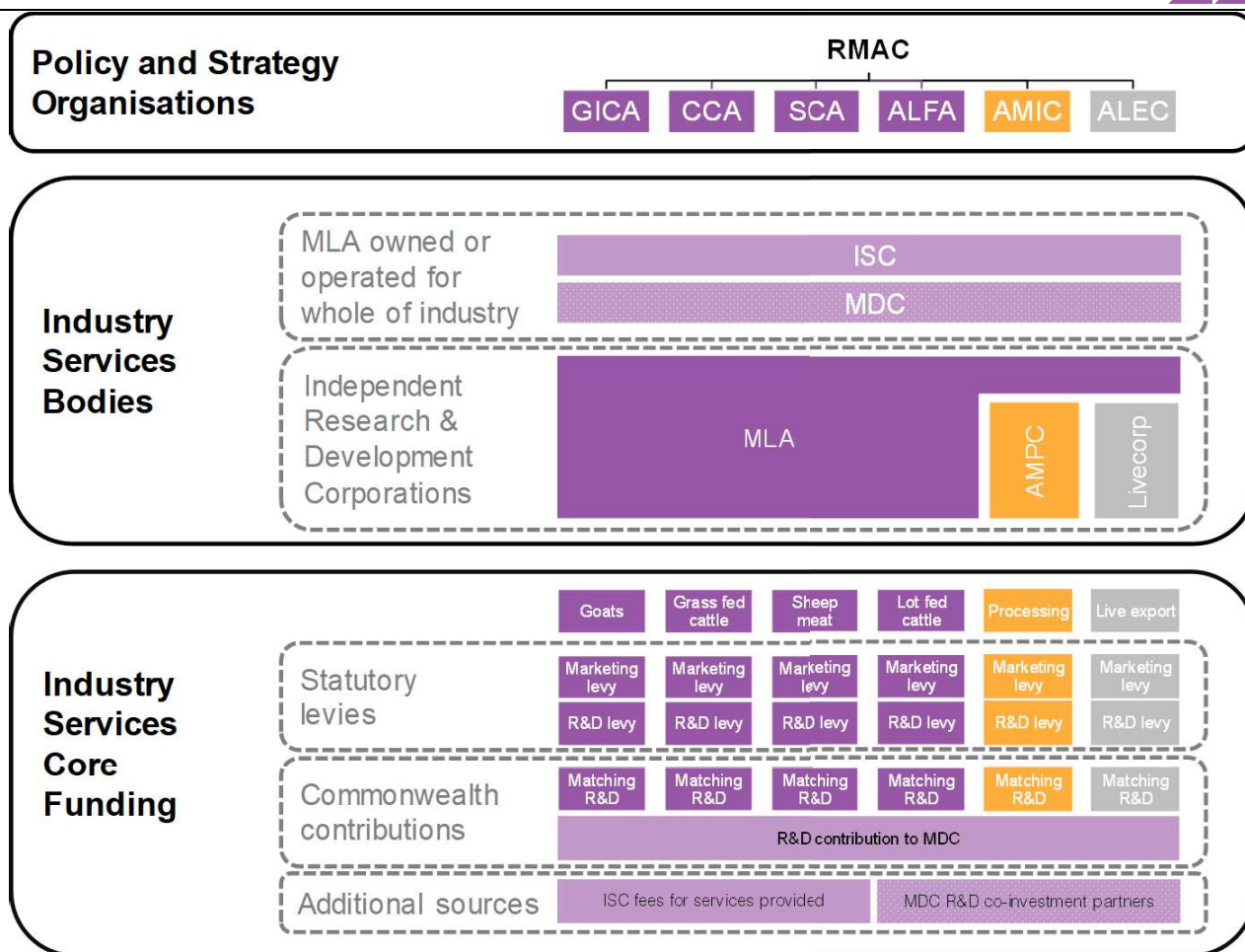
These bodies (including the Goat Industry Council of Australia as an associate member) come together to form the Red Meat Advisory Council Ltd (RMAC), making it the peak council for the red meat sector.

Five service organisations provide research and development (R&D), marketing and integrity services to the red meat industry:

- MLA – owned by cattle, sheepmeat and goat producers
- MDC – owned and operated by MLA on behalf of the industry
- ISC – owned and operated by MLA on behalf of the industry
- Australian Livestock Export Corporation (LiveCorp) – owned by livestock exporters
- Australian Meat Processor Corporation (AMPC) – owned by meat processors.

An overview of the red meat industry is provided in **Figure 2.1**.

FIGURE 2.1 RED MEAT POLICY/ STRATEGY AND INDUSTRY SERVICES ORGANISATIONS



SOURCE: ACIL ALLEN CONSULTING; RED MEAT INDUSTRY MEMORANDUM OF UNDERSTANDING

These organisations receive most of their funding from statutory R&D and marketing levies collected at different parts of the supply chain. The Australian Government provides each RDC matching funds on a dollar-for-dollar basis up to 0.5 per cent of the statutory R&D levies. Since the statutory R&D levies are set below the 0.5 per cent Gross Value of Production (GVP) cap, the red meat sector and Australian Government established the MDC to receive additional voluntary R&D co-investment that is eligible for matching R&D funding up to the cap. The sum of R&D statutory levies and voluntary R&D co-investments will only be matched by the Australian Government up to 0.5 per cent of GVP, which occurred for the first time during the review period.

Under their individual SFAs with the Australian Government, MLA, AMPC and LiveCorp cannot provide funding to support the policy or advocacy functions of the PICs. Rather, PICs rely on income from membership, their own services (including contracted services from MLA) and a Trust established under the Red Meat Memorandum of Understanding (MoU). Compliance with this requirement is being more stringently administered across all 15 RDCs.

2.2 Industry context over the review period

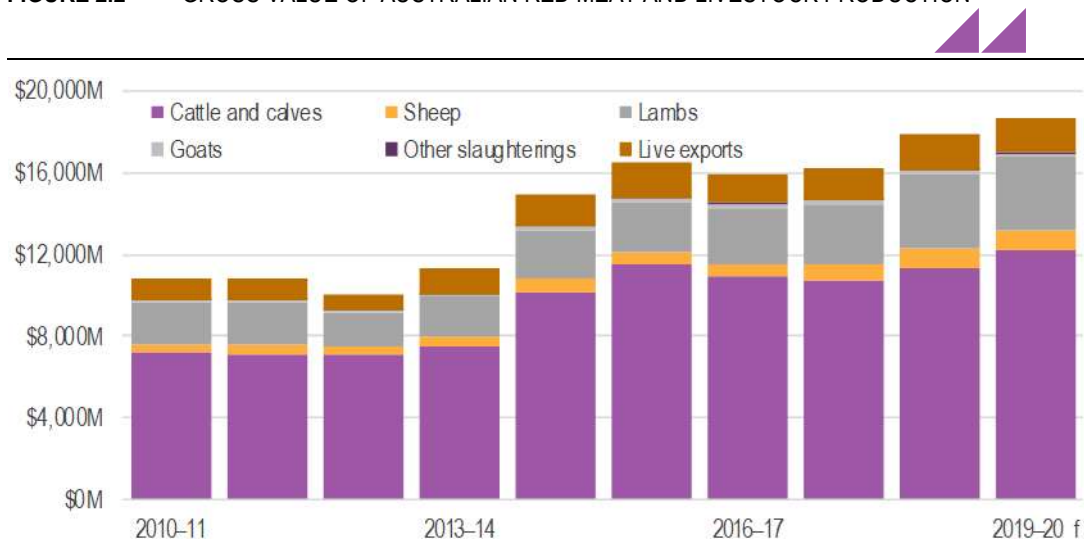
The following section discusses the state of the red meat industry and some of the key trends and drivers for the red meat industry over the review period.

2.2.1 Value of the industry

In 2017-18 Australia's red meat and livestock industry made a significant contribution to Australia's economy, and in gross value terms exceeded \$16.0 billion (about 30 per cent) of Australia's total gross value of farm, fisheries and forestry production.⁴ Cattle and calves remain the largest source of value for the industry representing about three quarters of gross value on average, followed by sheep and lamb production and live exports (Figure 2.2).

The red meat and livestock industry is also a large employer within the Australian labour market. In 2017-18, the industry and supply chain provided 404,800 jobs with approximately 172,400 (or 43 per cent) of these jobs being directly employed in the industry.⁵ The production sector and the processing sector supported the highest amount of jobs, employing 128,400 and 30,400 people respectively. A further 30,400 jobs were supported in retail and wholesale lines of the supply chain.

FIGURE 2.2 GROSS VALUE OF AUSTRALIAN RED MEAT AND LIVESTOCK PRODUCTION



f = forecast

Note: Excluding various other farm, fisheries and forestry commodities produced.

SOURCE: ABARES, AGRICULTURAL COMMODITIES DECEMBER 2019

2.2.2 Herd and flock size

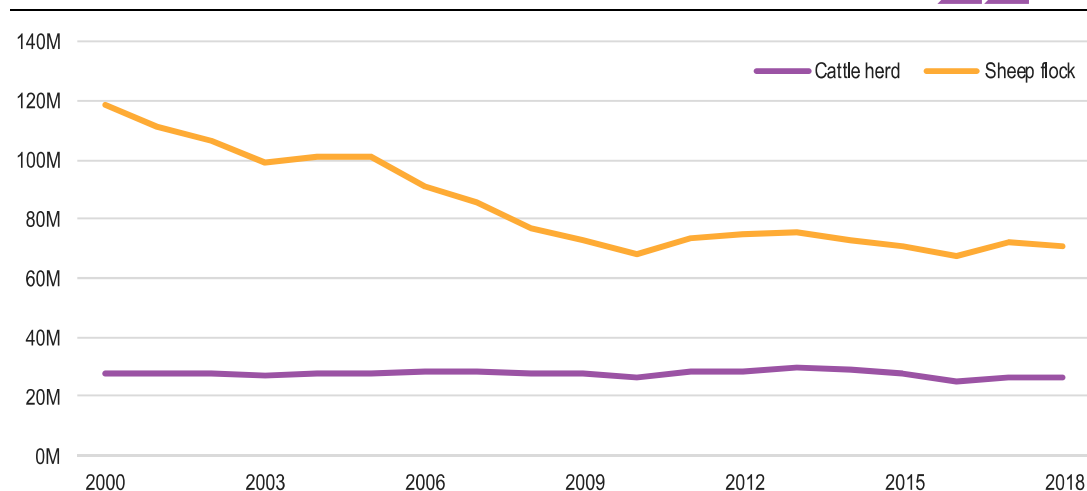
Australia's cattle herd of 26.4 million is relatively small on a global scale, accounting for approximately 2 per cent of the global herd in 2018 which has remained relatively steady since 2000. Between 2014 and 2018, Australia's herd contracted from 29.3 million to 26.4 million and currently remains below its 5-year average of 26.8 million head. In 2016, Australia's cattle herd contracted by 9 per cent reaching a 20-year low of 25 million. This was mainly due to record high turnoff volumes, long term drought conditions across key production areas and strong demand on the export market (Figure 2.3).

Australia's sheep flock of 70.6 million is slightly larger on a global scale compared to cattle, accounting for approximately 6 per cent of the global flock in 2018. The national flock has followed a downwards trajectory since 2000, falling to 70.6 million in 2018 due to the culling of breeding ewes, poor lambing rates and persistent drought conditions. Since 2000, Australia's sheep flock has fallen by 40.4 per cent (or 2.3 per cent) per annum.

⁴ ABS, Value of Agricultural Commodities Produced, Australia, 2017-18

⁵ MLA, State of the Industry 2019

FIGURE 2.3 AUSTRALIAN CATTLE HERD AND SHEEP FLOCK (MILLION HEAD)

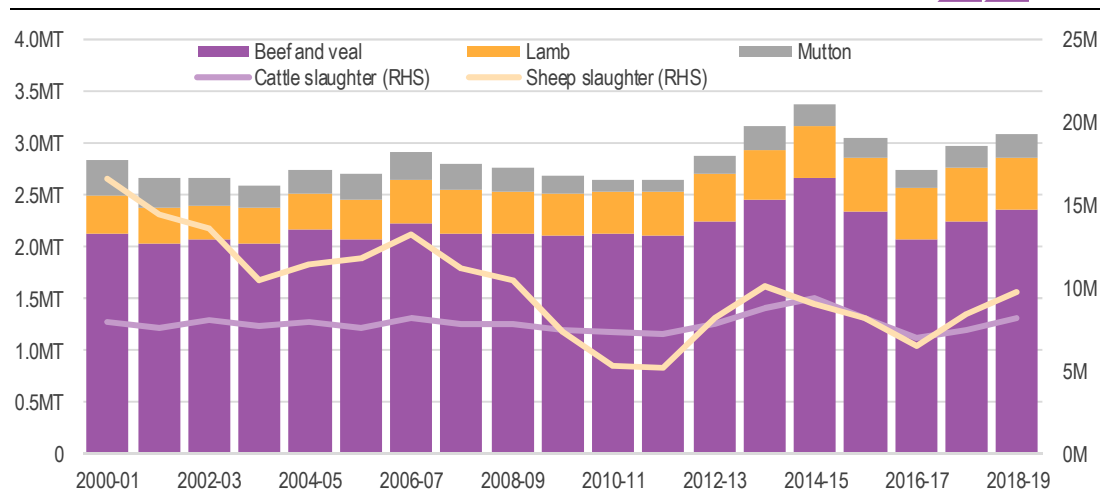


SOURCE: MLA MARKET INFORMATION

2.2.3 Production and consumption

Australia’s red meat and livestock industry plays a small but important role in the global market, contributing about 3 per cent of global beef and 7 per cent of global sheep meat.⁶ Australia’s red meat production levels have been relatively stable since 2000, although there was notable peak in 2014-15 followed by a downward trend to 2016-17. In 2018-19, production levels recovered to about 2.4 million tonnes, but have been reduced more recently with the bushfires of late-2019 and early-2020 impacting herd numbers along the eastern and southern seaboard of Australia.

FIGURE 2.4 TOTAL RED MEAT PRODUCTION (MILLION TONNES, LHS) AND CATTLE AND SHEEP SLAUGHTER (UNITS, RHS)



SOURCE: ABS 7218.0.55.001 LIVESTOCK AND MEAT, AUSTRALIA

Following the peak of beef and veal production in 2014-15 at 2.7 million tonnes (corresponding with record slaughter volumes), production fell to a low of 2.1 million tonnes in 2016-17 due to poor winter conditions, low female turnoff and record numbers of cattle on feed. Since then production has trended upwards as a result of various factors including persistent international demand, favourable exchange rates and increased turnoff rates. Similarly, the production of lamb and mutton has

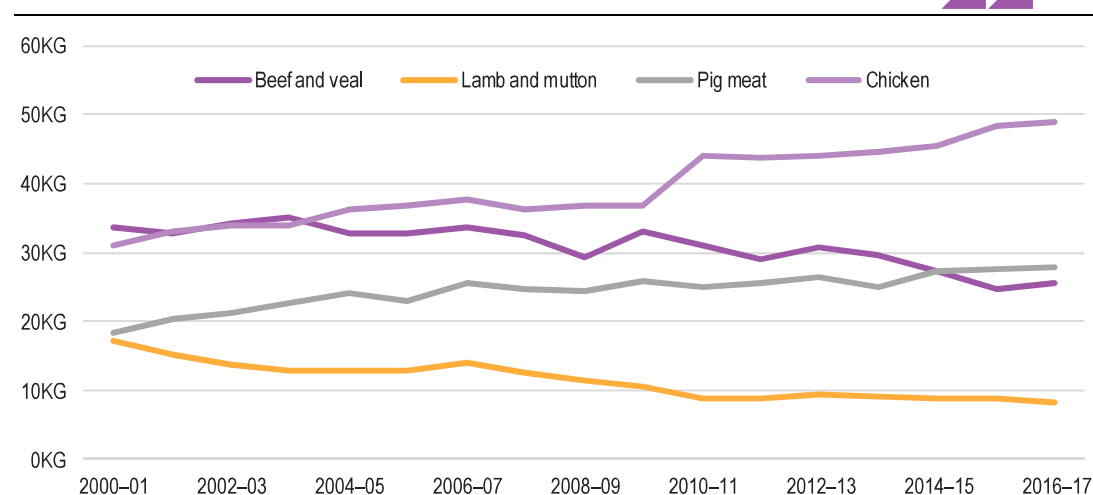
⁶ MLA State of the Industry 2019

recovered from a low in 2015-16 to a peak of 740,000 tonnes in 2018-19 after an increase in annual slaughter numbers and the culling of breeding ewes (**Figure 2.4**).

Australia's per capita consumption of beef and veal and lamb and mutton has followed a downwards trajectory since 2000, most notably for beef and veal since 2009-10. Per capita consumption of beef and veal has fallen by about 7 per cent since 2014-15 to 25.4 kilograms in 2016-17. Over the same period, the per capita consumption of lamb and mutton has also declined, falling to 8.3 kilograms per capita in 2016-17 (**Figure 2.5**).

Per capita consumption of beef and veal, and lamb and mutton, have decreased by 32.3 per cent and 108.7 per cent⁷ respectively since 2000 (although Australia's consumption of beef remains above global average per capita consumption, at about 27 kilograms in 2017).⁸ Meanwhile, per capita consumption of alternative and typically cheaper proteins such as chicken and pork have trended upwards, increasing by over 30 per cent each.

FIGURE 2.5 AUSTRALIAN PER CAPITA MEAT CONSUMPTION



SOURCE: ABARES 2017, AGRICULTURAL COMMODITY STATISTICS 2018

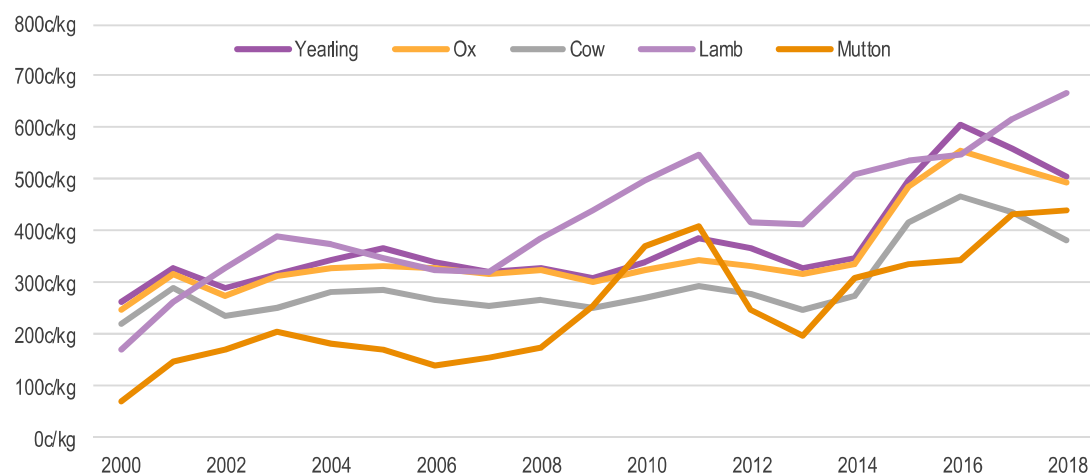
2.2.4 Market conditions

The saleyard prices of all livestock (except for cows) have all trended upwards since 2015 (**Figure 2.6**). The price of lamb and mutton both reached record highs in 2018-19 due to a tightening New Zealand supply, weaker Australian dollar and strong demand from key export markets. In 2018-19 lamb and mutton prices strengthened to 669c/kg and 440c/kg respectively, whilst yearling and ox prices are down on 2018 levels but remain strong at around 500c/kg.

⁷ Most of this has been driven by a fall in per capita consumption of Mutton.

⁸ Australia's consumption of beef remains above global average per capita consumption, at about 27 kilograms in 2017 (MLA State of the Industry 2019).

FIGURE 2.6 SALEYARD PRICES OF LIVESTOCK (CENTS PER KILOGRAM)

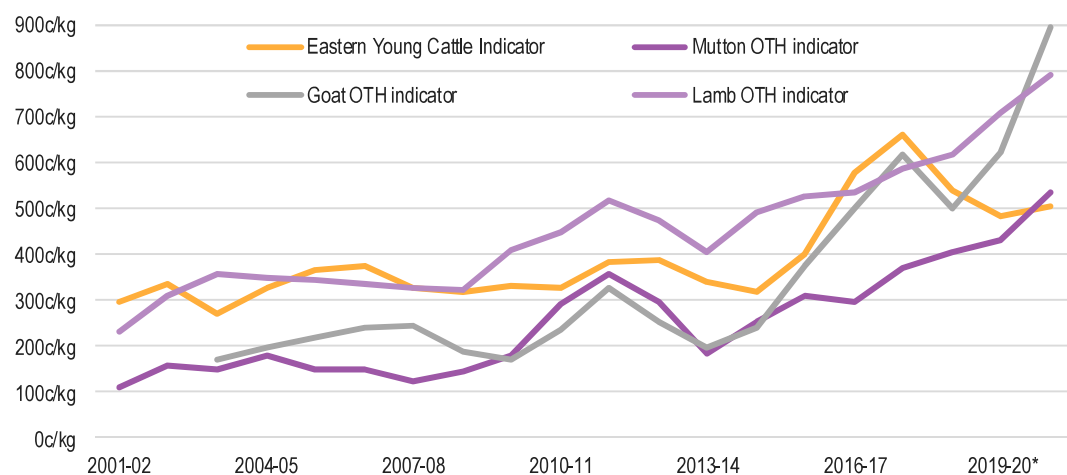


SOURCE: ABARES AGRICULTURAL COMMODITY STATISTICS 2018

In 2018-19, the over the hooks indicators for lamb and mutton reached record highs of 789.1c/kg and 534.1c/kg respectively and have increased by 48 and 78.9 per cent respectively since 2015-16 (**Figure 2.7**). The price rise of lamb and mutton has been driven by the persistence of global demand, ongoing drought conditions which are tightening flock supplies, tighter competitor supplies in New Zealand and a favourable exchange rate.

The goat over the hooks indicator has increased by about 80 per cent since 2015-16, increasing from 500c/kg to a peak of \$895c/kg in 2019. Similar to the reasons behind lamb and mutton prices, the goat indicator has been driven by persistent drought conditions, the resulting decline in goat production and an increase in international demand for a limited supply of Australian goat meat.

FIGURE 2.7 LAMB, MUTTON AND GOAT OVER THE HOOKS INDICATORS AND THE EASTERN YOUNG CATTLE INDICATOR



Note: Goat over the hooks indicator reflects the 12.1 to 16kg weight bracket. The Mutton OTH indicator is for the 18 to 24kg weight bracket. The Lamb OTH indicator reflects a 'Heavy lamb'.

SOURCE: MLA'S NATIONAL LIVESTOCK REPORTING SERVICE, ACIL ALLEN CONSULTING

Prices for finished cattle remained strong in 2018-19 due to international demand and a low Australian dollar, but the prices of young cattle were restrained by low restocking rates due to poor seasonal conditions. This was evident in the Eastern Young Cattle Indicator which peaked in 2016-17 at about

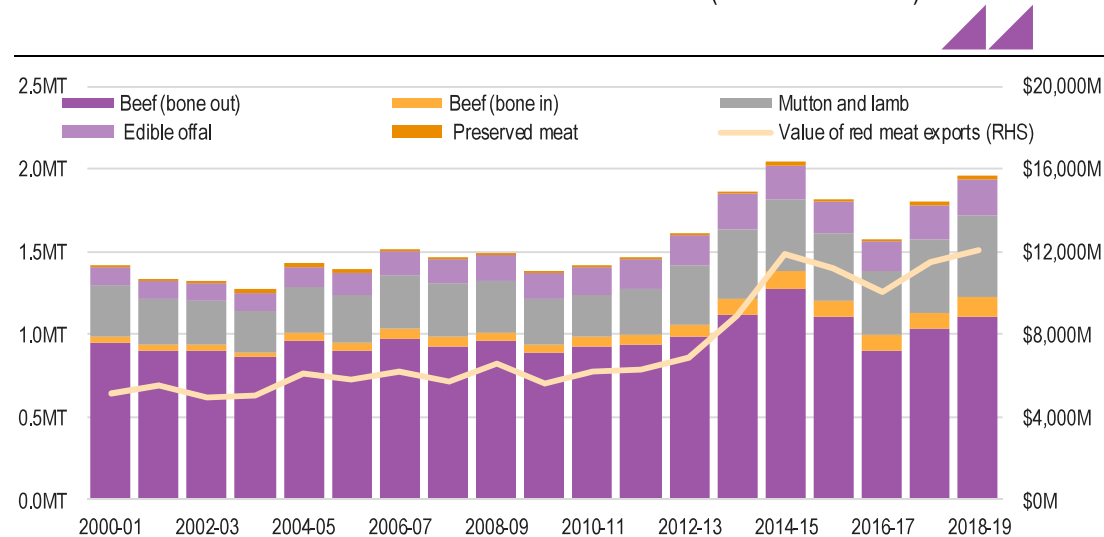
661c/kg before softening to 507c/kg in 2019. Since 2015-16, the Eastern Young Cattle Indicator has declined by 12.4 per cent but remains strong in comparison to the prior decade.

2.2.5 Exports

In 2018-19, Australia exported 1.95 million tonnes of fresh, chilled, frozen and processed meat⁹ which represented an estimated value of \$5.1 billion. This was an 8.7 per cent increase in volume on 2017-18 levels and a 24.3 per cent increase on 2016-17 levels, although volumes remain below the peak of 2.0 million tonnes reached in 2014-15 (**Figure 2.8**).

In 2018-19, 'beef bone out' remained the most in demand red meat on the export market, accounting for over 56 per cent of Australia's total red meat export volume, whilst lamb and mutton accounted for about a quarter of export volume in the same year. Since 2016-17 the export volume of 'beef bone in' has grown notably, increasing by over 40 per cent whilst other red meat types have increased by about 20 per cent.

FIGURE 2.8 EXPORTS OF FRESH, CHILLED, FROZEN AND PROCESSED MEAT (MILLION TONNES), AND THE TOTAL VALUE OF RED MEAT EXPORTS (MILLION DOLLARS)



Note: *2019 represents year to date, September 2019.

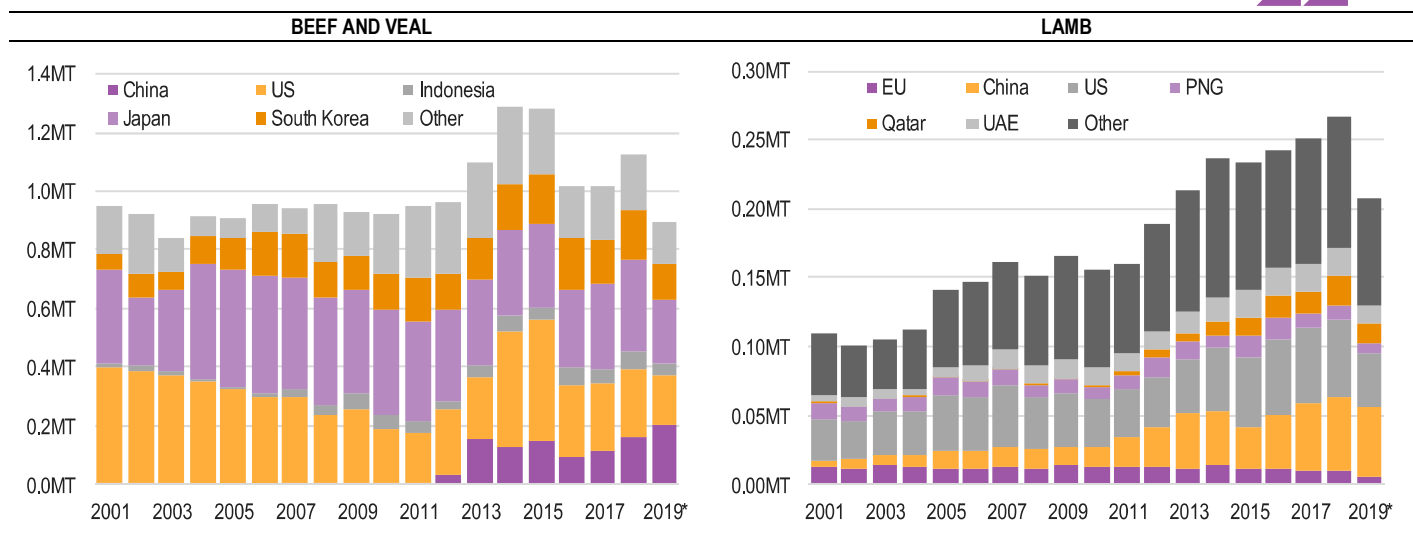
SOURCE: ABS, 7215.0 LIVESTOCK PRODUCTS, AUSTRALIA. ABARES, VALUE OF AGRICULTURAL, FISHERIES AND FORESTRY EXPORTS

Since 2016 the industry's most important export markets for beef and veal have included Japan, the US, South Korea, China and Indonesia. Japan and the US have been the largest consumers of Australian red meat, accounting for about half of the total volume collectively. China's demand has increased from near zero levels in 2010 to a share of over 22 per cent in 2019 (**Figure 2.9**).

In 2018, the US and China were Australia's largest market for sheep meat, importing 56,830 tonnes and 52,919 tonnes shipped weight respectively. China is also the largest importer of Australian mutton, importing 54,937 tonnes in 2018.

⁹ Excluding pork, bacon and ham.

FIGURE 2.9 DESTINATION OF BEEF AND VEAL EXPORTS. AND LAMB (SHIPPED WEIGHT)



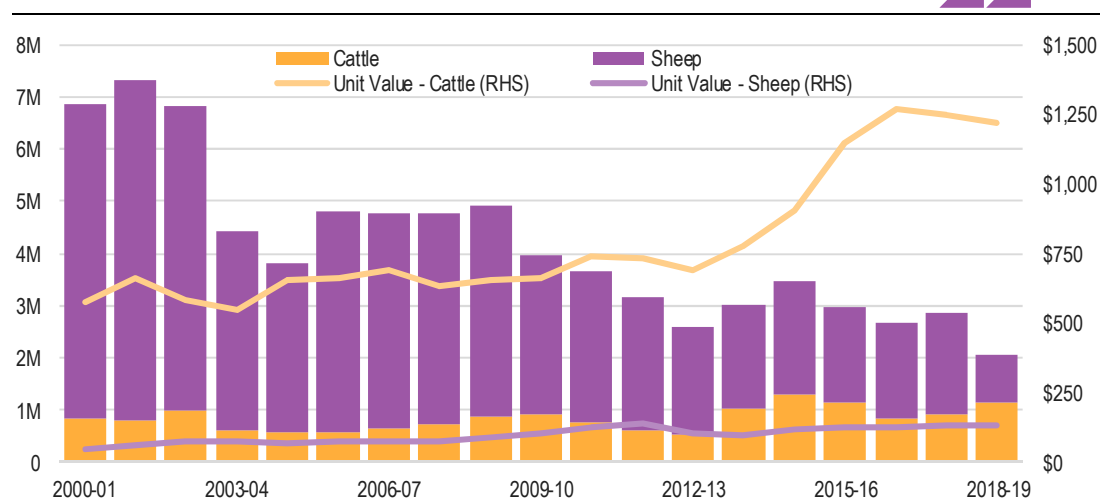
Note: * Year to date September 2019.
SOURCE: DAWR

2.2.6 Live exports

In 2018-19, Australia exported just under a million live sheep which represented a 50 per cent decline on 2016-17 levels and more than a six-fold decline on 2000-01 levels. The sharp decline experienced in live sheep exports is due to the decline in Australia’s flock size (many of which are shifting to cropping), the increased acceptance of frozen and chilled meat in the Middle East, and a recent cessation of live export over summer months to some trading partners.

Over the same time period, live export volume of cattle has remained relatively stable and has increased from a low of 0.5 million in 2012-13 to a peak of 1.3 million in 2014-15. Volumes then declined by over 36 per cent to 0.8 million in 2016-17, before recovering to about 1.1 million head by 2018-19 (Figure 2.10). The price of live export has also significantly increased since 2012-13, largely driven by demand on the export market.

FIGURE 2.10 AUSTRALIAN LIVE EXPORT BY VOLUME (MILLION HEAD) AND UNIT VALUE (\$)

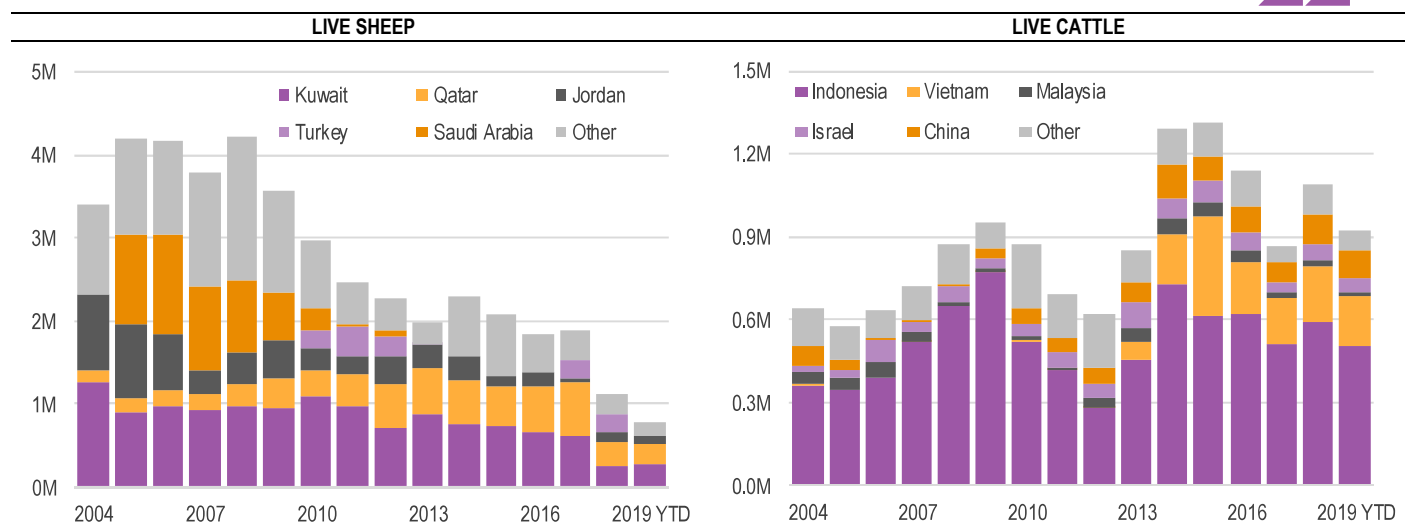


SOURCE: ABS, 7215.0 LIVESTOCK PRODUCTS, AUSTRALIA

In 2018 Australia's largest export markets for live sheep included Qatar (27 per cent), Kuwait (22 per cent) and Turkey (19 per cent). The most notable change since 2016 has been the increase in live sheep exports to Turkey which have increased from non-existent levels to a 19 per cent share of exports (**Figure 2.11**).

In contrast, the export of live cattle has remained relatively steady over the last few years since the highs of 1.3 million live cattle exported in 2014 and 2015. In 2018, 1.1 million live cattle were exported, with the major markets including Indonesia (54 per cent), Vietnam (19 per cent) and China (10 per cent). Since 2014, live cattle exports over the past decade have notably increased to Vietnam and China.

FIGURE 2.11 DESTINATION OF LIVESTOCK EXPORTS



Note: 'YTD' Year to date is to the end of September.

SOURCE: MLA MARKET INFORMATION, AUSTRALIAN LIVESTOCK EXPORTS MONTHLY TRADE SUMMARY SEPTEMBER 2019

2.2.7 Environmental and climatic conditions

A key issue for the red meat industry in Australia since 2015 has been the unfavourable climate and devastating impact of natural disasters. Many production areas in Australia have endured 'worst on record' conditions including periods of drought which continue to result in high destocking rates, increased stock turnoff, livestock shortages, poor breeding conditions, loss and damage to infrastructure and a lack of pasture.

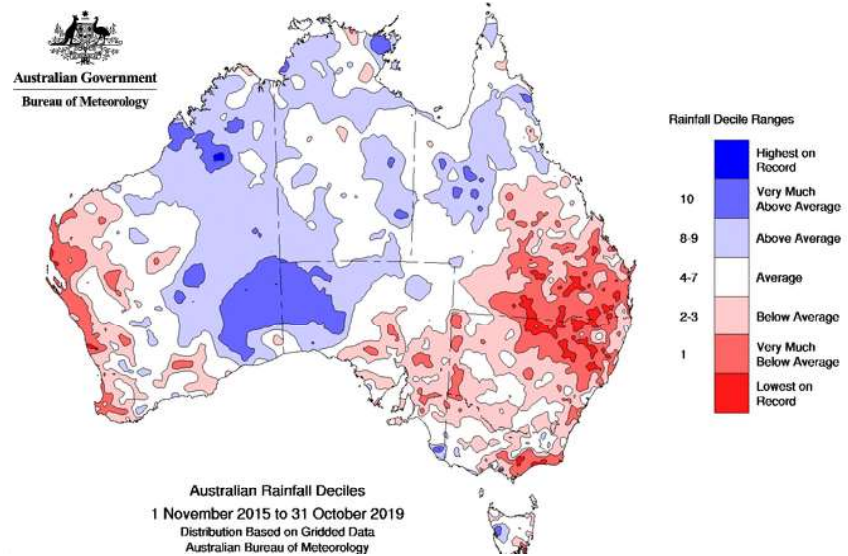
BOX 2.1 QUEENSLAND FLOODING

In February 2019, heavy rainfall in north Queensland led to the flooding of production areas that were already suffering from prolonged drought conditions. The Southern Gulf and Northern Dry Tropics natural resource management regions were the most heavily impacted with an estimated loss of cattle in these regions being between 500,000 and 700,000 head. The combination of the flood and ongoing drought conditions has meant that restocking has been put on hold, livestock turn off remains high (due to a lack of pasture), prices have fallen (as seen in the Eastern Young Cattle Indicator) and herd sizes are declining further.

SOURCE: BUREAU OF METEOROLOGY

Figure 2.12 presents the Australian Rainfall Deciles for Australia between late 2015 and late 2019. The deciles show large parts of Queensland, Victoria and some coastal areas of Western Australia have experienced 'very much below average' rainfall, and some areas of Queensland and Victoria have recorded 'lowest rainfall on record' levels.

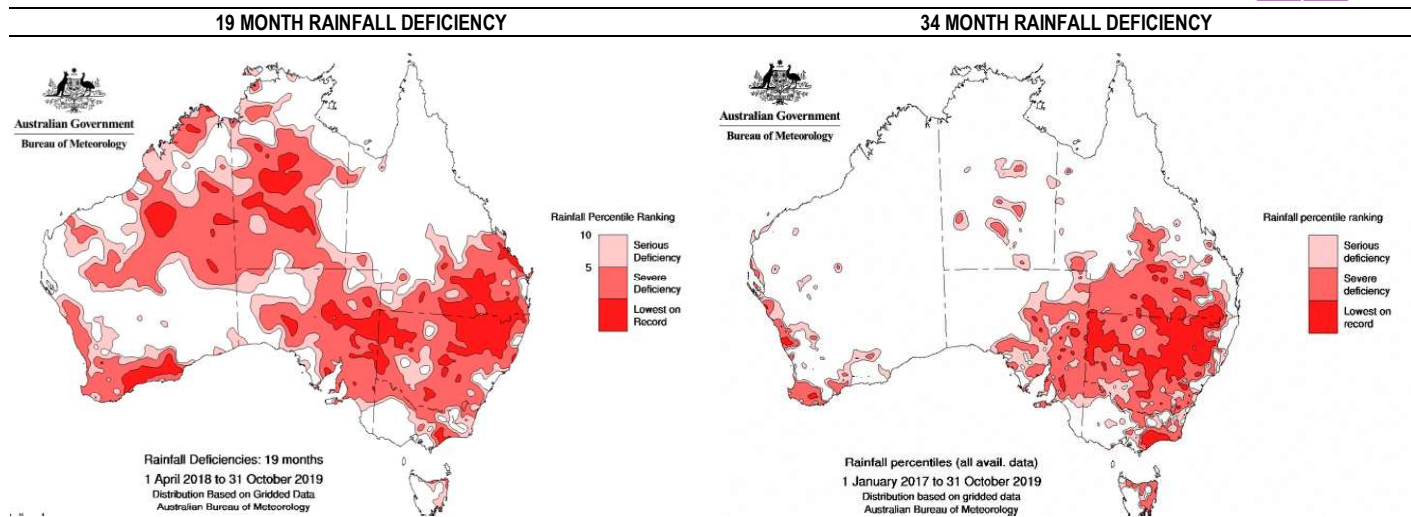
FIGURE 2.12 AUSTRALIAN RAINFALL DECILES: 2015 TO 2019



SOURCE: BUREAU OF METEOROLOGY

Over the past 19 months there has been serious to severe rainfall deficiencies across much of northern Western Australia, parts of the Pilbara and northern Gascoyne, the south west land division of Western Australia, significant parts of Northern Territory, most of South Australia, south and south east Queensland, most of New South Wales, northern and eastern Victoria, as well as some parts of Tasmania's east and north coast (**Figure 2.13**).

FIGURE 2.13 AUSTRALIAN RAINFALL DEFICIENCIES



SOURCE: BUREAU OF METEOROLOGY

Over a longer time period, the 34-month rainfall deficiencies have been most severe for most of New South Wales, adjacent southern Queensland, parts of Victoria, coastal Western Australia, eastern South Australia and north east Tasmania. The rainfall deficiencies have most severely affected New South Wales, Queensland, South Australian and parts of the Murray–Darling Basin since the start of 2017 (including the Macquarie, the Namoi–Peel, and the Border Rivers that flow into the Darling).

2.2.8 Summary

The sections above have highlighted some of the key external factors and events that have impacted MLA and the red meat industry more broadly over the review period. These factors and events are captured in a timeline in **Figure 2.14** below.

The Figure includes some notable events since 2015. For example, MLA has been part of several ‘market access’ milestones including various trade negotiations and free trade agreements, with consultations amongst government and industry stakeholders identifying MLA’s critical role in helping to achieve these milestones on favourable terms for the Australian red meat industry. Moreover, the conclusion of the Trans Pacific Partnership free trade agreement (FTA) negotiations in 2015 were followed by 163 World Trade Organisation members abolishing all agricultural subsidies (although not currently applied to red meat), trade was liberalised with several key trading partners, several trade agreements were signed and – most recently – the Australian European FTA negotiations commenced in 2018. Consultations have indicated the importance of MLA’s in-country experts in providing negotiation advice and support to government that is based on sound local insight and strong connections within the country.

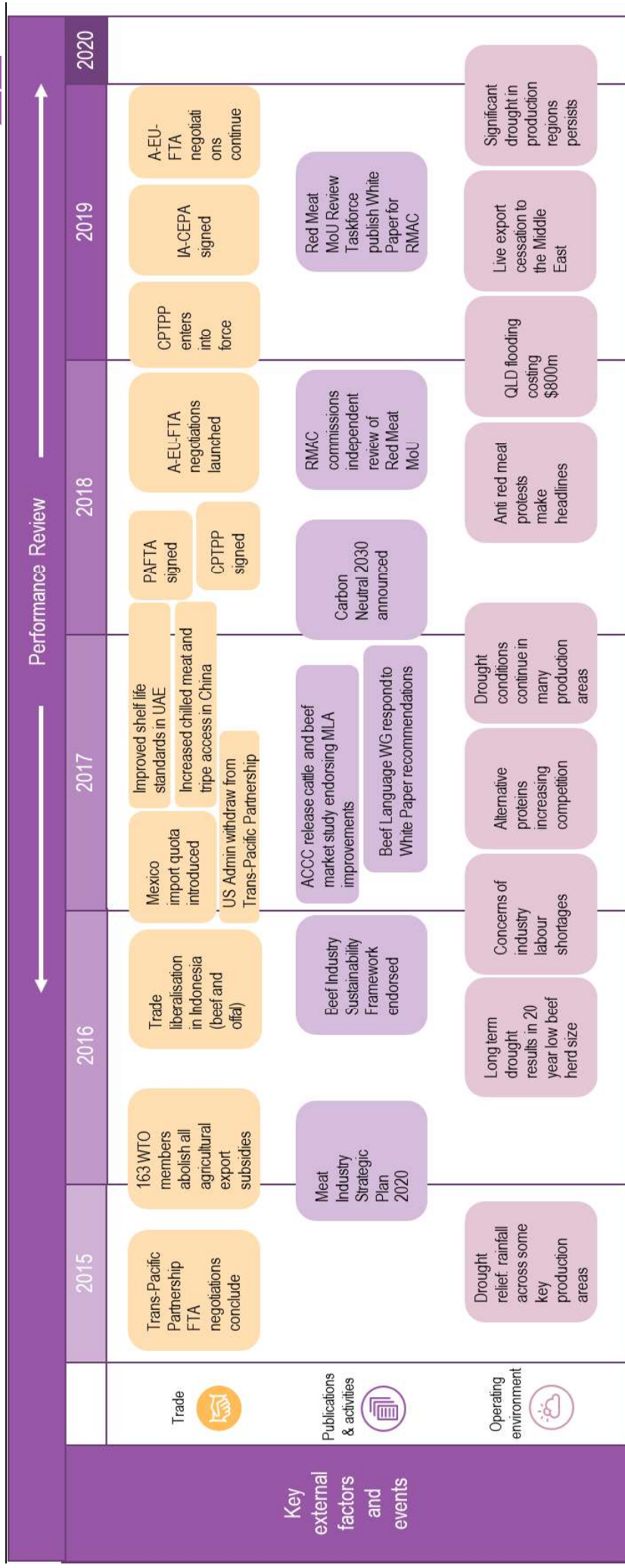
The announcement of the Carbon Neutral 30 (CN30) initiative in 2018, was another notable event of the review period. The initiative provides an opportunity to reduce GHG emissions and increase carbon stocks in soil and plants, while ‘lifting productivity and profitability’ by working closely with industry to identify pathways for becoming carbon neutral. Some of these pathways are well known, others require considerable investment in R&D to better understand. These pathways include ‘new feed supplements, pastures and legumes that reduce livestock methane emissions and improve weight gain, and verifying the benefits dung beetles deliver in moving carbon in dung into soils’.¹⁰

In addition, a number of important publications and announcements for the industry have been developed since 2015, including the Meat Industry Strategic Plan 2020 (2015), the ACCC’s Cattle and Beef Market Study (2017) (which endorsed MLA’s proposed improvements) and Carbon Neutral 2030, which was announced and supported by industry in late 2017. These have all had implications for the way in which MLA has operated, partnered with others and invested its research and development (R&D) and marketing dollars since 2015.

The industry has also faced, and continues to face, a range of operating challenges including extreme weather events, persistent drought conditions and flooding. The industry also faces various social licence issues including increasing pressures relating to industry transparency, traceability, animal welfare and environmental impacts, amongst others.

¹⁰ <https://www.mla.com.au/news-and-events/industry-news/cn30-focus-at-northern-beef-research-update-conference/>

FIGURE 2.14 KEY EXTERNAL FACTORS AND EVENTS WHICH HAVE INFLUENCED MLA'S OPERATIONS OVER THE REVIEW PERIOD



SOURCE: ACIL ALLEN CONSULTING, CONSECUTIVE MLA ANNUAL REPORTS, CONSECUTIVE STATE OF THE INDUSTRY REPORTS, MSP 2020, MEDIA STATEMENTS

NOTE: INDICATIVE TIMELINE ONLY

2.3 Future challenges, opportunities and uncertainties facing MLA

Figure 2.15 presents a summary of the red meat industry’s priority areas for addressing the challenges, threats and uncertainties facing MLA now and into the future. These priority areas were identified in the MISP 2020, consecutive MLA Annual Reports (2015-16 to 2018-19) and consecutive MLA State of the Industry Reports (2017 to 2019). The priority areas have been divided into sustainability and environment, supply chain, market growth and social licence categories. These priorities, as well as some of the industry’s challenges and opportunities, are discussed further in this section.

FIGURE 2.15 PRIORITIES IDENTIFIED BY THE RED MEAT INDUSTRY

Sustainability & Environmental	Supply chain	Market growth	Social license
Environmental stewardship	Value chain efficiency and integrity	Growth in alternative proteins and non animal proteins	Aligning practices with consumers and the community
Natural disasters and extreme weather	Product value and supply chain integrity	Maintaining the premium integrity and quality image	Cultural change through collaboration and transparency
Climate change and climate variability	Product quality and systems integrity	Positioning red meat in a nutritious diet	
Carbon neutrality and emission reduction	Whole of supply chain electronic data exchange	Maintaining and increasing international competitiveness	
Soil health, and water resources		Value based marketing	
Invasive animals, pests and diseases		Export diversification	
Animal welfare standards and live export standards		Declining per capita consumption of red meat	
		Attracting foreign investment on the right terms	

SOURCE: CONSECUTIVE MLA STATE OF THE INDUSTRY REPORTS, CONSECUTIVE MLA ANNUAL REPORTS, ACIL ALLEN CONSULTING

2.3.1 Cultural change, social licence and animal welfare

The MISP 2020 highlights cultural change as the number one explicitly non-economic challenge facing the red meat industry, although it clearly has profound implications for the economic performance of red meat in the future. The challenge lies in aligning enterprises and supply chains with customer priorities and focuses. More specifically, the challenge will be to promote collaboration and transparency across industry to ensure that the community, consumer and levy payers are confident in the industry, its roles and production methods.

Maintaining a high level of animal welfare to meet the expectations of consumers is another significant challenge facing the industry, related to the issue of social licence. One of the key highlights resulting from the Australian Beef Sustainability Framework was the establishment of a \$35 million Strategic Partnership for Animal Welfare. Sustainability and animal welfare are some of the key factors driving consumers to incorporate a higher proportion of non-meat proteins into their diet. High animal welfare standards are also vital for maintaining meat and live export trade which is important for the industry.

2.3.2 Labour shortages

As discussed in MLA’s State of the Industry Report 2019, labour shortfalls and securing workers present significant challenges for the red meat industry for both producers and processors. The challenge for the industry is to attract workers to the industry (i.e. promoting the industry as exciting, innovative and well paid) and introducing initiatives to address labour shortages (i.e. investing in regional services and communicating career opportunities).

2.3.3 Climate change, extreme weather events and carbon neutrality

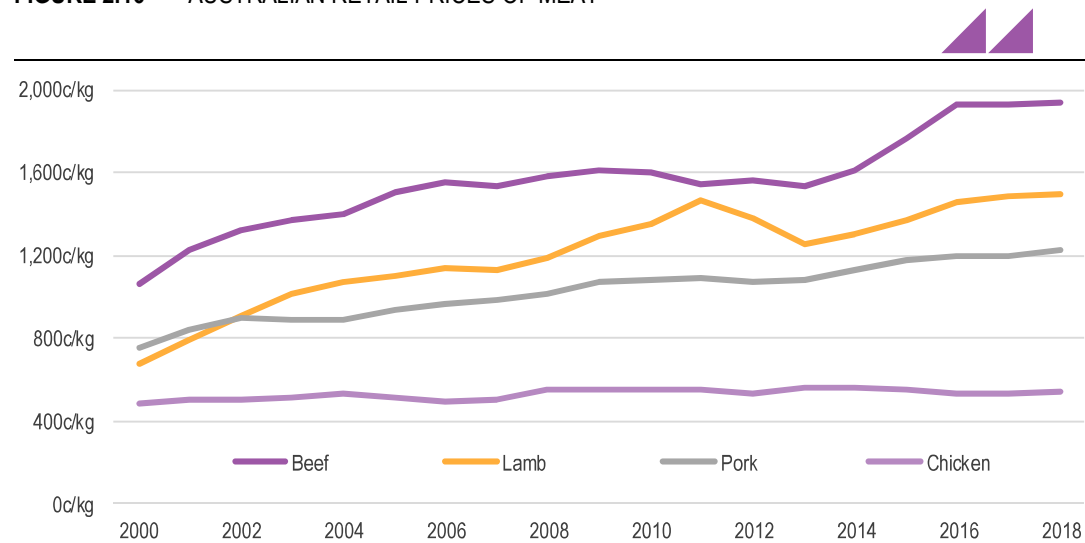
Managing climate change and climate risk is one of the red meat industry's key sustainability priorities. Climate change presents a significant challenge for the industry due to its dependence on natural resources and the industry has observed changing rainfall patterns, weather variability and various extreme weather events. The industry also sees its response and action on climate change having the potential to not only deliver social licence advantages, but also to improve productivity such as animal productivity improvements and the diversification of revenue streams.

In response to industry and stakeholder expectations about climate change, MLA announced its Carbon Neutral 2030 in 2017. The red meat industry has supported the target of achieving carbon neutrality by 2030 in an attempt to reduce the industry's contribution to greenhouse gases. MLA and the red meat industry accept that the target will require significant productivity improvements and new emission reduction methodologies. MLA has stated that it is committed to investing in new technology and research projects.

2.3.4 Alternative proteins and low-cost alternatives

The increasing competition from lower cost alternatives (i.e. chicken and pork) has always presented a challenge for the red meat industry. In 2018, the retail price of chicken was approximately 540 cents per kilogram compared to beef at 1,933 cents per kilogram (**Figure 2.16**). Per capita consumption of chicken continues to grow and is now approximately double that of beef (as shown earlier in **Figure 2.5**). The red meat industry is also facing competition from the increasing availability of non-meat protein alternatives such as plant-based meat substitutes which tap into the global trend of consumers demanding greater sustainability and ethical practices.

FIGURE 2.16 AUSTRALIAN RETAIL PRICES OF MEAT



SOURCE: ABARES, AUSTRALIAN COMMODITY STATISTICS 2018

2.3.5 Productivity challenges

The MISP 2020 also highlights a productivity challenge for the industry. This relates to the high off farm costs which are higher than major competitors, and the on-farm productivity which is below the advances made by major competitors. The MISP 2020 also acknowledges the industry's commitment (\$13.8 million) for the development of collective bargaining and innovative business models to improve the returns of primary industries.

Export market competition and challenges

Maintaining competitiveness on the international market is essential for the red meat industry due to its heavy reliance on trade (e.g. live export underpins the viability of some sheep producers and northern cattle pastoralists in Western Australia). Securing trade agreements (i.e. the potential

Australian-European free trade agreement) and maintaining the perception of the industry's competitive advantage as high quality and high integrity will be important for the industry and its engagement with international markets.

In addition, the Australian Department of Agriculture ceased live exports to the Middle East for the northern summer months following evidence of animal cruelty in 2017. The export ban on live sheep began in June and concluded in September of 2019. It is uncertain what the future holds for the Australian live sheep export industry. There is limited suggestion to date the live cattle export industry faces the same level of uncertainty as the live sheep export industry.

While the red meat industry has faced increasing international competition, it has also experienced improved access into emerging and restricted markets. The red meat industry continues to work with government to improve market access and global competitiveness, reduce supply chain costs and increase the value of exports. There have been a number of recent breakthroughs regarding trade agreements. Some of these include:

- Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

The CPTPP is a FTA between Australia and 10 other countries that came into effect in December 2018. This agreement has resulted in further tariff reductions on beef entering Japan, and has also eased access to Canada, Mexico and Peru.

- Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA)

The IA-CEPA is a bilateral agreement between Australia and Indonesia which was signed in March 2019 but has yet to come into force. The IA-CEPA will result in improved trade certainty and an expanding quota for live cattle, a relaxation of the live cattle permit systems and liberalisation of tariffs for boxed beef and sheep meat.

- Australia-Hong Kong Free Trade Agreement (A-HK FTA)

The implementation of the A-HK FTA promotes a closer economic relationship between Australia and Hong Kong and will 'lock in' Australia's current duty-free access for red meat products. The A-HK FTA has the potential to complement the China-Australia Free Trade Agreement as well as Australia's other trade agreements throughout Asia.

Looking forward, there are also a number of economic and technical barriers in global markets that are capping the industry's export potential and are creating a level of uncertainty in the red meat industry. Some of these include:

- Australia-European Union Free Trade Agreement (A-EU FTA)

Australia and the EU have begun the process for securing a closer trade relationship via an A-EU-FTA. The launch of A-EU FTA negotiations has enabled Australia to discuss how it might access the European Union in the future following Brexit, which has the prospect of disrupting Australia's existing trade arrangements.

- Non-tariff barriers (NTBs)

The removal of quotas to enhance Australia's competitiveness and alleviate NTBs has been highlighted as a priority. NTBs impose additional costs on the red meat value chain and are having an impact in China, the Middle East and South East Asia.

2.3.6 Red Meat MoU and proposed changes to red meat's institutional landscape

The Red Meat MoU, created in 1998, was designed to define the roles, responsibilities and funding of Australia's red meat industry bodies. The MoU provides the framework for coordinating the industry's policy/strategy and services delivery responsibilities.

Under the MoU, MLA is nominated as the lead organisation where services cover the whole supply chain, unless otherwise agreed, to avoid duplication and improve operational efficiency. Programs operated by MLA are defined as core and joint functions depending on the number of red meat RDCs providing funds. This is the rationale for positioning MDC and ISC (the latter previously being NLIS and AUS-MEAT (co-owned with AMPC)) within MLA. There are also additional joint programs between MLA and the other red meat RDCs such as the Plant Initiated Projects Program (PIP Program) with AMPC and the Livestock Export Research and Development Program with LiveCorp.

In September 2018, the RMAC commissioned an independent review of the MoU which included engaging with MoU signatories and government, formal submissions to a Green Paper, online consultation and briefings with other stakeholders.

The result of the review was *A Better Red Meat Future: A White Paper for the Red Meat Advisory Council*. This White Paper recommends the following:

- a renewed red meat MoU that is well understood by Australia's red meat businesses
- three new streamlined and unified industry bodies: Red Meat Australia, a single Red Meat Research Body and an industry standards forum
- Red Meat Australia would be the single voice for the Australian red meat and livestock industry
- Red Meat Australia would be the single conduit for levies collected from business and coordinate industry public policy, social license and marketing roles
- Red Meat Australia would set the MISIP; and all three new bodies would be accountable under the MISIP to Red Meat Australia.

The Review Taskforce believes the changes will reduce bureaucracy, increase cost effectiveness, increase industry accountability and increase the understanding and business centricity for industry representation and service delivery.

The proposal to establish Red Meat Australia as a single red meat research body and standards organisation creates some uncertainty about the future of MLA and what the future industry structure may look like.

Regardless of the structure, MLA will need to be in a position to respond effectively to the needs of the industry.


2.4 Key findings

High red meat prices brought about by strong consumer demand, a reduction in the national herd and growth in international markets have seen good returns; have offset demand declines in some developed markets (e.g. Australia and U.K.). This has provided good returns to the red meat industry over the review period. These returns have been relatively stable since ACIL Allen undertook the previous review of MLA.

However, the red meat industry (and thus MLA) face some significant challenges and a degree of uncertainty that may impact the ability of the industry to deliver these returns into the future.

Not all of these challenges are within MLA's traditional remit of R&D and industry marketing; but as a significant institution within the red meat industry, those outside the organisation will naturally look to MLA for leadership. This will increase stakeholder expectations on MLA to be an effective leader in the future whether it seeks this leadership role or not.

MLA also faces an uncertain future with the reframing of the red meat MoU. MLA will need to be both agile to adapt to uncertainty and change, and resilient to ensure it maintains performance levels while adapting.



3

GOVERNANCE AND OPERATIONS

MLA is a large, complex and evolving organisation. It is not particularly insightful to document and then analyse in detail all of the changes that have occurred over the review period. As such, the chapter does not examine the many hundreds of system and procedural changes that have been implemented over the review period. Many of these changes are at a level which is too fine for a performance review of this nature. They are also part of the ongoing operational improvements that MLA has implemented over the past two decades. Many of these improvements have been examined in past performance reviews and improvements adopted by the organisation over time.

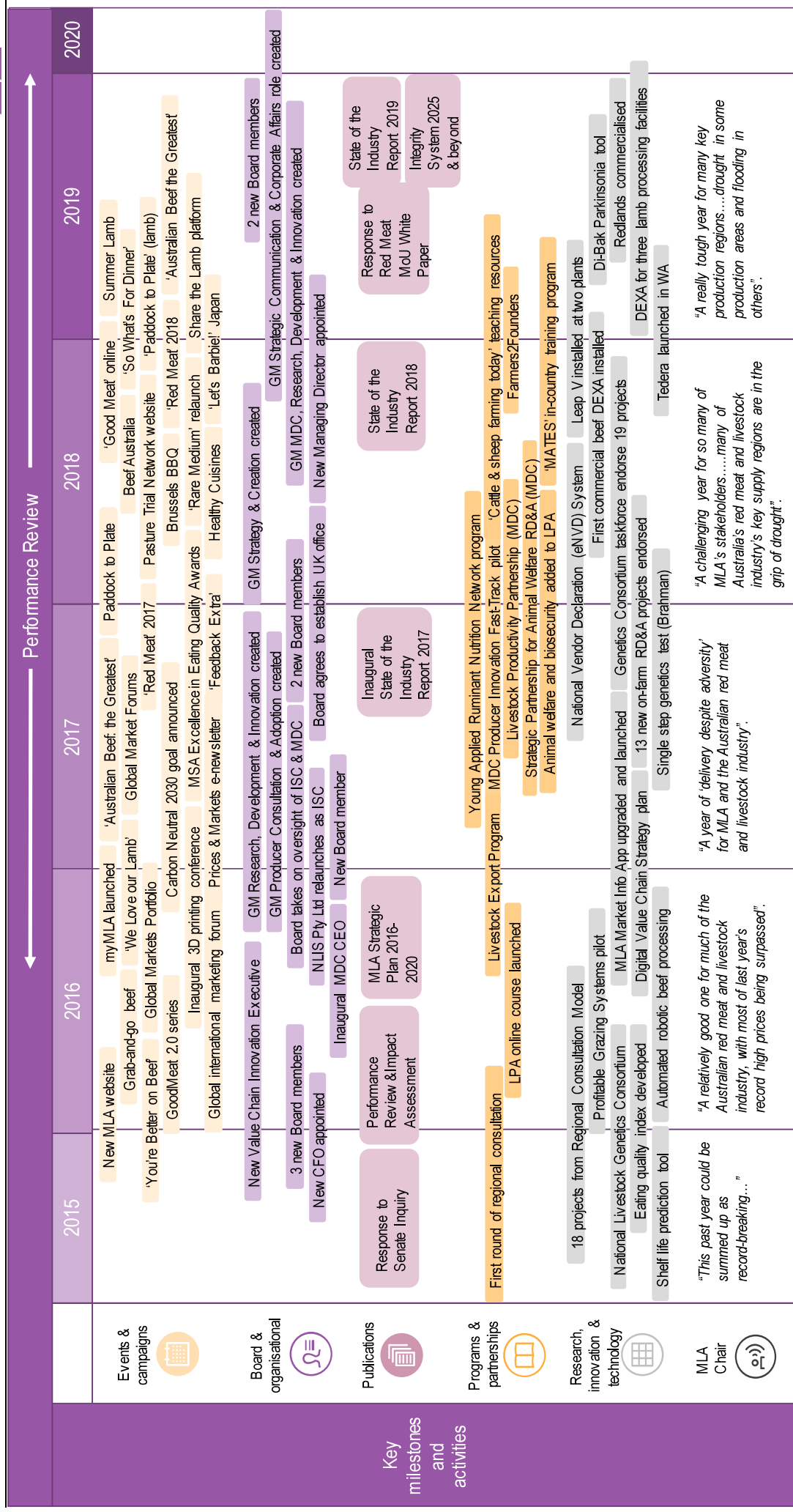
Instead, this chapter will identify the significant changes in Board and executive management positions over the last five years, with positional changes occurring on the Skills Based Board, Director, Representative, Executive and Managing Director levels. The chapter will examine these changes and what they mean for MLA's performance now and into the future.

There are many examples of operational investments that could have been analysed for this review but have not been for the reasons outlined above. The most significant MLA investments have been mapped in **Figure 3.1** below for the sake of completeness. **Figure 3.1** shows that MLA launched and supported a range of new technologies (typically through its subsidiary MDC) including the National Livestock Genetics Consortium, Livestock Productivity Partnership and Animal Welfare Strategic Partnership.

The Figure shows that MLA's engagement with its stakeholders through events has been consistent since 2015 with various industry engagement events, workshops, demonstrations and campaigns. Notably, MLA has participated and facilitated campaigns such as the Good Meat 2.0 Series, We Love our Lamb campaign, Red Meat 2017 and most recently Let's Barbie! Japan. MLA also conducted its first round of its Regional Consultation Model in 2015, launched a new website and announced its official partnership with the Australian Olympic team for Tokyo 2020.

The Figure also identifies notable publications during the review period. MLA finalised its four-year Strategic Plan in 2016 and provided its inaugural State of the Industry Report in 2017. MLA also released its Independent Performance Review and Impact Assessment in 2016 and responded to the Red Meat MoU White Paper in 2019 by welcoming its recommendations and reform addressing the future of the red meat sector.

FIGURE 3.1 KEY MLA MILESTONES AND ACTIVITIES DURING THE REVIEW PERIOD



SOURCE: CONSECUTIVE MLA STATE OF THE INDUSTRY REPORTS, CONSECUTIVE MLA ANNUAL REPORTS, ACIL ALLEN CONSULTING

NOTE: DATES ARE INDICATIVE ONLY

3.1 Governance – MLA

MLA's corporate governance framework is set by its Board. The framework is mature and is a result of more than two decades of evolution. It is based upon the best interests of MLA members, the values of the organisation and the company's obligations under the SFA, and it is aligned with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition).¹¹

Clause 14.1 of the SFA states:

MLA must maintain, implement and regularly review a framework of good corporate governance practice to ensure proper use and management of the Funds, which should meet government expectations and draw on better practice guides, including guidelines provided by the Commonwealth and the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (Third Edition) (2014).

During the 2015-16 performance review, ACIL Allen undertook a comprehensive assessment of whether MLA had implemented the appropriate arrangements, processes and policies to ensure the company met the strict principles and recommendations laid out by the ASX's Corporate Governance Council. ACIL Allen reviewed a broad range of MLA material including Board policies, plans, procedures and reports, and concluded that MLA had demonstrated a high level of compliance with these best practice principles which requires a Board to maintain certain governance arrangements/policies and report against them on a regular basis.¹²

Upon revisiting MLA in 2019-20, ACIL Allen observed the same level of compliance with these principles which are embedded in the company's policies, procedures and governance arrangements. This is reflective of MLA being a sophisticated organisation. ACIL Allen is satisfied that MLA has maintained the necessary arrangements and processes in place to ensure the good governance of the company, and as such did not consider it necessary to replicate the level of analysis undertaken during the previous review regarding this matter.

3.1.1 Board performance

Each year MLA Board's performance is evaluated through:

- self-assessment
- peer review
- individual assessment by the chairman.¹³

Since 2015 MLA has also engaged the Australian Institute of Company Directors (AICD) on an annual basis to seek feedback from Board directors about MLA's governance. The directors of MLA are invited to participate in an online governance survey developed by the AICD. The review is not an external governance assessment. Rather, it is a "guided" self-assessment, reflecting the views of the survey participants.

AICD's approach asks survey participants to reflect on four governance areas relating to 'individual', 'Board', 'organisational' and 'stakeholders' using five assessment categories ranging from 'under developed' to 'mature'.

The key results from the surveys undertaken during the review period are provided in **Table 3.1**.¹⁴

¹¹ The principles and recommendations prescribed by the ASX can be viewed at <https://www.asx.com.au/documents/asx-compliance/cgc-principles-and-recommendations-3rd-edn.pdf>.

¹² ACIL Allen Consulting (2016), Independent Performance Review of Meat And Livestock Australia and the MLA Donor Company, p 23.

¹³ MLA, Corporate governance: Encouraging Board performance, accessed at <https://www.mla.com.au/about-mla/how-we-are-governed/corporate-governance/> on 21 January 2020.

¹⁴ This section (including Table 3.1) has been prepared by ACIL Allen and incorporates, amongst other things, the results of the self-assessments undertaken by MLA directors between 2016 and 2019 in response to online surveys administered by the AICD. The results referred to in this extract are drawn from a larger body of work. The decision concerning what to include in the extract is that of ACIL Allen Consulting.

TABLE 3.1 RESULTS OF BOARD GOVERNANCE SURVEYS

Report	Overall performance	Comparison with results from previous year
November 2017	The average assessment for the majority of governance areas was “mature”, with the exception of the three areas related to: information provided to the Board; the Board’s approach to ensuring member/stakeholder support and a suitable member/stakeholder base; and the organisation’s community engagement. All three of these received average assessments of “sound”.	<p>There was an increase in average scores in all governance areas examined compared to the October 2016 survey.</p> <p>The largest increases in scores related to:</p> <ul style="list-style-type: none"> – information provided to the Board (<i>a 18% increase from 3.81 to 4.50</i>) – the Board’s approach to ensuring member/stakeholder support and a suitable member/stakeholder base (<i>a 17% increase from 3.85 to 4.50</i>) – approach concerning delegation of operational management by the Board and related reporting requirements (<i>a 15% increase from 4.25 to 4.88</i>) – membership of Board/Board committees (<i>a 15% increase from 3.97 to 4.58</i>) – the Board’s accountability to, and engagement with, members and key stakeholders through communications and encouraged participation (<i>a 15% increase from 4.07 to 4.67</i>).
November 2018	The average assessment for all governance areas was “mature”, with the exception of the area related to the behaviour of individual directors, which received an average assessment of “sound”.	<p>Compared to the 2017 results, there was an increase in scores across the majority of governance areas.</p> <p>The areas with the most significant increase in scores related to:</p> <ul style="list-style-type: none"> – information provided to the Board (<i>a 10% increase from 4.50 to 4.94</i>) – governance systems and policies (including the organisation’s values/ethics code) (<i>a 7% increase from 4.58 to 4.91</i>) – the Board’s role with respect to the senior management team and other human resources (<i>a 7% increase from 4.57 to 4.90</i>) – approach to compliance with the organisation’s legal, regulatory and constitutional requirements (<i>a 7% increase from 4.58 to 4.88</i>). <p>The areas with the most significant decrease in scores related to:</p> <ul style="list-style-type: none"> – behaviour of individual directors (<i>a 4% decrease from 4.58 to 4.38</i>) – the Board’s approach to assessing the performance of the Board and its committees (<i>a 4% decrease from 4.72 to 4.54</i>).
November 2019	<p>Overall, the average assessment afforded by participants for the vast majority of governance areas during the 2019 review was “mature”. The exceptions to this was where the average assessment was “sound”, which were in the following areas:</p> <ul style="list-style-type: none"> – Leadership qualities of directors – Information provided to the Board – Governance systems and policies – The Board’s role in strategy – The Board’s approach to stakeholders/members – Reputation and Image. 	<p>There were 21 governance areas which received a lower average score when compared to the previous year’s results. The majority of these decrease were minor and not of significance, as the 2018 results were exceptionally high.</p> <p>Overall:</p> <ul style="list-style-type: none"> – the largest increase was in the area of director behaviour (<i>a 10% increase from 4.38 to 4.83</i>) – the largest decrease was around the information provided to the Board (<i>a decrease of 11% from 4.94 to 4.39</i>) – the lowest scoring statement remained the same, which related to the Board’s time dedication to the organisation’s strategy (<i>average score of 3.88</i>).

SOURCE: AUSTRALIAN INSTITUTE OF COMPANY DIRECTORS, 2017-2019 REPORTS TO MEAT & LIVESTOCK AUSTRALIA: GOVERNANCE ANALYSIS TOOL

Analysis of results

The average score across each governance area has increased year upon year during the review period, with the only exceptions being the Individual Director area (2017 to 2018) and the Organisational and Stakeholder areas (2018 to 2019). While there have been minor decreases in these areas, the results are still extremely favourable and consistent with stakeholder interviews that

suggest MLA's Board and governance processes continue to evolve and reflect a highly mature and compliant governance regime.

When comparing the most recent (2019) survey results to the results from the October 2016 review (when the current SFA commenced), all average scores increased by the following amounts:

- Board governance area: increased from 4.31 to 4.79 (11 per cent)
- Stakeholder governance area: increased from 4.3 to 4.73 (10 per cent)
- Organisational governance area: increased from 4.26 to 4.68 (10 per cent)
- Individual governance area: increased from 4.52 to 4.69 (4 per cent).

The analysis provided by AICD's survey results confirms many of the conclusions naturally reached by ACIL Allen through a review of internal and compliance documentation and through discussions with Board members, MLA's executive and external stakeholders. In reflecting on the results of the 2016 review and the analysis undertaken for this review, it raises questions about the utility of examining MLA's governance arrangements in future SFA reviews. It may be prudent to only include analysis of this nature in future performance reviews where stakeholders (in particular, Australian Government) believe that the arrangements require a more fulsome independent analysis.

3.2 Governance – subsidiaries

MDC

MDC activities are overseen by the MDC Board and MDC General Manager, Research, Development and Innovation. This is a change from the leadership arrangement in 2016-17 when MDC was led by a CEO. This change reflects a general trend (across the review period) in the governance and accountability of MDC. This trend has seen MDC's decision making and management structures become more integrated within the operations of MLA and less at an arm's length. The move to greater MDC/MLA integration was introduced to enhance the strategic alignment between MDC and the parent company, and reflected MDC reaching its funding cap. The focus of MDC's leadership is now on the prudent management of committed funds, rather than strategic direction setting activities.

The MDC Board comprises members from the MLA Board, and during the review period its General Manager forms part of the MLA leadership team. With the evolution of the MDC portfolio and MLA's management of it, a decision has been made for the MLA CFO to oversee investment through that funding vehicle. Procedurally, MDC matters are discussed separately from broader MLA matters at MLA Board meetings to ensure there is sufficient consideration given to MDC-relevant matters at those meetings. That being said, MDC operates under the same Corporate Governance Framework as MLA, and – as noted in chapter 1 – shares the same vision, mission and values and Board procedures. This represents good governance practice in ACIL Allen's view.

Review of the MDC Board's performance is covered in the MLA Board performance surveys conducted by the AICD. These surveys suggest there are few performance issues of substance associated with the governance model and Board processes of the MDC. For example, one survey respondent stated that the standard of information presented by the executive management team to the MDC Board and Board committees 'needs some work' but that this was being addressed.¹⁵ Another suggested that a proposed topic for consideration as part of the Board discussion surrounding the 2018 report should be whether investments through the MLA Donor Company are targeting the highest impact areas.¹⁶ However, these instances seem to be isolated cases (given that AICD asks respondents to comment on more than 150 survey questions), and there is no evidence that the issues raised are a pattern of behaviour.

Overall, these survey results are consistent with feedback provided by internal MLA stakeholders (which includes Board members). Most stakeholders consulted about governance feel that MDC's governance model is appropriate for managing the strategic and operational risks of the Donor Company and that it is well positioned to meet the challenges of the future.

¹⁵ Australian Institute of Company Directors, *Report to Meat & Livestock Australia*, November 2017, p 17.

¹⁶ Australian Institute of Company Directors, *Report to Meat & Livestock Australia*, November 2018, p 3.

ISC

ISC activities are overseen by the ISC Board and ISC CEO. The ISC Board is comprised of members from the MLA Board, and the ISC CEO is part of the MLA leadership team. Like the MDC, ISC's Board deliberations are procedurally separated from the deliberations of the broader company to ensure focus on the subsidiary is maintained.

At the time of writing this report, MLA was considering changes to the ISC Board structure to make it more integrated with the MLA Board (or at least to make ISC operate like a sub-committee of the Board). The proposed changes were expected to be finalised by March-April 2020. The rationale for these changes, as communicated to ACIL Allen, seems sound and is well aligned to an overarching trend towards the increasing integration of MLA's subsidiaries (both from the perspective of their governance and operational models) with the parent company.

One issue for the ISC raised by many stakeholders relates to its strategic horizon and operations, which is essentially a fundamental matter for the ISC Board and MLA. The ISC, according to many stakeholders consulted, is at a crossroad. Some stakeholders are seeking ISC to remain focused on short term investments which enhance the operationalisation of the current integrity system. They see longer term (or blue sky) investments in the digital transformation of the system and future system thinking as distractions to its day-to-day management of integrity processes.

While the ISC is a subsidiary of MLA, it operates on behalf of and in partnership with industry and government. In many ways the ISC represents the on-going maturing of industry services funded by levies and government contributions, that extends beyond a traditional view of R&D and marketing. The need for integrity systems is well understood by the red meat supply chain and funding by industry levies and government through RDCs is widely supported. As such, the ISC is a mechanism for delivering a collaborative whole of industry approach to integrity, which draws on MLA's significant capabilities as the largest industry services body.

At the same time, the ISC needs to integrate existing service delivery with the digital transformation and evolution of the various integrity systems, in both its strategy and operations. As a relatively young organisation which builds on and replaces numerous committees, the ISC needs to balance the required capabilities and expectations around representation in its governance, finance and operations. This is a question of whether the 2025 strategy is best led and funded discretely by the ISC or from a wider collaborative MLA driven platform which involves other red meat industry stakeholders and even stakeholders across the agricultural sector. This question is beyond the scope of ACIL Allen's review. It is critical that both MLA and ISC work collaboratively to patiently and repeatedly engage the various stakeholders in the development of the ISC. Part of this process must transparently acknowledge the range of divergent views on how the development occurs and explain the reasoning behind decisions made.

Developing a true and agreed understanding of ISC's real value and correct position in the red meat industry (and wider agricultural sector) will take collective effort and be adaptive by necessity. The 2023 sunset provisions associated with the streamlining and modernisation of agricultural levies¹⁷ provide a logical point in the future to consider changes to ISC governance in addition to what may arise from the Red Meat MoU reforms under consideration. This is consistent with the 2019 ISC Customer Experience Review which identified recommendations to improve performance not associated with governance.

3.3 MLA operations (leadership and staffing considerations)

Given the size and complexity of MLA (and its consistent ability to demonstrate compliance against the SFA), it is not possible (nor potentially all that insightful) to analyse all of MLA's operational arrangements over the review period. The timeline at the beginning of this chapter identifies the key steps/investments MLA has taken in response to the contextual factors (challenges and opportunities) outlined in chapter 2 of this report. This timeline is just a snapshot of the many hundreds of steps/investments/activities that have been delivered by MLA over the review period.

¹⁷ <https://www.agriculture.gov.au/ag-farm-food/levies/levies-process-reform#why-is-the-department-streamlining-and-modernising-levies-legislation>

There are two issues however, which have been identified by stakeholders during consultations which are suitable for further analysis. Both issues go to the heart of how MLA executes its plans and strategies (the subject of chapter 4) and its engagement with external stakeholders (the focus of chapter 6), and are analysed in more detail below.

It should be noted the MDC uses MLA staff to fulfil its functions while ISC employs its own staff. Operationally both the MLA and ISC draw on MLA resources and processes to execute their functions/obligations. As such, the organisational performance of MDC and ISC is akin to the organisational performance of MLA and the comments provided in this section can be equally applied to the subsidiary companies as they are applied to MLA.

3.3.1 Leadership

Leadership can have a significant impact on the culture and performance of an organisation. Stability in leadership provides certainty and consistency and allows for quality in leadership to emerge over time. A lack of stability 'harms culture, stifles productivity, erodes trust' and makes it extremely difficult for an organisation to retain top talent.¹⁸ Changes in leadership provide important opportunities to reset an organisation's direction, bring new ideas to the executive or Board room table, challenge the status quo, energise existing teams, and mend broken relationships (which can be internally and externally focused). Stability and change both bring benefits to an organisation's leadership quality.

The numerous stakeholders consulted as part of this review noted that MLA had experienced some change to its executive leadership over the review period, which also included changes to the Managing Director (MD) and the MLA Board (with two first-time directors joining the Board). These changes are identified in **Table 3.2**.

TABLE 3.2 CHANGES TO THE EXECUTIVE MANAGEMENT STRUCTURE OF MLA (2016-2019)

Year	No. of executive level personnel	No. of changes in personnel since previous year	Comments
2016-2017	10	5	<ul style="list-style-type: none"> – General Manager of Livestock and Productivity role abolished – General Manager of Value Chain Innovation role abolished – General Manager of On-farm Innovation and Adoption role abolished – General Manager of Producer Consultation and Adoption role created – General Manager of Research, Development and Innovation role created
2017-2018	9	3	<ul style="list-style-type: none"> – CEO of MDC role abolished – Head of Human Resources role removed from MLA Executive Team
2018-2019	8	3	<ul style="list-style-type: none"> – New Managing Director appointed – General Manager MDC, Research, Development & Innovation role created
2019-2020	9	3	<ul style="list-style-type: none"> – General Manager of Research, Development and Adoption role established to incorporate General Manager Research, Development & Innovation and General Manager of Producer Consultation and Adoption portfolios – General Manager Strategic Communication & Corporate Affairs role created – General Manager Marketing and Communications vacant (April 2020)

SOURCE: MLA ORGANISATIONAL CHARTS 2016-2020

It should be noted that a decision has recently been made that the General Manager of MDC role will not be filled following the vacancy of the General Manager of RDI role and the creation of the General Manager of RDA. The rationale for this is related to the strategy to reach the GVP cap with MLA's investment program. Given the MDC investment portfolio is largely committed, MLA has decided to treat the MDC vehicle as a funding source. While MDC was positioned with its own brand and strategy (which was aligned to MLA's) during the portfolio growth stage, with the evolution of the portfolio and MLA's management of it, a decision has been made for the MLA CFO to oversight investment through that funding vehicle. ACIL Allen considers this to be a logical and prudent decision.

¹⁸ Forbes (2019), Four Pillars of Stable Leadership', <https://www.forbes.com/sites/mikemyatt/2013/07/01/the-4-pillars-of-stable-leadership/#7c688f8e5dfd>

Table 3.2 shows that turnover of the executive management team was higher in the first year of the review period (with 50 per cent turnover) and continued at a lower level each subsequent year. The two changes this year reflect the decision to

- ensure R&D and adoption are managed in an integrated way under one executive (GM RDA)
- dedicate more executive resources to leading marketing and communications (by splitting GM Marketing and Communications in GM Marketing and GM Communications).

The GM Communications is currently vacant and GM Marketing position will be vacant in April 2020. This provides an opportunity for MLA to build on the platforms it has created and further strengthen its partnerships and consultation with stakeholders (discussed in Chapter 6).

Stakeholders were asked to comment on the impact of turnover rates on the ability of MLA to meet its obligations under the SFA and its performance against strategies and plans. The key themes from this feedback are outlined below.

First, the transition from Richard Norton (MD until 2018) to Jason Strong was seen as an important next step in the maturity of MLA. Richard Norton had been appointed by a previous MLA Board to oversee the implementation of a significant reform agenda. Implementation required an MD with the skills, experience and determination to challenge the status quo (i.e. MLA's existing relationships and previous organisational structures, processes and work practices) with a view to improving the organisation's overall performance. Norton effectively achieved this through a change agent leadership style that was focused on delivering clear outcomes – most notably, desire to make MLA a more outwardly and stakeholder-focused organisation.

Feedback from internal and external stakeholders consistently identified that Norton was successful at achieving this outcome, and his time as a change agent for MLA was on-the-whole well managed. In the words of one stakeholder:

Richard Norton was the right person for the right job. He worked hard to drive change. He set new expectations around the company's level of responsiveness. He worked very hard at communicating with MLA's stakeholders. He did a lot to improve government and industry's perception of MLA.

The appointment of a new MD, Jason Strong, provided an opportunity to embed the changes introduced by Norton and continue to enhance the performance and agility of MLA. Jason Strong brought considerable commercial expertise to the role, a strong appreciation of levy payer and on-farm needs and previous experience of MLA. According to the former MLA Chair, Dr Michele Allan:

The MLA Board is extremely confident that Jason will make an outstanding contribution to MLA and will continue to foster the prosperity of our industry on behalf of the red meat producers we serve. He returns to MLA with comprehensive red meat and livestock experience, knowledge and connections – from the farm through to the end consumer - in both domestic and international markets. Mr Strong is a well recognised and respected senior executive with extensive skills in commercial and industry business management and administration, supply chain development, meat science and grading, genetics and marketing. Importantly, Jason has significant on-farm experience meaning he has a unique understanding of what is expected from MLA on behalf of levy payers. He is focused with a passionate commitment for our industry. With a proven track record in building strong teams and developing business opportunities in a number of key markets and corporate environments, Jason was the standout candidate for this highly coveted position. Mr Strong said it was an exciting time to be returning to MLA, with many opportunities for the red meat industry.¹⁹

While it is too early to judge whether Jason Strong's appointment to MD was the right one, stakeholder feedback so far is positive. Stakeholders are optimistic about Strong's ability to prosecute improvements that enhance the agility and responsiveness of MLA. They are also optimistic about his leadership style (in which several stakeholders have commented is underpinned by a partnership/collaboration orientation) and the signalling he has provided to levy payers, other RDCs, industry partners, governments and to his own organisation (including MLA's subsidiaries).

Second, an annual turnover rate of the Executive Management Team of between 20 and 50 per cent during the review period raises questions about the ability of a relatively new executive to deliver

¹⁹ The Land (2019), 'Jason Strong to lead Meat and Livestock Australia', 7 Feb 2019, <https://www.theland.com.au/story/5893490/jason-strong-to-lead-meat-and-livestock-australia/>

against the technical, operational and relational needs of their roles. In 2018-19, ACIL Allen undertook a large performance review of the Grains Research and Development Corporation (GRDC). That review identified the many and varied challenges confronting GRDC following nearly a decade of internal reform and significant staff turnover at the executive and manager levels of the organisation. In particular, ACIL Allen's GRDC review identified that 'staff training, learning and professional development are crucial for an organisation with a relatively new workforce'. Furthermore, the review identified that key 'staff are still learning to navigate the complexities of GRDC's new processes, external stakeholders and partners and the grains industry more generally'.²⁰

There are many parallels between MLA and GRDC on this issue. Both MLA and GRDC are large, relatively complex and mature RDCs. They, like most RDCs, also have a difficult technical and industry landscape to navigate. This places considerable emphasis on the organisations' ability to build the capabilities and capacities of its leadership in a way that addresses operational challenges in an efficient and effective way.

A good practice learning and development (L&D) function should focus on providing the best learning environment possible. It should promote the personal growth of leaders and managers through a mixture of structured and flexible learning opportunities in areas where skills development are important. An L&D function should provide opportunities for leaders to be trained in facilitation, networking and the commercial/negotiation skills required for MLA to deliver an agile/responsive investment portfolio that can deal with the uncertainties of the future.

Consultations with senior internal staff (and a review of internal documentation) identify the presence of a relatively mature L&D framework within MLA. This framework offers a range of formal training courses, on-the-job mentoring opportunities for staff, feedback tools and performance review processes that are suitable for an organisation of this scale and complexity. Consultations also reveal that MLA is currently reviewing its company-wide L&D framework to ensure that it is fit-for-purpose and can better support managers and leaders in the future. The L&D functional review will be finalised during 2020 and rolled out shortly after. The review of MLA's L&D function is further demonstration of a mature organisation that is acutely aware of its operational and strategic challenges and is taking steps to address them.

3.3.2 Staff

Between 2017-19 MLA undertook staff engagement surveys to help identify internal issues related to company performance and to illicit the views of staff. The surveys were similar to the 2014 and 2015 staff engagement surveys to ensure continuity in survey results.

The 2017 survey revealed that the overall engagement level across the organisation was 64 per cent, which was above the Australian average of 60 per cent (according to the external survey provider) and a 10-point increase from the survey conducted in 2015.

The 2019 survey showed a dip in engagement to 61 per cent, which was still just above the Australian average.

The three highest and lowest perception scores for both years are set out in **Table 3.3**.

TABLE 3.3 PERCEPTION SCORES

Heading	Description	2017		2019	
		Description	Score	Description	Score
Top perception scores	Workplace safety and security are considered important here		89%	If I identify safety issues I know my leader will act on it	88%
	If I identify a safety issue, I know my leader will act on it		87%	I am accountable for role modelling our organisational values to my team	86%
	This organisation addresses safety issues quickly and effectively		87%	I am accountable for finding ways to help my team develop and grow in their roles	86%

²⁰ ACIL Allen (2019), 'Independent Performance Review', report for GRDC.

Heading	2017		2019	
	Description	Score	Description	Score
Bottom perception scores	My performance has a significant impact on my pay	33%	If this organisation does well, I will appropriately share in its financial success	18%
	Major change initiatives are well managed and help us to deliver better performance	33%	Major change initiatives are well managed and help us to deliver better performance	26%
	In this organisation, employees gain a clear benefit if they are a high performer (e.g. recognition, financial and non-financial benefits, opportunities)	36%	There is effective cooperation between different teams and Business Units in the organisation	27%

SOURCE: MLA STAFF ENGAGEMENT SURVEYS

Insights from the 2017 survey include employee perceptions of the top three aspects that MLA does well. These include work/life balance (46 per cent); MLA brand and reputation (40 per cent); and client focus (40 per cent). These insights are consistent with the leadership style of then MD, Richard Norton, as remarked by stakeholders consulted for this performance review. Strong focus on external engagement and raising the external profile of MLA amongst stakeholders was seen by many consulted as a hallmark of Norton's leadership style and efforts.

The survey identified change management (0 per cent), people resourcing and retention (3 per cent), and performance management (4 per cent) as areas requiring attention or rectification by MLA's management and Board. The appointment of Jason Strong as MD will provide MLA with the experience needed to drive internal changes that address these issues. The new MD, according to many stakeholders consulted, has the experience and leadership style required to improve MLA's performance against these areas of staff concern.

Insights from the 2019 survey suggest the appointment of the new MD has been a prudent one, with changes already showing in the results. For example, staff perceptions of managers and change readiness have improved since 2017. Staff perceptions of collaboration across business units and senior leadership management of change (while a risk to engagement going forward) is improving. While it is still too early to tell whether leadership and executive management changes will drive MLA's performance in the future, the take home message from these results are promising for the company.

3.3.3 Procurement and contracting

Contracting and contract management has for many decades been core business for MLA. Since the company's formation, those stakeholders and investment partners consulted for performance reviews have commented on the need to improve R&D, the MDC and more recently the ISC's contracting efficiency. Much of the historical criticism of MLA's contracting processes stem from the need to meet the company's probity requirements as a statutory agency of the Commonwealth. Some of the criticism stems from a long-held desire to protect and maintain the intellectual and commercial property generated from its investment portfolio.

ACIL Allen has witnessed a considerable improvement in stakeholder views about contracting efficiency since the 2016 performance review. Unlike the 2016 review, many stakeholders consulted during this review understand the attention paid by MLA's executive to this issue and have observed improvements in this area of MLA's operations. While there are isolated and sometimes significant issues in forming contracts between MLA and its investment partners, stakeholders have observed a trajectory of improvement and a growing willingness within MLA to reduce the amount of time and effort required to form a contract.

ACIL Allen has not measured contracting efficiency for this performance review. There would be little point in doing so because of the longevity of this issue. Also, the need to ensure contracts are sound and manage the risks of delivery means they will always take time to negotiate and finalise. The point of this discussion, however, is to note that MLA is aware of the need to increase contracting efficiency and continues to work at improving its responsiveness in this area of its operations.

One consideration for the MLA executive and Board that is worth noting however, is the need to better recognise the due diligence processes of other RDCs who partner with the company. These RDCs have similar processes and accountability requirements, and stronger recognition of these similarities during the contract formation should assist in expediting the contracting process for future investments.

3.4 Key findings

ACIL Allen has considered a wide range of issues and events relating to MLA's governance and operational efficiency and effectiveness. MLA and its subsidiaries are well governed and managed. These observations are hallmarks of an organisation which understands the issues facing its external stakeholders, Board members and staff. The organisation has effectively managed turnover at key Board and executive positions, which for some other organisations, could have had a profound impact on operations.

That said, there are some strategic issues for the ISC which will require on-going effort by MLA with support from stakeholders to further improve operational performance in the years ahead.



This chapter considers the ability of MLA and its subsidiaries to meet the performance requirements laid out in their strategies and plans. The chapter considers how successful MLA, MDC and ISC have been in meeting the milestones and KPIs of these strategies/plans as one way of analysing the organisations' effectiveness over the review period.

4.1 Strategy, planning and reporting architecture

4.1.1 MLA

MLA's planning process involves several stages and uses numerous planning tools that are updated regularly during the life of the plan. The structure of the planning process and key documents within the process are as follows:

1. MISIP 2020 – This whole-of-industry strategy is developed by the RMAC following in-depth consultation. MISIP sets the overarching direction for the industry to 2020, and beyond.
2. MLA Strategic Plan 2016-2020 – Sets out MLA's strategic direction and the investment priorities which will contribute to the profitability, sustainability and global competitiveness of the red meat and livestock industry. Developed in collaboration with government and industry stakeholders.
3. R&D and Marketing Business Plans – These plans are managed by MLA's Executive/Leadership Team and set the foundations for investment across MLA's business units.
4. Annual Investment Plans (AIPs) – These plans outline the annual programs of activity for MLA, MDC and ISC to achieve MLA's long-term priorities and outcomes, as set out in the Strategic Plan.

The alignment and translation of these plans into actions is a core part of the planning process undertaken by MLA. As noted in chapter 1, the pillars and priorities of MLA's Strategic Plan align with the priorities of government and industry. The strategic pillars and priorities are then further broken down into specific objectives/milestones that MLA is to achieve in a given year under its AIPs and other sub-plans. This alignment was a key recommendation of ACIL Allen's 2016 review which has been systematically implemented by MLA over the review period.

Performance is reported to stakeholders through annual reports and annual general meetings and, quarterly dashboards are also reported to the PICs as part of the annual meeting cycle.

4.1.2 MDC

MDC activities are structured to deliver against MLA's Strategic Plan. As such, key MDC program deliverables are included in the relevant sections of MLA's AIPs and MDC activities are reported in MLA's annual reports. In addition, MDC produced:

- a Strategic Business Plan 2016-20, providing a broad overview of the direction that MDC investments were anticipated to take over the next four years, aimed at accelerating and extending the

achievement of the MLA Strategic Plan 2016-2020 and the MISP 2020. Two plans (2016-17 and 2017-18) were produced which outlined areas of MDC investment for the relevant financial year.

- a 2016-17 Annual Report, which provided an overview of MDC's actual activities and outcomes, reporting against the objectives and planned activities outlined in the MDC Strategic Business Plan.
- A 2017-18 Outcomes Report, which provides an overview of MDC's activities and achievements.

Consultations with MDC and internal staff identified a deliberate decision to integrate MDC reporting into MLA reporting so as to reduce duplication of reporting effort. As such, 2018-19 reports were not produced by MDC. This seems to be a sensible decision and further evidence that MLA is seeking to introduce efficiencies where it makes sense to do so.

4.1.3 ISC

Like MDC, ISC activities are structured to deliver against MLA's Strategic Plan, therefore ISC's key program deliverables are also integrated in the relevant sections of MLA's AIPs and reported in MLA's annual reports. Unlike MDC, ISC has not produced any of its own annual reports or outcomes reports.

In 2018, ISC released the *Strategic Plan: Integrity System 2025 and beyond* (ISC 2025) to prepare industry for the future and guide valuable investment into the integrity system and its programs. The comprehensiveness of the ISC 2025 was recognised in the RedMeat 2030 plan and initiatives in the ISC 2025 form a key pillar of the industry plan. The Plan aims to ensure Australia's integrity system is recognised and trusted globally as underpinning a quality product, produced to rigorous standards and embedded in Australian livestock management. It outlines key priorities to achieve this, including:²¹

- automated identification of livestock and locations
- real-time monitoring and tracking of livestock National Vendor Declarations replaced by automated verification systems
- automated verification of market suitability
- data-driven decision making and data sharing
- implicit compliance.

In July 2019, ISC released a draft Implementation Plan and Technology Roadmap for consultation, which underpins ISC 2025. The Plan was intended to guide investment and project delivery from FY2020 through to FY2022. It is ISC's intention to update the Implementation Plan annually to reflect any rapid shifts in technology.²²

The Implementation Plan contains three main sections:

1. Overview of the strategy, risks, impact/outcomes, investment summary and key performance tables for all delivery areas.
2. The ISC 2025 Technology Roadmap, which builds on the strategic outcomes identified in the Integrity System 2025 Strategy and is aligned with the priorities defined across the Plan. The Roadmap determines, through the lens of 10 guiding principles, the technological processes and products required to enable the delivery of the key priorities in the strategy.
3. Resource Plan – This plan was developed to underpin both the business as usual activities of the company to ensure that the integrity system remains effective in meeting the needs of customers whilst providing the capacity for ISC to successfully deliver on the objectives of ISC 2025.

The Implementation Plan will underpin the development of ISC's Business Plans and AIPs for each financial year in the future, which will outline ISC's annual activities, KPIs and budgets.

4.2 MLA performance

MLA's Strategic Plan 2016-2020 contains 24 Key Performance Indicators (KPIs) across each of the Plan's six pillars. In addition, every year MLA sets around 200 KPIs in its AIPs which were informed by the MISP 2020. While MISP 2030 is less prescriptive the KPIs for MLA's upcoming strategic plan must have a demonstrate link to the MISP 2030.

²¹ MLA Annual Report 2018-19, p 32.

²² Integrity System 2025: Implementation Plan and Technology Roadmap, July 2019, draft for consultation.

For the purposes of this review, ACIL Allen assessed MLA's performance against the Strategic Plan KPIs during the review period. The assessment of success was determined by comparing the annual result reported against the targeted benchmark for each year. The results are shown in **Figure 4.1**.

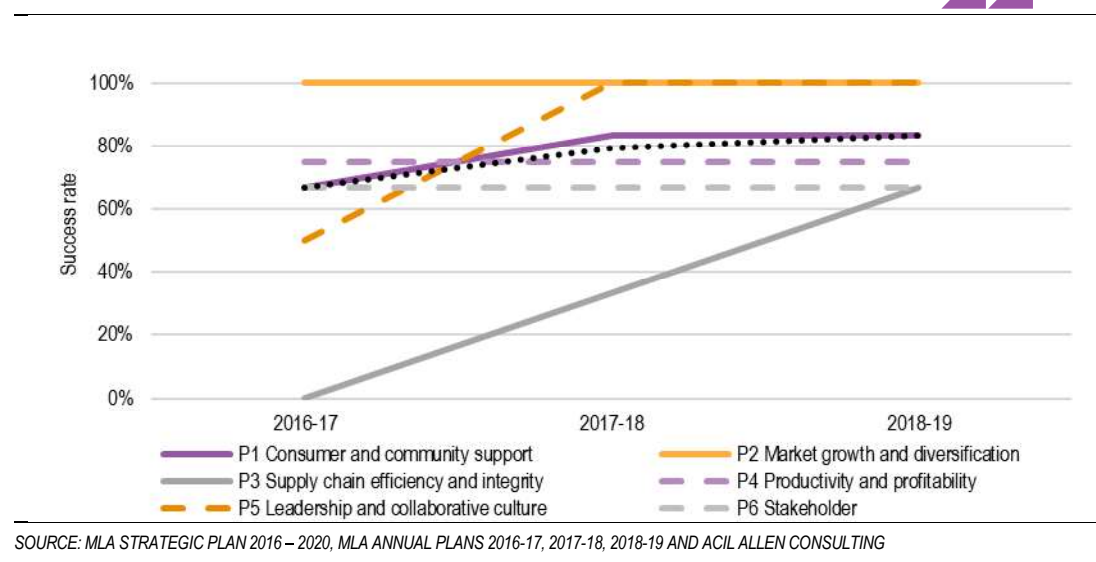
FIGURE 4.1 MLA KPI SUMMARY

MLA Strategic Plan 2016-2020				Annual benchmarks					Meeting or exceeding benchmark?				
Pillar	Priority	Key Performance Indicator	Measure/units	Benchmark (2015-16)	2016-17	2017-18	2018-19	2019-20	2016-17	2017-18	2018-19		
1. Consumer and community support	Continuous improvement of the welfare of animals in our care	Restrict % consumers limiting red meat consumption due to animal welfare concerns to 10%	% of annual survey respondents	7%	7%	7%	8%	10%	Yes	Yes	Yes		
		Four new products including vaccines, diagnostic tests and tools to reduce the cost and welfare impact of endemic and emergency disease in Australia	tool, diagnostic or vaccine developed	n.a	one new tool, diagnostic or vaccine	one new tool, diagnostic or vaccine	one new tool, diagnostic or vaccine	one new tool, diagnostic or vaccine	Yes	No	Yes		
	Stewardship of environmental resources	Restrict % consumers limiting red meat consumption due to environmental concerns to 10%	% of annual survey respondents	7%	7%	7%	8%	10%	Yes	Yes	Yes		
		Reduce cost of feral animals and weeds by \$50m	dollars/impact assessment	\$2.5b	-\$5m	-\$15m	-\$30m	-\$50m	No	Yes	Yes		
Role of red meat in a healthy diet	Restrict % of main grocery buyers limiting red meat consumption for health reasons	% annual survey respondents – beef	15%	15%	16%	16%	17%	No	Yes	No			
		% annual survey respondents – lamb	19%	19%	20%	20%	21%	Yes	Yes	Yes			
2. Market growth and diversification	Efficiency and value in trade and market access	Achieve \$15m in new market opportunities	dollars/impact assessment					\$15m	Yes	Yes	Yes		
		Deliver \$150m in new export market opportunities' KPI to go with 'Efficiency and value in trade and market access' priority.	dollars/impact assessment					\$150m	Yes	Yes	Yes		
	Marketing and promoting Australian red meat and livestock	Increase percentage of global consumers who prefer Australian red meat	% annual survey respondents (weighted index)	22.2%	22.2%	22.2%	22.8%	23.4%	Yes	Yes	Yes		
			% annual survey respondents (weighted index) – lamb	20.4%	20.6%	20.8%	21.2%	21.4%	Yes	Yes	Yes		
		Increase percentage of domestic main grocery buyers willing to pay a premium for Australian red meat	% annual survey respondents – beef	19%	20%	20%	21%	22%	Yes	Yes	Yes		
% annual survey respondents – lamb	21%	22%	22.5%	23%	23.5%	Yes	Yes	Yes					
3. Supply chain efficiency and integrity	Optimising product quality and cost efficiency	Improve the MSA beef eating quality index by 2 points	points/MSA index	57.61	58.11	58.61	59.11	59.61	No	No	No		
		Improve beef compliance through optimising efficiency across the value chain	% benchmarking report	93.9%	94.25%	94.5%	95%	95.25%	No	No	Yes		
	Guaranteeing product quality and systems integrity	Increase producer awareness and compliance of integrity systems by 20%	annual survey of participants	75%	79%	83%	86%	90%	No	Yes	Yes		
4. Productivity and profitability	Production efficiencies in farms and feedlots	Engage ≥ 2,000 producers in decision support programs who will improve business performance by ≥ 5%	baseline regional benchmarks of productivity/profit and benefit cost ratio measures	By 2020, improvement in total factor productivity of: 1.75% (southern beef); 0.5% (northern beef); 0.5% (sheepmeat); 1.5% (feedlot); 0.5% (goat)					On track				
			annual survey of participants	By 2020 improvement in business performance by ≥ 5%					On track				
	Processing productivity	Leverage co-investment through the MLA Donor Company (MDC) in the processing automation R&D portfolio by \$10m p.a.	\$, annual co-investment	0	\$10m	\$10m	\$10m	\$10m	Yes	Yes	Yes		
5. Leadership and collaborative culture	Building leadership capability	Improve stakeholder endorsement of MLA programs by .6 points	score of out 5; annual survey respondents	2.5	2.6	2.7	2.9	3.1	Yes	Yes	Yes		
				2.5	2.6	2.7	2.9	3.1	Yes	Yes	Yes		
6. Stakeholder	Engagement with producers and stakeholders	Improve stakeholder endorsement of the value of MLA products and services	annual survey	Review current surveys	Methodology, benchmarks and targets set	Continuous improvement					On track		
				3.5	3.6	3.7	3.8	3.9	No	No	No		
		Improve proportion of users who find MLA Market Information 'extremely or highly valuable'	% annual survey respondents	57%	58%	60%	61%	62%	Yes	Yes	Yes		

SOURCE: MLA STRATEGIC PLAN 2016 – 2020, MLA ANNUAL PLANS 2016-17, 2017-18, 2018-19 AND ACIL ALLEN CONSULTING

The average success rate over the last three years was 76 per cent. Over the three financial years during the review period, MLA met or exceeded its annual benchmarks on 55 occasions and failed to meet its benchmarks on 17 occasions. The average success rate over the three years for each pillar is depicted in **Figure 4.2**.

FIGURE 4.2 ANNUAL SUCCESS RATE



Overall, the success rate for each pillar has either improved or maintained its position. Of note:

- KPIs in Pillar 2 (Market growth and diversification) have been successfully met each year
- KPIs in Pillar 5 (Leadership and collaborative culture) reached full success rate after the first year
- KPIs within Pillar 3 (Supply chain efficiency and integrity) have shown the greatest improvements over time.

Three KPI's failed to meet their benchmark in every year during the review period.

1. *Improve the MSA beef eating quality index to 59.11*

Although the MSA Index increased during the review period, it has not met its targeted benchmark.

In 2016-17 the Index averaged 57.59 (an increase of 0.07 on 2015-16).²³ In 2017-18 it increased by another 0.19 to 57.78.²⁴ The Index was maintained but not improved in 2018-19 as a result of an increase in volume and variation of cattle being MSA graded.²⁵

2. *Live Export Global Index complete and cost of delivery reduced by 1%*

A project to develop the Live Export Global Index was underway in 2016-17.²⁶ By 2017-18 the Index was developed, but the 'cost of delivery' data was not sufficient to validate the Index, especially for overseas markets. MLA was working with live exporters to collect more reliable data for both domestic and export situations.²⁷

However, in 2018-19 the Global Index project was terminated. MLA advised that data collection is nevertheless ongoing for an alternative approach.²⁸

3. *Increase member satisfaction with MLA by .4 points*

Overall members' satisfaction with MLA has been below targeted benchmarks.

Under this KPI, the 2015-16 benchmark of 3.5 (out of 5 points) was set to improve by 0.1 each year over four years to 3.9 in 2019-20.

²³ MLA Annual Report 2016-17.

²⁴ MLA Annual Report 2017-18.

²⁵ MLA Annual Report 2018-19.

²⁶ MLA Annual Report 2016-17.

²⁷ MLA Annual Report 2017-18.

²⁸ MLA Annual Report 2018-19.

The overall member satisfaction score is included in each annual report. It reports satisfaction holding at 3.4/5 as shown in **Table 4.1**. During the review period the scoring rubric was changed to a 10-point scale to provide higher granularity. These results show increases for two years and a decline in the last reported year. The 2018-19 measure was higher than the year preceding this review period but lower than MLA's internal benchmark of 7.0.

Together the results indicate that overall stakeholder satisfaction is holding with some inter-year variability. The results are below the targets MLA has imposed on itself and this ambition should be sustained.

TABLE 4.1 OVERALL MEMBER SATISFACTION

Year	Annual reports		Survey
	Target (5-point scale)	Result (5-point scale)	Result (10-point scale)
2015-16	3.5	3.5	6.2
2016-17	3.6	3.4	6.7
2017-18	3.7	3.4	6.8
2018-19	3.8	3.4	6.6
2019-20	3.9	In progress	In progress

SOURCE: MLA ANNUAL REPORTS AND STAKEHOLDER-MEMBER SURVEY RESULTS

KPIs which worsened over time

The performance against only one KPI worsened over time. This KPI relates to restricting the percentage of main grocery buyers limiting beef meat consumption for health reasons. MLA's performance against this KPI was 19 per cent in 2016-17 (against a benchmark of 15 per cent), which improved to 16 per cent in 2017-18 (meeting the benchmark of 16 per cent that year), then declined to 22 per cent in 2018-19 (against a benchmark of 16 per cent). No reason was given for this decline; however, ACIL Allen believes that performance against this KPI is largely outside MLA's direct control or sphere of influence. Changing expectations and preferences for red meat are an important aspect which many of MLA's marketing, consumer education/campaigning activities seek to address, but it is difficult to measure MLA's influence on these trends because the indicators are likely to lag and may have cyclical dimensions that MLA cannot fully mitigate.

KPIs which are not well measured

Three KPIs are poorly measured on an annual basis. The reporting states that these KPIs are 'on track' to being met in 2020 but in annual terms this is unable to be measured and compared. Two of these KPIs are within the Productivity and Profitability pillar relating to factor productivity and business performance, and the other is in the Stakeholder pillar, referring to stakeholder endorsement of MLA. Consultations with members of the executive and Board suggest that MLA understands the tracking issues associated with these KPIs and is examining better and more meaningful ways to measure them. Much of this relies on MLA further implementing its CRM to ensure service design and delivery is aligned with stakeholder needs.

It is also important to recognise that MLA is unlikely to achieve improved endorsement across all stakeholders over a given period. This is because MLA has many points of interaction with each stakeholder category. Given that MLA will lead on contentious issues (e.g. sustainability) and the practicalities of sustaining high quality services at each individual interaction it is likely that any stakeholder will endorse for some services and not endorse MLA for others. A more insightful way to develop the stakeholder endorsement KPI is to report measures in aggregate and by key stakeholder categories.

4.2.2 Relationship between funding and KPIs

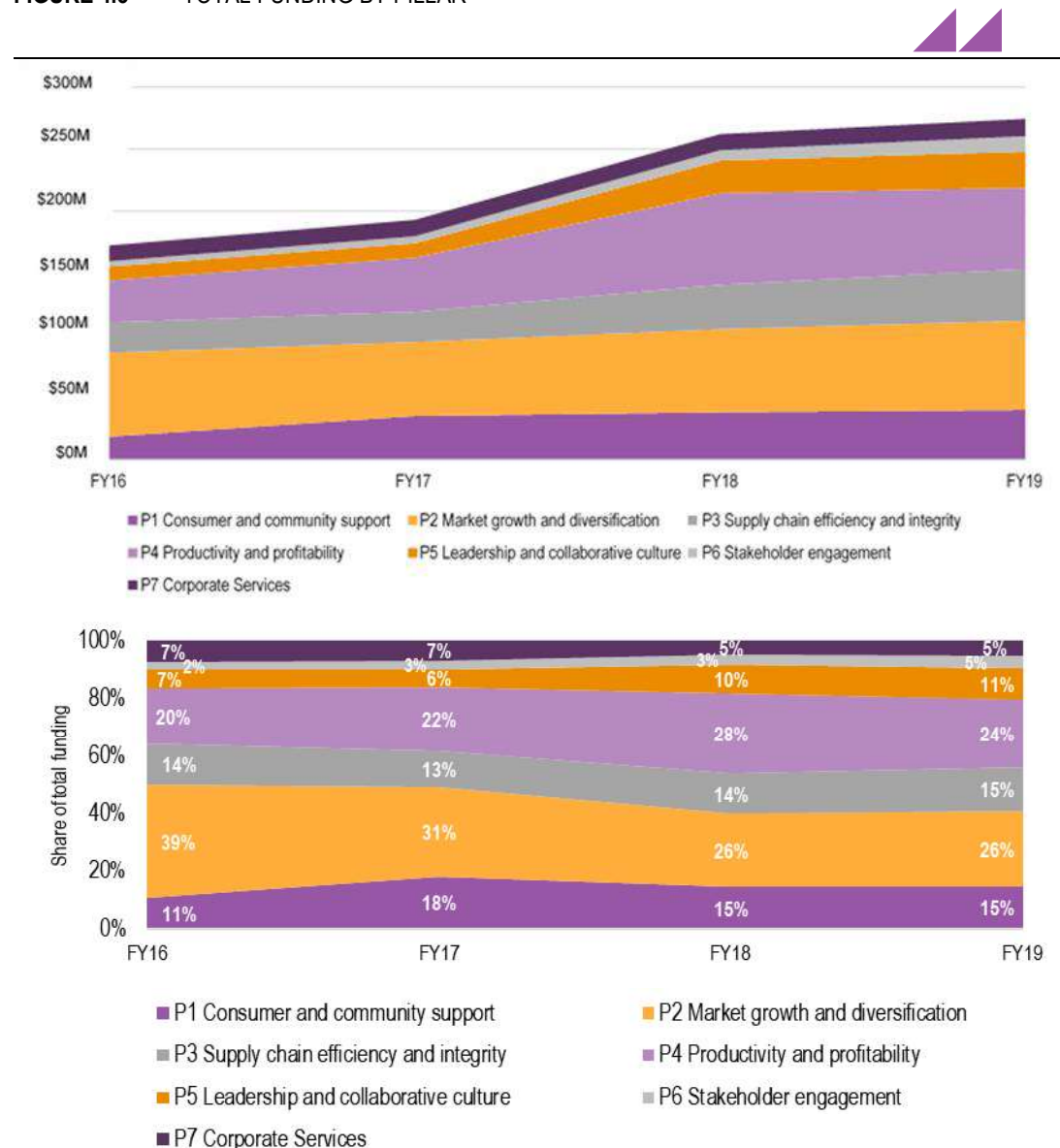
To support the analysis of MLA's performance against the metrics published in its strategic and operational plans, ACIL Allen considered the relationship between funding and KPI achievement. Chapter 2 identified that MLA experienced a growth in funding during the review period. This analysis

seeks to better understand whether MLA's performance is linked to its major investment areas. The logic is that if MLA's major investment are meeting the KPIs set by the Board and management (under its Strategic and Industry plans), then MLA can be seen as meeting those obligations.

Overview of MLA funding over the review period

Total funding for MLA increased by approximately 100 million dollars in nominal terms between 2015-16 and 2018-19, equating to around 59 per cent, shown in **Figure 4.3**. The strategic pillars that received the highest share of funding were Market Growth and Diversification and Productivity and Profitability, at approximately 26 and 24 per cent respectively in 2018-19. This was a decline for Market Growth and Diversification which received over 30 per cent of the funding in the first two years of the review period. Notably, in the last two years the Leadership and Collaborative Culture pillar received 10-11 per cent of total funding, an increase from 6-7 per cent in the first half of the period.

FIGURE 4.3 TOTAL FUNDING BY PILLAR



Note: In nominal dollar terms
 SOURCE: MLA AND ACIL ALLEN CONSULTING

An important observation is that leadership and collaborative culture (P5) and stakeholder engagement (P6) funding have increased in real terms over the review period. This represents the importance of improving collaboration across the industry and MLA's efforts to strengthen stakeholder engagement. During the consultations stakeholders acknowledged collaboration is challenging in the

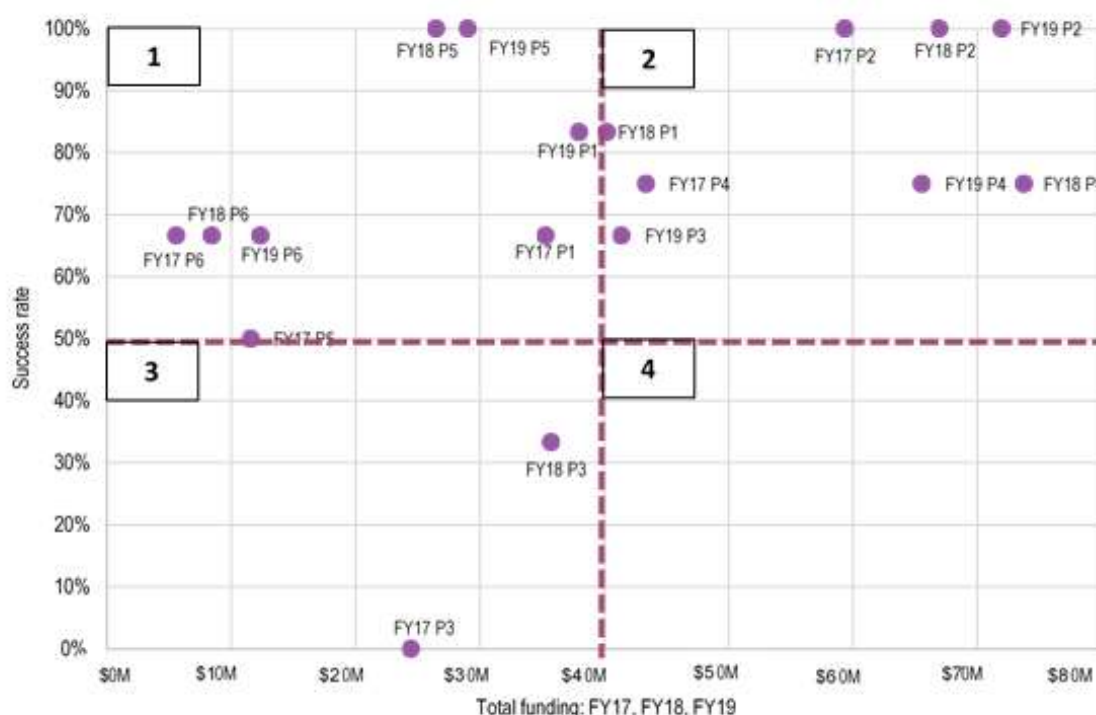
sector. Much of this related to the strengths and weaknesses of the MoU (and proposed reforms), circumstances of individual signatories and well-established commercial tensions in the supply chain as much as MLA's performance. Most stakeholders consulted reported industry engagement had improved since the last period but still want further improvement, albeit at no greater cost. This is discussed further in Chapter 6.

Figure 4.4 provides a scatter plot of KPI success rate and total funding over the review period, which can be used as a proxy for assessing the performance of investment funding. The results show that:

- nearly half (44.5 per cent) of KPIs are within the 'best' quadrant (quadrant 1), which represents a relatively low volume of funding with a high success rate
- nearly half again (44.5 per cent) are in the second-best quadrant (quadrant 2), representing a high volume of funding with a high success rate
- 11 per cent of KPIs fall within quadrant 3, which represents a relatively low volume of funding with a low success rate
- there are no KPIs in the 'worst' quadrant (quadrant 4), that is, a high volume of funding with a low success rate.

These are positive findings as they show that the vast majority of funding is being invested into activities that produce successful results.

FIGURE 4.4 SUCCESS RATE AND FUNDING SCATTER PLOT (2017-2019)



Note: \$ = dollar value of funding or investment by pillar; P = pillar
 SOURCE: MLA AND ACIL ALLEN CONSULTING

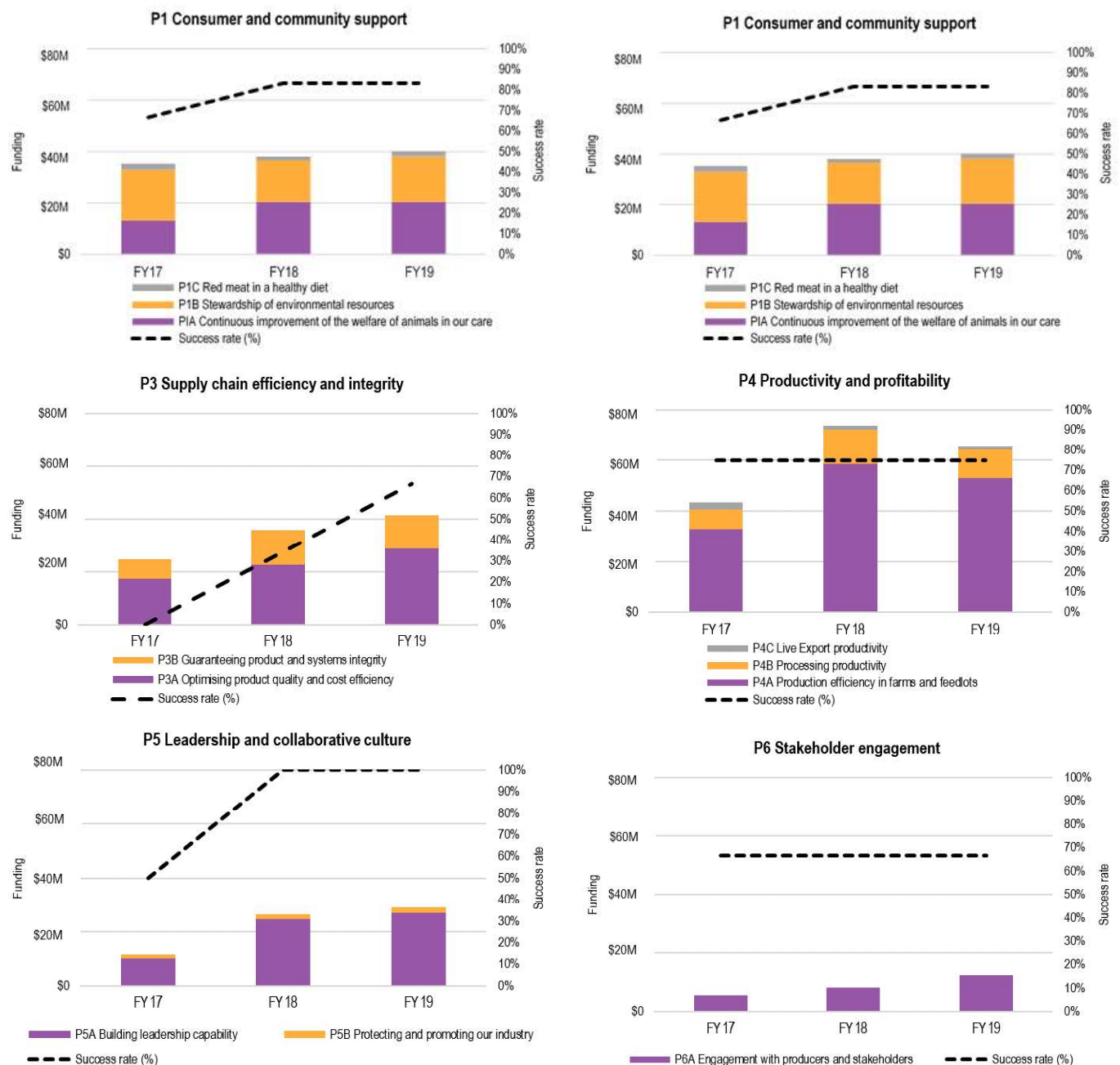
Funding investment and annual success rate for each pillar is displayed in **Figure 4.5**. An increase in funding (in nominal dollar terms) generally coincided with a maintained or improved success rate associated with KPIs. The success rate for three pillars improved over the period:

- Consumer and Community Support – up to 83 per cent success rate and 15 per cent of total funding
- Supply Chain Efficiency and Integrity – up to 67 per cent success rate and 15 per cent of total funding

- Leadership and Collaborative Culture – up to 100 per cent success rate and 11 per cent of total funding.

All three pillars' percentage share of total funding also increased over the period (corresponding to the decrease in the share supplied for Market Growth and Diversification).

FIGURE 4.5 INVESTMENT AND SUCCESS RATE BY PILLAR ('000)



Note: funding is in nominal dollar terms.
SOURCE: MLA AND ACIL ALLEN CONSULTING

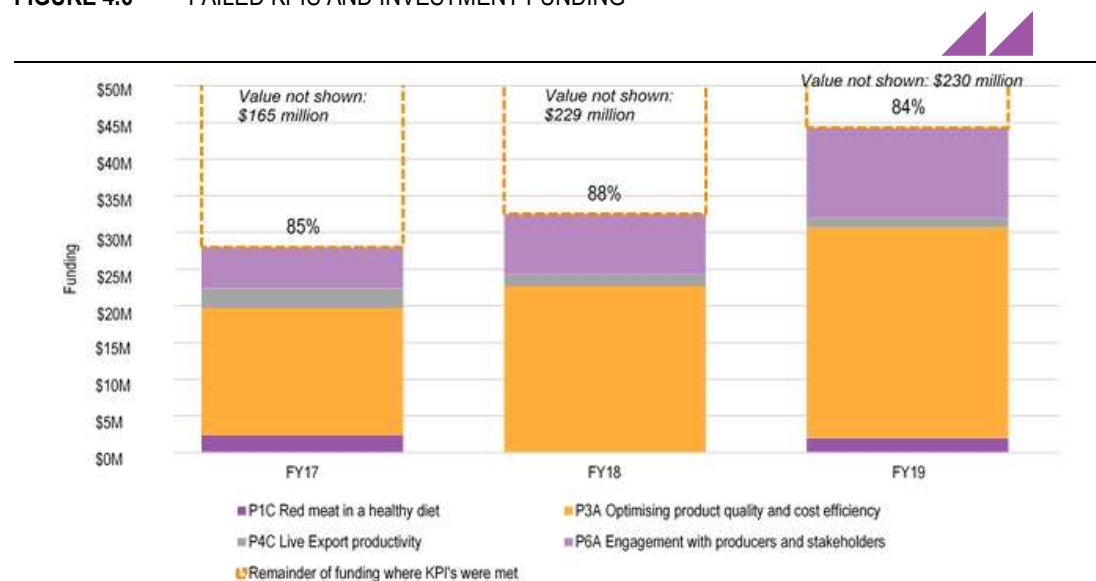
MLA also failed to meet respective benchmarks for some years of the review period including:

- Pillar 1 (Consumer and community support) Red Meat in a healthy diet
- Pillar 3 (Supply chain efficiency and integrity) Optimising product quality and cost efficiency
- Pillar 4 (Productivity and profitability) Live export productivity

- Pillar 6 (Stakeholder engagement) Engagement with producers and stakeholder.

The value of these KPIs in terms of monies invested equates to about 12 – 16 per cent of total funding per year (\$28 – \$44 million dollars), as shown in **Figure 4.6**.

FIGURE 4.6 FAILED KPIS AND INVESTMENT FUNDING



Note: Percentage data labels and 'Value not shown' refers to the percentage and nominal dollar amounts of the remainder of funding where KPIs were reached.
SOURCE: MLA AND ACIL ALLEN CONSULTING

Funding for two of these KPIs reduced between 2015-16 and 2018-19. First, funding for P4C: Live Export Productivity was reduced by approximately 66 per cent (or \$2.5 million) and its success rate was low; the KPI failed to meet the benchmark every year between 2016-17 and 2018-19. This outcome also coincided with changes in government policy following concerns around the live export industry and calls for the industry to be banned. It is unsurprising that MLA did not meet its KPIs for this investment pillar, and funding against them reduced accordingly. Second, funding for P2A: Efficiency and Value in Trade and Market Access was reduced by approximately 11 per cent (or \$1 million). This reduction follows the completion of significant free trade negotiations and the reduction in support required by government for those negotiations.

MLA experienced its largest influx of funding over the review period during 2017-18 (estimated to be \$69 million more funding than the previous year). This funding increase provided opportunities to reallocate funds within MLA's investment pillars to higher order priorities (e.g. in response to changes in government policy and the priorities of the new MD, Board members and other senior executives). This is further evidence of maturity and an ability to re-allocate funding when needed to the priorities of the company.

4.3 MDC performance

MDC activities contribute towards the achievement of the MLA Strategic Plan 2016-2020. **Figure 4.7** sets out the KPIs and benchmarks used to measure MDC's contribution to MLA's Strategic Plan.

It was not possible for ACIL Allen to assess MDC's performance against its Strategic Plan KPIs as we did with MLA. This is because MDC does not have annual benchmark targets, nor does it report on progress against KPIs in the same way that MLA does. Instead (as can be seen from **Figure 4.7**) each MDC KPI has a single 2019-20 target which has been set against a 2015-16 benchmark.

FIGURE 4.7 MDC KPIS AND BENCHMARK TARGETS



PILLAR	PRIORITY	KEY PERFORMANCE INDICATOR	MEASURE/UNITS	BENCHMARK (2015-16)	2019-20
1. Consumer and community support	Continuous improvement of the welfare of animals in our care	Restrict % consumers limiting red meat due to animal welfare concerns to 10%	% of annual survey respondents	7%	10%
		Four new products including vaccines, diagnostic tests and tools to reduce the cost and welfare impact of endemic and emergency disease in Australia	tool, diagnostic or vaccine developed	n.a.	one new tool, diagnostic or vaccine
	Stewardship of environmental resources	Restrict % consumers limiting red meat due to environmental concerns to 10%	% of annual survey respondents	7%	10%
		Reduce cost of feral animals and weeds by \$50m	dollars/impact assessment	\$2.5b	-\$50m
2. Market growth and diversification	Efficiency and value in trade and market access	Achieve \$15m in new market opportunities	dollars/impact assessment		\$15m
		Deliver \$150m in new export market opportunities' KPI to go with 'Efficiency and value in trade and market access' priority.	dollars/impact assessment		\$150m
	Marketing and promoting Australian red meat and livestock	Increase percentage of global consumers who prefer Australian red meat	% annual survey respondents (weighted index) – beef	22.2%	23.4%
			% annual survey respondents (weighted index) – lamb	20.4%	21.4%
		Increase percentage of domestic main grocery buyers willing to pay a premium for Australian red meat.	% annual survey respondents – beef	19%	22%
			% annual survey respondents – lamb	21%	23.5%
3. Supply chain efficiency and integrity	Optimising product quality and cost efficiency	Improve the MSA beef eating quality index by 2 points	points/MSA index	57.61	59.61
		Improve beef compliance through optimising efficiency across the value chain	% benchmarking report	93.9%	95.25%
	Guaranteeing product quality and systems integrity	Increase producer awareness and compliance of integrity systems by 20%	annual survey of participants	75%	90%
4. Productivity and profitability	Production efficiencies in farms and feedlots	Engage > 2,000 producers in decision support programs who will improve business performance by > 5%	baseline regional benchmarks of productivity/profit and benefit cost ratio measures	By 2020, improvement in total factor productivity of: 1.75% (southern beef); 0.5% (northern beef); 0.5% (sheepmeat); 1.5% (feedlot); 0.5% (goat)	
			annual survey of participants	By 2020 improvement in business performance by > 5%	
5. Leadership and collaborative culture	Building leadership capability	Improve stakeholder endorsement of MLA programs by .6 points	score of out 5; annual survey respondents	2.5	3.1
	Protecting and promoting our industry	Improved industry crisis and issues management capability	annual simulation conducted with PICs	0	1
6. Stakeholder engagement	Engagement with producers and stakeholders	Increase member satisfaction with MLA group by .4points	score out of 5; annual MLA membership survey	3.5	3.9
		Improve stakeholder endorsement of the value of MLA products and services	annual survey	review current surveys	continuous improvement

SOURCE: MDC STRATEGIC BUSINESS PLAN 2016-20

MDC's 2016-17 Annual Report did, however, set out milestones against each Strategic Plan pillar and reported on progress against those milestones. A summary of those results is provided in **Table 4.2**.

TABLE 4.2 MDC ACHIEVEMENT AGAINST 2016-17 MILESTONES

Strategic pillar	KPIs/Milestones			
	Achieved	Partially achieved	Not achieved	Not applicable
1. Consumer and community support	14		6	
2. Market growth and diversification	4	2		
3. Supply chain efficiency and integrity	9	4	5	
4. Productivity and profitability	10	1	3	
5. Leadership and collaborative culture	7	1		2
6. Stakeholder engagement	2			
TOTAL	46 (66%)	8 (11%)	14 (20%)	2 (3%)

SOURCE: MDC ANNUAL REPORT 2016-17

Overall, MDC achieved or partially achieved 77 per cent of its planned milestones in 2016-17. The results of two milestones were not applicable as they involved programs that had been extended, with the corresponding review and evaluation also being extended.

The milestones that were not achieved, and the reasons why they were not achieved, are provided in **Table 4.3**.

TABLE 4.3 MDC UNMET MILESTONES 2016-17

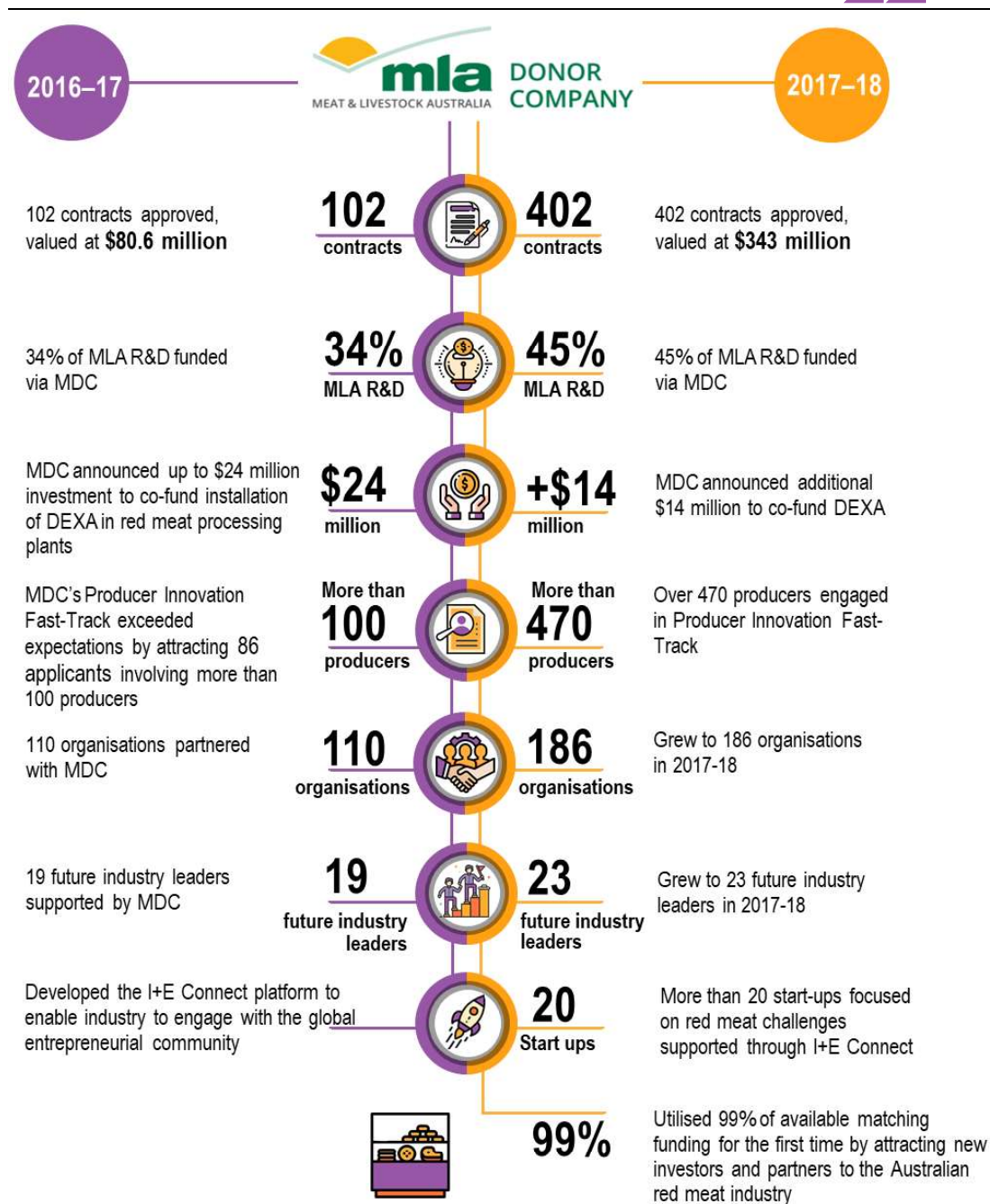
Pillar	Focus	Milestone	Reason not achieved
1. Consumer and community support	Supply chain environmental sustainability	Rumen energy capture Rumen energy capture strategic partnership developed	Rumen efficiency strategic partnership scoped with draft science plan developed, but not finalised. The work will move into the livestock Productivity Partnership and benefit from a collaborative effort
		Asparagopsis algae feedlot feeding trial completed and decision made on whether to proceed with further development of technology	Feeding trial delayed due to inability to source sufficient algae. Trial commenced May 2017
		Emission abatement productivity Prioritised list of technologies/business models to reduce greenhouse gas emissions developed and presented to industry for investment	List generated however not presented to industry for investment
		Resource use efficiency: supply chain Develop one new methodology that enables red meat supply chain participants to generate revenue from carbon credits	New methodologies remain under development and will require accreditation. Development of methodologies under the Emissions Reduction Fund is now the responsibility of the Australian Government Department of the Environment and Energy and industry can only recommend methodology approaches
		Engage one supply chain in a strategy towards a carbon neutral red meat supply	In discussions with a supply chain, however no formal engagement secured
		Weed management technologies Weed biocontrol app piloted with at least 100 land managers	Weed biocontrol app is delayed due to a change in system architecture. The current web portal continues to be promoted at workshops and field days

Pillar	Focus	Milestone	Reason not achieved
3. Supply chain efficiency and integrity	Supply chain logistics	Decision making tools: supply chain logistics Locate and evaluate innovative providers (both domestically and internationally)	MDC was unable to secure partners in this area during 2016-17
		At least one partnership established to develop and pilot a methodology to test in a red meat value chain	MDC was unable to secure partners in this area during 2016-17
		Logistics business models Seek out and secure partnerships to deliver Intelligent Transport Systems (ITS) to the red meat industry	MDC was unable to secure partners in this area during 2016-17
	Enhanced traceability and integrity systems	Integrity systems: food safety Maintain 85% stakeholder satisfaction level	The food safety program survey conducted in July 2017 showed that 74% of stakeholders were satisfied with the program
		Maintain global recognition of research quality evidenced by at least three papers accepted by international peer reviewed journals	Research to assure safe product has resulted in one published research paper. Others are accepted, under review or in preparation.
4. Productivity and profitability	Farm and feedlot productivity	Production efficiency: beef Initiate joint producer and researcher participation in Farm Innovation Networks to enhance adoption	Producer Innovation Fast-Track program will become the vehicle for initiating joint producer and research participation in farm innovation networks
	Precision agriculture	Improved traceability and monitoring of animals Prototype eartag developed and tested for durability	Prototype eartag project currently in negotiation. Prototype development identified in milestones but project commencement delayed.
	Through-chain automation	Processing efficiency technologies Maintain at least 80% of expected program outcomes from processing efficiency technologies achieved	70% of program outcomes have been achieved with some delays in commencing further beef automation

SOURCE: MDC ANNUAL REPORT 2016-17

Growth was a clear theme of the MDC's performance over the review period. The graphic at **Figure 4.8** provides examples of MDC's performance growth over a two year period (from 2016-17 to 2017-18, being the only two years that MDC published an Annual Report or Outcomes Report during the review period).

FIGURE 4.8 MDC PERFORMANCE GROWTH BETWEEN 2016-2018



SOURCE: ACIL ALLEN CONSULTING, MDC ANNUAL REPORT 2016-17, MDC OUTCOMES REPORT 2017-18

Findings

ACIL Allen has considered these activities and achievements and determined that they are consistent with the objects for which MDC was established under its Constitution (the objects are set out in **Appendix C**). These activities also provide the evidence base to support stakeholder feedback about the MDC being a success that is valued by many stakeholders across the red meat supply chain.

4.4 ISC performance

ISC's performance against KPIs were reported in MLA's annual reports. All of ISC's KPIs fall under MLA's Strategic Plan Pillar 3: Supply chain efficiency and integrity. There are approximately 10 KPIs which fall under this pillar.

A summary of ISC's performance in general in its key role of delivering the red meat and livestock industry's traceability and quality assurance systems is provided below.

Livestock Production Assurance (LPA) program

The Livestock Production Assurance (LPA) program is the Australian livestock industry's on-farm assurance program covering food safety, animal welfare and biosecurity. It provides evidence of livestock history and on-farm practices when transferring livestock through the value chain.

Upgrades to the LPA program were rolled out from 1 October 2017, including the introduction of two new LPA elements (animal welfare and biosecurity) and a new LPA reaccreditation process. The inclusion of animal welfare and biosecurity means every LPA-accredited producer can demonstrate they are fulfilling animal welfare requirements by following the Australian Animal Welfare Standards and Guidelines for cattle, sheep and/or goats (as applicable). They must also ensure effective biosecurity practices are implemented on-farm and that a documented Farm Biosecurity Plan is in place.²⁹

According to the ISC's annual integrity survey, LPA awareness levels increased by 19 per cent over the year, lifting LPA awareness to 93 per cent. This significant increase was a result of the communication campaign supporting the LPA program upgrades.³⁰

More than 94,000 producers have now completed the accreditation process under the ISC's enhanced program since it was launched on 1 October 2017.

As part of the program, ISC oversees close to 2,000 random audits and 1,000 targeted audits of LPA-accredited producers each year.³¹

LPA awareness levels have improved over the review period. The 2016-17 KPI goal of 79 per cent producer awareness was not met (with LPA awareness at 74 per cent); however, awareness levels significantly increased in 2017-18 to 93 per cent (exceeding that year's target of 83 per cent) as a result of a communication campaign supporting LPA program upgrades.³² LPA awareness levels dropped to 87 per cent in 2018-19 but were still ahead of that year's target of 86 per cent.

National Vendor Declarations (NVDs)

The electronic National Vendor Declaration (eNVD) system aims to streamline data transfer along the value chain, reducing costs and improving information accuracy. Following steady uptake of the system after it launched in August 2017, eNVDs now capture 21.6 per cent of total livestock movements through the supply chain, and adoption continues to increase.

The system underwent a range of improvements in 2018-19, including an enhanced property identification code search function. A phased approach is underway for further enhancements to the eNVD system, including incorporating user testing and feedback to improve user functionality across web and mobile applications. Improvements planned for 2019-20 will look to develop offline creation of all forms and leveraging modern technologies for all supply chain participants to integrate with.³³

There has been almost complete producer awareness for NVDs throughout the review period, with awareness levels ranging between 96 to 99 per cent (exceeding KPI goals which have ranged from 79 to 86 per cent).

²⁹ MLA Annual Report 2017-18.

³⁰ MLA Annual Report 2017-18.

³¹ MLA Annual Report 2018-19.

³² MLA Annual Report 2017-18.

³³ MLA Annual Report 2018-19.

National Livestock Identification System (NLIS)

To ensure continued integrity of Australian red meat, in 2016-17 the ISC upgraded the NLIS database to improve its capacity and capability to meet future data integrity, traceability and biosecurity challenges.³⁴

Between 2016-2019, NLIS movement recording compliance ranged between 95.8 to 96.77 per cent, which was ahead of target KPIs.³⁵

During the same period integrity program awareness levels for NLIS ranged between 98 to 99 per cent, significantly exceeding KPIs.³⁶

Findings

ACIL Allen has considered these activities and achievements at a general level and determined that they are consistent with the objects for which ISC was established under its Constitution.

In addition, ISC undertook an independent review of customer satisfaction in 2019. The review recommended that technology and operational improvements need to be integrated through the lens of customer service. This is consistent with consultations findings that stakeholders are largely satisfied with MLA's decision to form ISC and that its service delivery, compliance and integrity services are valued and need to continually improve.

4.4.2 KPIs not achieved by ISC

While the analysis above identifies ISC's achievements against its KPIs, six were not achieved over the review period. **Table 4.4** summarises the KPIs or milestones that were not achieved, or not on track to being achieved by 2020, and the commentary provided in the annual reports regarding each.

TABLE 4.4 KPIS NOT ACHIEVED BY ISC

Year	KPI or milestone	Commentary
2016-17	Integrity systems: food safety Maintain 85% stakeholder satisfaction level	The food safety program survey conducted in July 2017 showed that 74% of stakeholders were satisfied with the program.
	Maintain global recognition of research quality evidenced by at least three papers accepted by international peer reviewed journals	Research to assure safe product has resulted in one published research paper. Others are accepted, under review or in preparation
	Integrity systems: SAFEMEAT Improvement in LPA awareness to increase to 79%	LPA awareness levels remained unchanged at 74%. The LPA reaccreditation process, coupled with an integrity systems communication campaign, will support the awareness objectives set through to 2020.
	Corrective actions raised in audit to be less than 16.2%	A corrective action was raised in 19.4% of audits conducted under the LPA random audit program.
2017-18	Pilots commenced for new animal identification and traceability technologies	The direction of this project has been varied to reflect a design-led thinking approach to review both a short-term and long-term solution to tag retention issues.
2018-19	25% of livestock consignments to be accompanied by an eNVD during 2018–19	eNVD usage grew steadily throughout the year to 21.6% (an increase of 9.8% on 2017-18).

SOURCE: MLA ANNUAL REPORTS 2016-2019

The KPIs listed above encapsulate the challenges the ISC and MLA face which were reinforced during stakeholder consultations. Acceptance (as measured by satisfaction) and compliance are critical to any integrity system and in the first year of ISC operations performance was below the target

³⁴ MLA Annual Report 2016-17.

³⁵ MLA Annual Reports 2016-2019. The target KPIs were: 95.25% in 2016-17; 95.5% in 2017-18; and 95.75% in 2018-19.

³⁶ MLA Annual Reports 2016-2019. The target KPIs were: 79% for 2016-17; 83% for 2017-18; and 86% in 2018-19.

benchmarks. This provided the platform for the ISC to focus on service quality to improve both. None the less there are numerous residual stakeholder concerns based around acceptance of the systems and associated practical matters such as cost and ease of use. To further overcome this and drive higher levels of satisfaction/acceptance and compliance, ISC will need to deploy better services that extend beyond improving existing platforms. The 2017-18 new technology and 2018-19 eNVD KPIs cover this development priority. Both did not meet the specific measure but have appropriate explanations. For the new technology the commentary noted the pilot was being reviewed to ensure it is fit for purpose. eNVD use had more than doubled but was below a somewhat arbitrary benchmark. Given eNVD is being updated the focus should remain on improving year on year usage.

4.5 Key findings

This chapter has shown that MLA and its subsidiaries have by and large met the performance indicators, milestones and metrics set for the organisations. This performance story is quite similar to the analysis undertaken by ACIL Allen in 2016 which highlighted MLA's capacity to meet the performance requirements of its strategies and plans. That said, the chapter highlighted there are some performance (i.e. stakeholder satisfaction) issues with the ISC's services that will need to be resolved in the future if the performance of the subsidiary is to keep pace with the performance of the broader organisation.

The analysis undertaken in this chapter is an internally focused assessment of MLA's performance. The analysis in the next chapter will examine the benefits to industry and levy payers that accrue from MLA (and its subsidiaries) meeting the targets laid out in their strategies and plans.



This section of the report examines whether MLA is delivering benefits to members, Levy Payers, Industry and the broader community.

5.1 MLA's Investment Framework

ACIL Allen has reviewed the MLA's evaluation framework and evaluation processes as detailed in the publication 'MLA Investment Framework – Detailed' (October 2019). The document states that the main objective of the evaluation process is to provide regular feedback to management about the returns of MLA's investment portfolio and to use as a tool for making investment decisions. The evaluation framework is primarily focused on the *economic* impact of MLA's investments. MLA has used a case study approach to report against *social* and *environmental* 'themes' such as workplace health & safety, innovation and consumer nutrition.

MLA's R&D, marketing and support activities have been re-organised to fit into a program/sub-program structure, rather than the 'pillar' based approach in the MLA 2015-20 Strategic Plan. MLA's sub programs are grouped into evaluation groups. Evaluation groups are MLA's primary unit of economic impact evaluation. An evaluation group is defined as the lowest level of aggregation that describes how one or more of MLA's sub programs generate a specific industry benefit and how this benefit translates into a dollar impact for the red meat industry.

MLA does not carry out evaluations at a project level, but rather has a focus on evaluations at a product level ('bottom up') or at an evaluation group level ('top down'). Impacts from MLA investments are classified as falling into one of three different categories, namely:

- Classical R&D based cash flows for benefits and investment costs associated with the outputs (products) from a R&D project or group of projects. A 'bottom up' modelling approach (i.e. product level assessment) is typically used in this case.
- Investments that generate short to medium term benefit streams. Such as sub-programs that require ongoing funding in order to maintain a certain/regular benefit stream (for example, promotion-based activities). The expectation is that in the absence of ongoing funding, any benefits would diminish rapidly. Either a 'bottom up' or 'top down' modelling approach can be used for the evaluation groups linked to these sub-programs.
- Investments that generate medium to long term benefits. The timing of these benefits is usually highly uncertain. An example could include defensive investments that insure against low probability but high consequence events, or investments that lead to opportunities that are high benefit but where timing is uncertain. A 'top down' modelling approach is typically used for the evaluation groups linked to these sub-programs.

MLA's Investment framework uses the inputs-(activities)-outputs-outcomes-impacts program logic for evaluation purposes. ACIL Allen believes that this represents current best practise for evaluation. We

have reviewed recent evaluations that have been conducted of a large number of MLA's research projects. The evaluations have in most cases generated benefit cost ratios (BCRs) above one. Indeed, in many cases the estimated BCRs have been significantly above one.

A significant challenge for the evaluation of MLA's research is the long term and cumulative nature of many investments. This makes it difficult to assign the benefits delivered to different impact assessment periods. This is especially the case where the outcomes and impacts are the result of an ongoing activity that could involve a timeframe of several decades. As is often the case, an evaluation requires various assumptions about factors such as the nature and scale of the impacts of the research activity and the rate at which the industry adopts the technology or service that has been developed. As with all assumptions made for assessments of this kind, there can often be differing views about the nature and scale of the assumptions. Not surprisingly, estimates of the benefits delivered by a research activity can vary considerably depending on the assumptions made.

ACIL Allen has not sought to critique or verify any of the assumptions made in the evaluations shared with us. However, we note that as part of the 2015-20 impact assessment, MLA has engaged with outside service providers to validate all assumptions, adoption and impact data used for each evaluation group.³⁷ This is certainly a useful exercise. However, it remains important that all assumptions made as part of an assessment of the impact and value of an R&D activity are reported in a transparent manner. This allows a debate about the merits of those assumptions to occur and for alternative assumptions to be put forward and tested.

ACIL Allen believes that it is important to adopt a relatively conservative approach when making any necessary assumptions. The aim should be to ensure that the evaluation provides a robust and conservative estimate of the impact and value of any benefits delivered by the research undertaken. In effect, the estimate should provide a plausible and defensible lower bound estimate of the benefits.

That said, it will always be challenging to project what the size of a future stream of benefits will be. The MDC Outcomes Report states that:

All MDC contracts are subject to a cost/benefit analysis and evaluation process. This is followed by further impact/benefit analyses at regular intervals during the life of the research and development phase of the project, and through the subsequent industry adoption and commercialisation stages.³⁸

ACIL Allen supports this approach. We believe it is important to selectively review the benefit estimates made after a suitable period of time has elapsed and more information about adoption and impact is available. Doing so will provide stakeholders with the confidence that the assumptions made were reasonable and or identify those that have in hindsight been either too optimistic or overly conservative. This will, in time, help to build stakeholders' confidence in the estimates of benefits that have been delivered.

It is worth noting that MLA does not carry out evaluations at a project level, but rather focusses on evaluations at a product level ('bottom up') or at an evaluation group level ('top down'). Here products are defined as an output from a related set of individual projects that have contributed to that product. The 'bottom up' approach uses a modified form of program logic (see **Figure 5.1**). This focusses on evaluating those outputs (products) from inputs (projects or project groups) that have attributable outcomes (adoption) and impacts.

³⁷ MLA Impact Assessment - Background & Introduction, 28 October 2019

³⁸ Accelerating Innovation, MDC Outcomes Report 2017-18, MLA Donor Company, October 2018

FIGURE 5.1 ILLUSTRATION OF A 'BOTTOM UP' PROGRAM LOGIC

SOURCE: MLA IMPACT ASSESSMENT - BACKGROUND & INTRODUCTION, 28 OCTOBER 2019

For example, the productivity or cost saving impacts from the adoption of various vaccines developed through a series of R&D project can be aggregated to assess the total benefit delivered by the animal health evaluation group.

However, in cases where there is not enough information available for a 'bottom up' assessment, then a 'top down' modelling approach is used. A suite of models, namely the Global Meat Industry (GMI) model and Integrated Framework (IF), have been purpose built for the Australian meat industry. The GMI/IF models provide the capacity to analyse the economic impacts of various industry developments or interventions, including the potential impacts of R&D projects. MLA uses the Global Meat Industry/ (GMI/IF) model to assess impacts at an evaluation group level. MLA sees this as particularly appropriate for evaluation groups such as live exports or integrity systems, where all associated sub-program activities are tools or enablers that collectively contribute to an overall impact.

The model is constantly evolving and being updated as new information on issues such as the rates of adoption and the impacts of research outputs come to light.

5.2 Assessment of the benefits delivered by MLA

5.2.1 Economic benefits

Table 5.1 Shows the estimated BCRs for MLA's (current) evaluation groups in both 2015 and 2020. The table also shows the variance between the estimated BCRs for those two dates. The first point to note is that the nature of the evaluation groups has changed between the two evaluation periods. This makes a full comparison of the BCRs in 2015 and 2020 impossible to do. For those evaluation groups that have stayed the same there is a mix of results. Some have increased and some have decreased (sometimes considerably).

Three evaluation groups had estimated BCRs of less than one in 2020 (Animal Welfare Productivity, Productivity (On Farm) R&D and Sustainability (On Farm) Productivity). In other words, the value of the benefits delivered was less than cost of the research activities undertaken. While this may be disappointing, it is not particularly surprising. Research outcomes are inherently uncertain, and it would be rather unusual if every research activity returned a positive BCR. Indeed, if that was the case, it would raise the question as to whether the funding provided by the government for doing the research was an appropriate use of public funds. Some might argue that research that appears to carry little or no risk of failure is more appropriately funded entirely by the private sector.

Similarly, while the BCRs for several evaluation groups have varied significantly from one evaluation period to the next, we would not regard this as particularly unusual since research outcomes will themselves tend to vary. In addition, MLA have advised that the 2015 results are not directly comparable to 2020 numbers because of changes in methodologies, time horizons, etc. Another reason for changes in the BCRs between 2015 and 2020 is that more data continues to be collected. That additional information is being incorporated into the models, filling in some of the data gaps that

existed previously. It is important to continue to provide explanations of the reasons behind changes in BCRs over time. Particularly in cases where there have been significant changes (up or down) in the estimated BCRs for an evaluation group.

TABLE 5.1 BCR RESULTS IN 2015 AND 2020 (BY EVALUATION GROUP)

Evaluation Group	BCR 2015	BCR 2020 (2040 impact)	Variance
Animal Health Productivity	n.a.	1.0	-
Animal Welfare Productivity	n.a.	0.6	-
Domestic Market (Beef)	1.1	1.9	+0.8
Domestic Market (Sheep)	4.1	7.9	+3.8
Feedlot	7.6	7.0	-0.6
Innovation Capability Building	n.a.	n.a.	-
Integrity Systems	8.3	7.0	-1.3
International Markets	5.9	7.6	+1.7
Livestock Export	14.5	1.8	-12.7
Livestock Genetics	2.7	1.6	-1.1
Market Access	24.0	5.1	-18.9
Market Access Science Productivity	n.a.	15.2	-
Objective Measurement	n.a.	3.0	-
Value Chain Information & Efficiency	n.a.	n.a.	-
Product & Packaging Innovation	1.6	8.0	+6.4
Productivity (Off Farm)	4.3	5.3	+1.0
Productivity (On Farm) R&D	n.a.	0.7	-
Producer Adoption	n.a.	2.0	-
Sustainability (Off Farm) Productivity	n.a.	2.3	-
Sustainability (On Farm) Productivity	n.a.	0.7	-
Total	6.2	4.44	-1.8

Note: The 2020 BCRs are based on the impacts delivered up to 2040.

SOURCE: MLA

There is no 2020 BCR for the Innovation Capability Building evaluation group because the triple bottom line outcomes were not suitable for benefit-cost analysis with MLA's current approach and available data. The costs of this area were allocated across the other evaluation groups to ensure they were captured in the analysis. Similarly, the outputs from the Value Chain Information & Efficiency evaluation group were defined as impact tools or enablers for other programs and the associated costs distributed across other evaluation groups. In both cases, the approach is sensible and highlights that not all benefits are captured by MLA evaluation approach. For example, stakeholders consulted repeatedly noted they generated considerable value from the market insights reports produced by the Value Chain Information and Efficiency Group.

In considering the BCRs across MLA's portfolio and between the two review periods there are some points worth noting. At the aggregate portfolio level, the BCR is significantly greater than 1 indicating a positive return from MLA's investments in both review periods. The differences in total returns between the periods needs to be interpreted with caution. The lower BCR for this review is due to the improved analysis and the market access BCR being considerably lower (but still generating the highest returns). Similarly, investments in each evaluation are driven by their own dynamics and the evaluation techniques used (bias towards quantifiable economic returns). This means comparisons between groups should be based on the relative rather than absolute differences between them. The

consultations highlight that MLA is aware of these issues and continues to further develop its implementation of the evaluation approach.

In summary, we note that the BCR for the total portfolio of research activities conducted by MLA is relatively good for both the evaluation periods. In ACIL Allen's experience the total BCR for 2020 is similar to that observed for other research organisations.

5.2.2 Social and environmental benefits

The assessment of benefits framework discussed above is primarily focussed on the economic return on the investment. However economic benefits are only one part of a triple bottom line assessment. MLA has recognised the importance of also reporting on the social and sustainability impacts of its investments. It has adopted a case study approach to assess the social and environmental benefits that flow from selected research activities.

Examples of such projects include:

- A project to inform consumers and public policy development. MLA invested in generating data and insights and worked with key stakeholders to translate findings into information and resources that can help to improve food safety and nutrition public health outcomes. For example, two out of three GPs who ordered MLA resources through the Samples Plus service reported using them to provide healthy eating advice to their patients. No financial estimates of value were made.
- Wastes to Profits: Technologies and business models for the management of waste in animal industries. Processing red meat uses high volumes of energy and water and creates waste that costs over \$200 million a year to manage. For example, MLA and the Australian Meat Processor Corporation have worked with leading processors to develop covered anaerobic lagoon systems (CALs), which harness the biogas from the wastewater and turn it into energy for operating the processing facility. This renewable energy source has reduced the reliance on natural gas in facilities where it operates by up to 50 per cent. It also allows them to reduce their greenhouse emissions.

MLA has advised that it is currently updating its triple bottom line methodology. ACIL Allen has seen an early draft of this document. It states that MLA will continue to use a case study approach to assess social and environmental benefits. ACIL Allen supports this approach. However we suggest that where possible MLA should attempt to estimate the value of social and environmental benefits that flow from its research activities.

For example, in the case study examples listed above it should be possible to estimate the reduction in emissions that is achieved as a result of the adoption of covered anaerobic lagoon systems. It should then be possible to assign a value to those avoided emissions. Similarly, it may be possible to estimate the alleviation of a health burden that might occur as the result of a piece of MLA research. There are then well-established ways to estimate the economic value of avoided deaths or improvements in the quality of life.

There are also providers emerging that offer services that can be used to track the evolution of community views and expectations. Such services could provide a mechanism for monitoring the social impacts of research activities. This could be particularly important in terms of activities that seek to maintain and strengthen the industry's licence to operate. Particularly since that social licence to operate is likely to come under increasing pressure due to factors such as animal welfare and climate change.

ACIL Allen believes that it would be desirable for MLA to increase the effort being applied into examining ways in which social and environmental benefits can be assessed and ideally quantified. That effort should target groups where outcomes have significant social and environmental impacts and evaluation of these activities therefore remains challenging.

5.2.3 Project selection

In 2017, MLA initiated the 'Path2Impact' project. Its main objective was to develop a tool that can be used to provide regular feedback to management about the returns of MLA's investment portfolio.³⁹ MLA has stated that it also intends to use *Path2Impact* to:

...support an improved investment framework that adopts an 'investment fund' approach to maximise investment returns for MLA's stakeholders and delivers a constant stream of benefits while operating within the Board's risk appetite.⁴⁰

Figure 5.2 illustrates the process that MLA uses to make decisions regarding which R&D activities it will fund. The investment tree includes the following question:

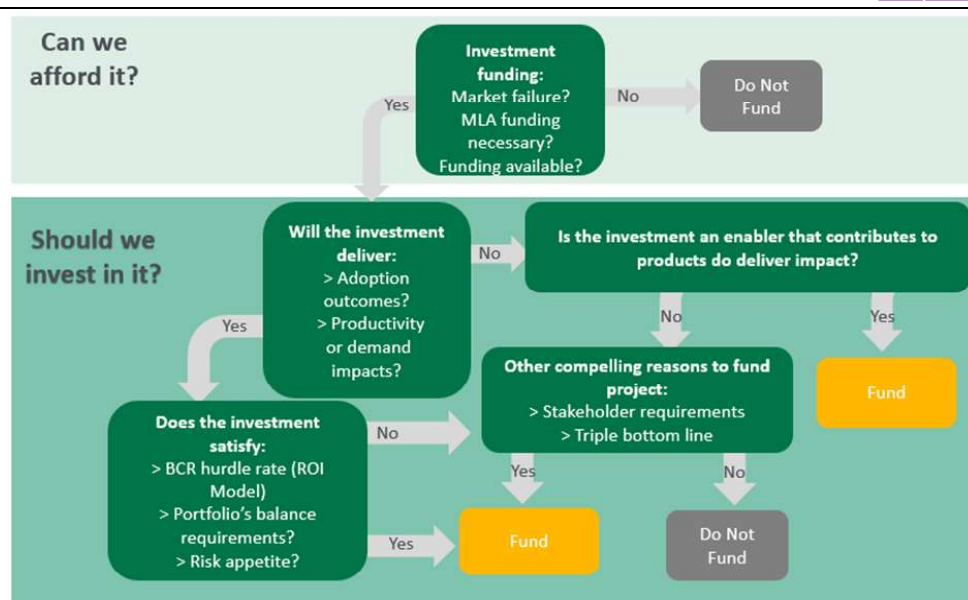
Does the investment satisfy BCR hurdle rate (ROI model)?"

We understand that the hurdle rates are yet to be decided. However the level at which it is set will be important, particularly if the rates differ across the evaluation groups. If this were the case, then it could clearly shift research efforts away from areas with high hurdle rates towards areas with lower hurdle rates.

While we note that there is an alternate potential pathway to funding for projects that does not meet the required hurdle rate, the decision process in **Figure 5.2** tree appears to introduce some bias towards projects where there is a high level of confidence that there will be a successful outcome. In general, projects with lower risk are those that tend to have relatively lower returns. This raises a number of important questions:

1. If there is a high degree of confidence that returns will flow from a project is it still appropriate to provide public funding for research that is 'certain' to generate private benefit?
2. Given that climate change impacts are likely to cause significant disruption to agricultural productivity, are low risk projects that tend to provide small incremental improvements in productivity likely to be enough to overcome the negative consequences of climate change? Is there still sufficient scope for high risk – high reward projects to be funded? In effect, research that might bring about a paradigm shift in the industry's productivity).⁴¹

FIGURE 5.2 MLA INVESTMENT DECISION TREE



SOURCE: MLA IMPACT ASSESSMENT - BACKGROUND & INTRODUCTION (PAGE 12)

³⁹ MLA Impact Assessment - Background & Introduction, 28 October 2019

⁴⁰ Ibid (page 11)

⁴¹ <https://www.agriculture.gov.au/ag-farm-food/climatechange/climate/national-approach-agriculture>, accessed February 2020. See Stream 1 report.

ACIL Allen recognises that even if a project fails to meet the BCR hurdle rate, or the risk appetite test, the “Other compelling reasons to fund the project” test might still allow it to proceed. However, there is a lingering concern that the structure of the decision tree may act to discourage high risk, high return projects from even being put forward. A researcher might reasonably expect that the allocation of available funding will be prioritised to projects that have a high expectation of a successful outcome.

While ACIL Allen believes that *Path2Impact* is a good tool for providing information to inform project selection, it is important that it not become the decision-making tool when considering future proposals for project funding, even though this does not appear to be the practice under current decision making.

One option to insulate future decision making from experiencing this bias might be to earmark some funds for projects where the potential outcomes could be very beneficial, but also far less certain. This could target major strategic challenge or ‘moon shot’ projects. Projects in the ISC’s 2025 Strategy (which seek to progress ‘real time traceability’ or ‘automated integrity’ investment areas) could be provided with some ‘seed funding’ to test their feasibility or provided with additional funding to accelerate existing research projects which have to date, according to some stakeholders, been slow tracked due to underfunding. If the results from this additional investment are negative then no further funding would be provided, whereas if the initial results are positive then additional funding might be provided.

5.3 Key Findings

ACIL Allen finds that MLA approach to assessing the economic impact and value of its research activities aligns with current best practice. We commend the efforts to continue to improve the *Path2Impact* tool by incorporating additional information as it comes to hand. However, it is important that *Path2Impact* be viewed as an informational tool rather than a decision-making tool.

ACIL Allen believes that MLA should increase its efforts to assess social and environmental benefits and where possible seek to quantify these.

We see merit in earmarking some MLA funds for projects where the potential outcomes could be very beneficial, but also far less certain. This should target major strategic challenge or ‘moon shot’ projects (such as CN30 or other sustainability activities). These projects should have clear milestones and where these are not met funding should be ended. Equally, if results are positive then additional funding should be considered.

ACIL Allen recommends that the serious challenges faced by the industry as a result of climate change should be explicitly recognised in the next MLA Strategic Plan. That Plan should also recognise the October 2019 commitment by Agriculture Ministers to a work program to support the agriculture sector adapt to climate change and manage emissions.

6

STAKEHOLDER ENGAGEMENT AND PARTNERSHIPS

This chapter examines MLA's efficiency and effectiveness of its stakeholder engagement function, which centres on consultation with Levy Payers, PICs and research partners.

6.1 Organisational approaches to stakeholder engagement

Effective stakeholder engagement is a management process with a clear purpose and desired outcomes.

Organisations use stakeholder engagement to support their strategies, steward their reputation, reduce risks associated with investment and to manage issues related to operations. Ultimately, stakeholder engagement assists organisations to secure their social licence to operate.⁴²

Organisations can follow different approaches to stakeholder engagement over time, as illustrated in **Figure 6.1**. These approaches vary in the nature of the response to stakeholder expectations, the level of transparency in the engagement, and the level that the engagement activities are imbedded within the organisation.

FIGURE 6.1 STAKEHOLDER ENGAGEMENT PRACTICE IN ORGANISATIONS

	BASIC PRACTICE	GOOD PRACTICE	BEST PRACTICE
Response to stakeholder expectations	Reactive	Proactive	Interactive
Embedment of practice in organisation	Ad-hoc	Planned	Integrated
Level of transparency in engagement	Minimal	Increased	Full

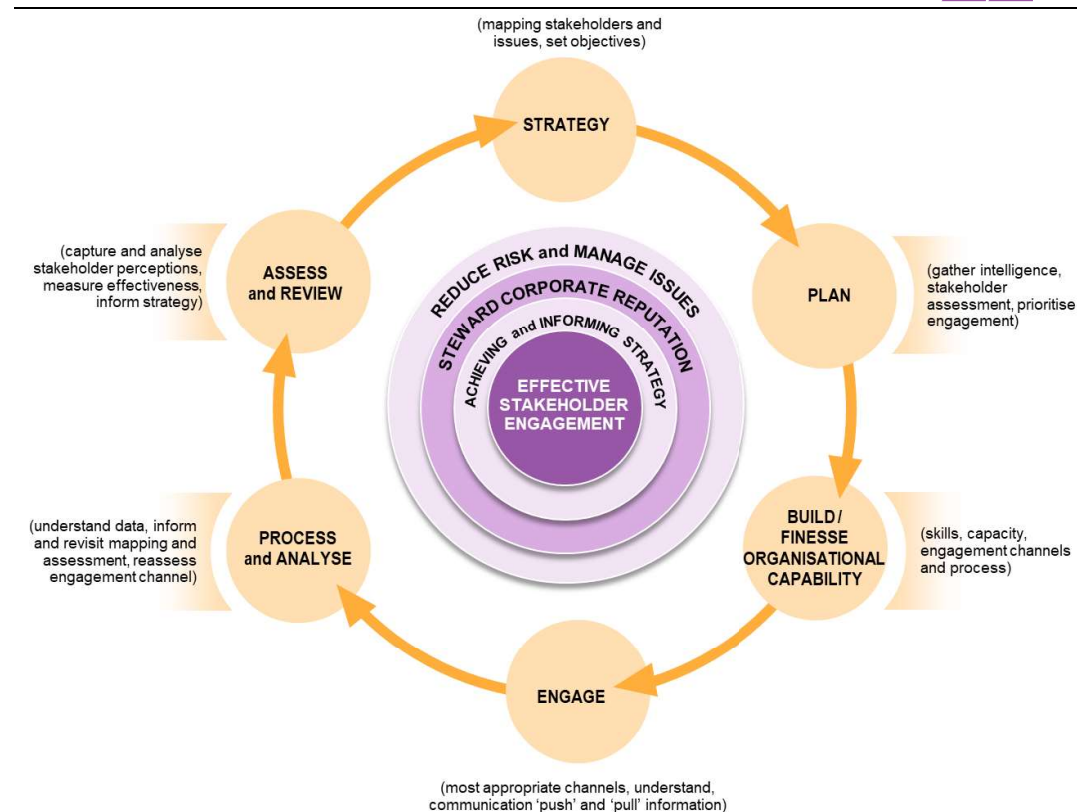
SOURCE: SYNTHESISED BY ACIL ALLEN CONSULTING AND BASED ON INTERNATIONAL STANDARDS (ACCOUNTABILITY'S AA1000SES 2015)

⁴² For the purposes of this chapter social licence to operate is defined as: 'the level of acceptance or approval continually granted to an organisation's operations or project by local community and other stakeholders'. Refer to: Thomson, I., & Boutilier, R. (2011). Social license to operate. In P. Darling (Ed.), SME mining engineering handbook (3rd ed., pp. 1779–1796). Littleton: Society for Mining Metallurgy and Exploration.

Achieving best practice in stakeholder engagement requires significant planning, resources and ongoing 'buy-in' from an organisation's senior executives. The work we have completed for Australian and global organisations (and MLA is no exception here) suggests that most undertake stakeholder engagement using some elements of best practice.

Figure 6.2 illustrates elements of good and best practice approach to stakeholder engagement. We have developed this approach based on the best-known international standard for stakeholder engagement, AccountAbility's AA1000SES, and the work we have completed for organisations (including RDCs) that most effectively use stakeholder engagement in their operations.

FIGURE 6.2 ELEMENTS OF GOOD PRACTICE IN STAKEHOLDER ENGAGEMENT



SOURCE: SYNTHESISED BY ACIL ALLEN CONSULTING AND BASED ON INTERNATIONAL STANDARDS (ACCOUNTABILITY'S AA1000SES 2015), OUR OWN RESEARCH, AND THE WORK WE HAVE CONDUCTED WITH OTHER BEST PRACTICE ORGANISATIONS

As seen in **Figure 6.2**, stakeholder engagement is an ongoing process. An organisation's strategic, governance, and capability settings — including the maintenance of updated and complete stakeholder databases and clear roles and responsibilities on the purpose and conduct of stakeholder and client engagement — are crucial to the conduct of effective stakeholder engagement.

We note that a symptom of the absence of meaningful stakeholder engagement is that organisations are less able to identify and manage external issues that may affect their operations (issues are often identified in the 'Process and Analyse Data' phase of engagement as illustrated in **Figure 6.2**).

Engagement versus communication

The terms 'communication' and 'engagement' are not interchangeable.

Communication with stakeholders is an *element* of stakeholder engagement, utilised mostly during the 'Engage' phase (see **Figure 6.2**). An organisation can use communications to directly engage with its stakeholders at different levels as illustrated in **Figure 6.3**.

FIGURE 6.3 LEVELS OF ENGAGEMENT WITH STAKEHOLDERS



SOURCE: SYNTHESISED BY ACIL ALLEN CONSULTING AND BASED ON INTERNATIONAL STANDARDS (ACCOUNTABILITY'S AA1000SES 2015, IAP2'S PUBLIC PARTICIPATION SPECTRUM)

6.2 Levy payer, PIC, government and supply chain engagement at MLA

Information about MLA's commitment and approach to stakeholder engagement can be found in its main strategic and reporting documents: The *Strategic Plan*, the *Annual Investment Plan* and the *Annual Report*.

MLA and its subsidiaries maintain several strategies that outline stakeholder engagement activities in part, including the *Corporate Communications Strategy*, the *Regional Consultation Framework* and Integrity System's *Communication, Stakeholder Engagement and Adoption Strategy*.

Our review of these documents concludes that MLA and its subsidiaries are yet to fully achieve a single definition and categorisation of its stakeholders, or consistent performance measures for its stakeholder engagement across all of its plans and strategies. **Table 6.1** shows how these differ across the reviewed documents. The table also shows many stakeholders have multiple touch points with MLA and its subsidiaries.

The variability reflects the wide span of MLA's remit and that many stakeholder engagement mechanisms and KPIs reflect historical approaches and the industry arrangements MLA must work with. It is noteworthy that both MLA and all stakeholder categories consulted made the following point.

The red meat industry arrangements constrain MLA and everyone involved.

TABLE 6.1 STAKEHOLDER ENGAGEMENT IN MLA'S STRATEGIC DOCUMENTS

Strategic Plan 2016-20	2019-2020 Annual Investment Plan	Annual Report 2018-19	Corporate Communications Strategy 2019	Integrity Systems Communication, Stakeholder Engagement and Adoption Strategy 2018 - 2020
<ul style="list-style-type: none"> - Australian Government - State Governments - Peak Industry Councils: <ul style="list-style-type: none"> - Australian Lot Feeders' Association - Cattle Council of Australia - Goat Industry Council of Australia - Sheepmeat Council of Australia - Australian Meat Industry Council - Australian Livestock Exporters' Council - Research and Development Corporations - Australian Meat Processor Corporation - LiveCorp - Cooperative Research Centres 	<ul style="list-style-type: none"> - Industry participants - Peak industry councils - State farm organisations - Australian Government - Consumers 	<ul style="list-style-type: none"> - Australian Government - Peak Industry Councils: <ul style="list-style-type: none"> - Australian Lot Feeders' Association - Cattle Council of Australia - Goat Industry Council of Australia - Sheep Producers Australia - Australian Meat Industry Council - Australian Livestock Exporters' Council - Australian Meat Processor Corporation - LiveCorp 	<ul style="list-style-type: none"> - Producers - Processors - Importers/exporters - Livestock agents, advisors and consultants - Peak industry councils and State Farming Organisations - Research organisations and educational institutions - Research and Development Corporations - Regional Research Councils - Commercial investors - Consumers and the general public - DAWR and State Departments - Media (rural press, radio, TV and metro) 	
Stakeholders listed				

Strategic Plan 2016-20 2019-2020 Annual Investment Plan Annual Report 2018-19 Corporate Communications Strategy 2019 Integrity Systems Communication, Stakeholder Engagement and Adoption Strategy 2018 - 2020

<p>For Communication (stakeholder) program:</p> <ul style="list-style-type: none"> - High levels of member satisfaction (above 70%) with MLA printed and digital communications. - High levels of stakeholder satisfaction (above 70%) with MLA's communications campaigns. - High levels of member awareness (above 70%) of MLA's role. - Increase in media volume against the 2018-19 benchmark and ongoing promotion of key messages through the media. - Completed registrations to myMLA (MLA members and non-members) to exceed 50,000. - E-newsletter subscription database growth of 5%. - Year-on-year increase in producer engagement through social media. - Completion of mla.com.au upgrade and relaunch. 	<ul style="list-style-type: none"> - 31 KPIs across several programs and sub-programs including the KPIs outlined in the Strategic Plan and Annual Investment Plan. - Some misalignment with KPIs listed in Annual Investment Plan. For the Communication (stakeholder) program additional KPIs include: <ul style="list-style-type: none"> - Delivery of the annual report for the Beef Industry Sustainability Framework - An agreed approach for reporting on sheepmeat industry sustainability - Delivery of three high-impact communication campaigns - Interactive electronic version of Annual Report published on MLA website - High levels of satisfaction (above 70%) recorded by attendees at MLA events 	<ul style="list-style-type: none"> - Improved satisfaction with MLA and MLA events and communications (print and digital) - Improved understanding of MLA's role and value - Increased engagement across digital channels, showing year-on-year improvement - Increased media volume, promotion of key messages and increased target audience reach. 	<ul style="list-style-type: none"> - Increased profile of the red meat integrity system and programs - All target audiences value the integrity system - Increased compliance with program requirements
<p>KPIs</p> <ul style="list-style-type: none"> - Increase member satisfaction with MLA by 4points - Improve proportion of users who find MLA Market Information 'extremely or highly valuable' - Improve stakeholder endorsement of the value of MLA products and services 			

SOURCE: SEE HEADINGS

In practice, ACIL Allen has observed a considerable improvement in stakeholder perceptions of MLA since the 2016 review. The previous review cited numerous stakeholder comments that suggested MLA's engagement function was one-sided and communication-based in nature.

You got the impression that MLA was more interested in pushing out information it thought people wanted to hear, and was not interested in having a discussion about what was on the minds of its stakeholders, and then factoring that into its priorities, or in the way it went about business.

Stakeholder comment for the 2016 report

The Senate Inquiry (into grass-fed industry levies) was partly about MLA not listening and relating back to levy payers what is had been hearing. It's getting a bit better after a change of (MLA) leadership, but MLA had a tin ear.

Stakeholder comment for the 2016 report

MLA has tended to tell the world how good it is, instead of listening to what its constituents (stakeholders) think of it, and taking that on Board in how it manages itself. And because it has not been listening, it hasn't had a clue that many people don't understand what it stands for, and that its strategy is.

Stakeholder comment for the 2016 report

The problem with MLA – and especially its communications area – is that there is really little opportunity for me as a stakeholder to provide feedback and ideas that I can believe and trust will be used in any meaningful way. Trying to manage stakeholder expectations through the media and pushing our good news stories is not stakeholder engagement.

Stakeholder comment for the 2016 report

To address this MLA had already embarked on improving its stakeholder engagement. Stakeholder engagement is now one of six pillars outlined in MLA's *Strategic Plan 2016-2020* (the Strategic Plan), which states:

The successful delivery of MLA's Strategic Plan will require an enhanced level of collaboration between MLA and its many stakeholders. This pillar focuses on extending the breadth and depth of stakeholder engagement across MLA. Genuine two-way consultation and collaboration will provide mutual benefit in the delivery of MLA's marketing, research and development services to industry. This pillar also includes the delivery of MLA's corporate reporting responsibilities within a culture of continuous improvement.

To achieve this MLA embarked on renewed segmentation of its stakeholders, with associated research to identify the needs of key stakeholder categories, including detailed segmentation of producers. This was followed by a renewed emphasis on integrating the various needs into its various plans, investment decisions and internal/external operational processes.

The Strategic Plan lists engagement with producers and stakeholders as a priority for the organisation; and sustaining the industry's confidence on the value of their levy investments in MLA as a key desired outcome.

We note the Strategic Plan's emphasis on 'enhanced', 'two-way' collaboration with stakeholders and desire for 'continuous improvement'. This language suggests that the organisation aspires to engage its stakeholders at the 'Involve' level shown earlier in **Figure 6.3**.

Since 2015 MLA has made considerable efforts to renew its regional consultative committees. There are now 3 regional panels (SALRC, WALRC and NABRC) and 24 associated regional committees effectively partnering and providing advice. There is also a goat R&D advisory committee which is now functioning effectively. More recently MLA has clarified and simplified its approach to adoption driving a more targeted and supported approach.

Beyond that MLA has improved the processes associated with all of its committees and PICs. This includes sharing its customer/market analysis, dashboard reporting on relevant investments and procedures for providing briefings on topical issues.

The MDC has also been used alongside the co-marketing and joint MLA-AMPC and MLA-LiveCorp mechanisms to allow levy payers and other stakeholders to co-invest in projects.

These arrangements have markedly improved perceptions of MLA across stakeholder groups consulted.

I worry less about the things I don't like about MLA now that we are working together better on real things that add value to my business (Levy payer)

6.2.1 Stakeholder engagement systems and activities

As part of the review, ACIL Allen considered the efficiency and effectiveness of MLA's stakeholder engagement activities to understand whether, the signalling in its strategies are supporting better engagement with stakeholders. We have undertaken this analysis to test whether the feedback from stakeholders about MLA's improved level of 'two-way' communication is supported by systematic processes and activities.

From this review, we were able to identify that MLA's main stakeholder engagement activities include:

- provision of membership services, including member communications
- consumer education, communications and marketing (including in schools)
- professional and timely engagement with key industry partners, including operation of several regional and sector-specific committees to oversee and assist direction of MLA's strategies and programs, and activities to build industry leadership and capacity building
- delivery of workshops and events such as the MLA Annual General Meeting, and sponsoring and being involved in key industry events
- use of the Customer Relationship Management tool within the organisation to guide targeted services and communications
- an annual benchmarking survey of consumer sentiment to identify current issues and trends
- an annual survey of MLA's members
- qualitative research to understand member and non-member producer views and attitudes, including in relation to communications from MLA, conducted in 2016. The organisation used this research to develop segmentations for the producer cohort (see next section)
- an internal review of the organisation's Regional Consultation Framework, which included interviews and surveys of key stakeholders
- surveys of participants at Beef Australia-related events conducted in 2018
- informal discussions with attendees at MLA-sponsored events.

The main communication channels for the organisation's engagement with stakeholders include:

1. Corporate publications (Annual Report, Annual Investment Plan, Strategic Plan, State of the Industry Report)
2. *Feedback & Feedback extra* magazines
3. E-newsletters (Friday Feedback, Event Update, Global Markets Update, Prices and Markets, Integrity Matters, Quarterly Feed, Red meat Round-up, Goats on the move, Feedbase focus, Regional Council Round-up)
4. Social media (Facebook, Twitter, LinkedIn, Youtube)
5. Media engagement
6. The MLA website and MyMLA (customised portal for registered users)
7. Industry events.

The table below shows there has been increased satisfaction with MLA's communications to members.

TABLE 6.2 MEMBER SATISFACTION WITH MLA COMMUNICATION 2016-19

Heading	2016	2017	2018	2019
Satisfaction with customer service communication	not asked	7.3	7.9	8.0
Overall Satisfaction with MLA Communications	not asked	6.6	6.9	6.9
Overall Satisfaction with MLA Print Communications	6.5	7.3	7.3	7.5
Overall Satisfaction with MLA Digital Communications	6.0	6.9	7.3	7.2
Overall Value of Market Information Reporting	not asked	7.2	7.4	7.5

SOURCE: MLA MEMBER SURVEYS 2016-19

Our review of MLA's documents concludes that despite its aspiration for higher levels of stakeholder engagement, MLA mostly engages its stakeholders at **Figure 6.3's** 'Inform' level. For example, many of MLA's stakeholder-facing activities, including those involving marketing, events and media are one-way in their nature and implementation. Notably, the stakeholder engagement activities listed under the 'Domestic market' and 'Communications' programs outlined in the *2019-20 Annual Investment Plan* aim mostly to promote, inform and influence consumers, MLA members and other stakeholders.

ACIL Allen has observed a clear improvement from the last review and better alignment between the engagement function and MLA's strategy. The organisation's engagement activities with PICs and regional and sector-specific advisory committees are examples of where MLA has demonstrated improvement in the eyes of stakeholders. These activities they allow enhanced opportunities for two-way communication and discussion with these cohorts (characteristics of the 'Consult' level of stakeholder engagement).

Stakeholder engagement is this is an area where ongoing investment is required by the organisation. It is an unavoidable reality for MLA and its subsidiaries that significant attention continue to be paid to their engagement function. It will be crucial that MLA moves as far as it can along the engagement maturity continuum (as suggested in **Figure 6.3**) in the future. Such engagement will provide valuable insight about the strategic and operational challenges facing MLA in an uncertain future. There is ample evidence that the organisation maintains and uses good analytics in relation to communications and marketing outputs which should continue to improve over time.

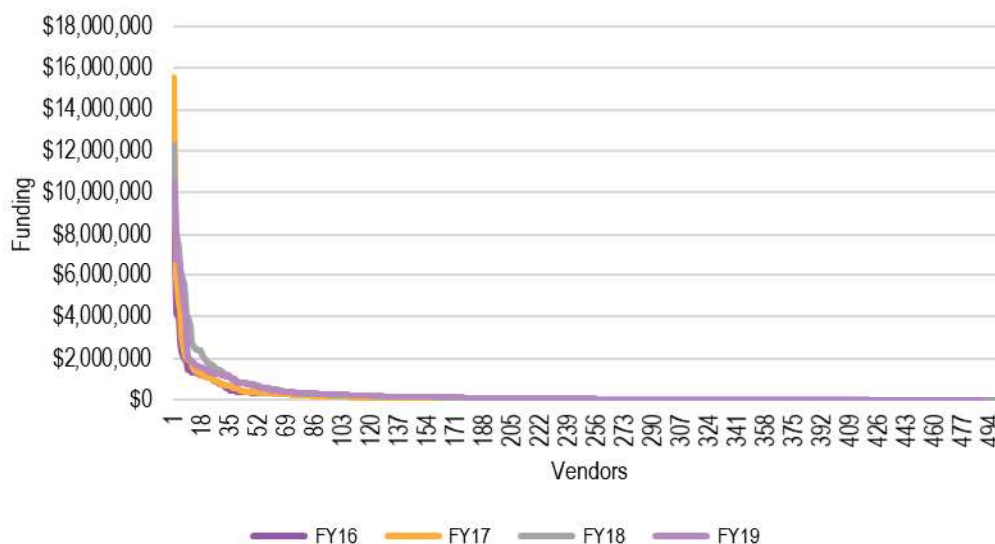
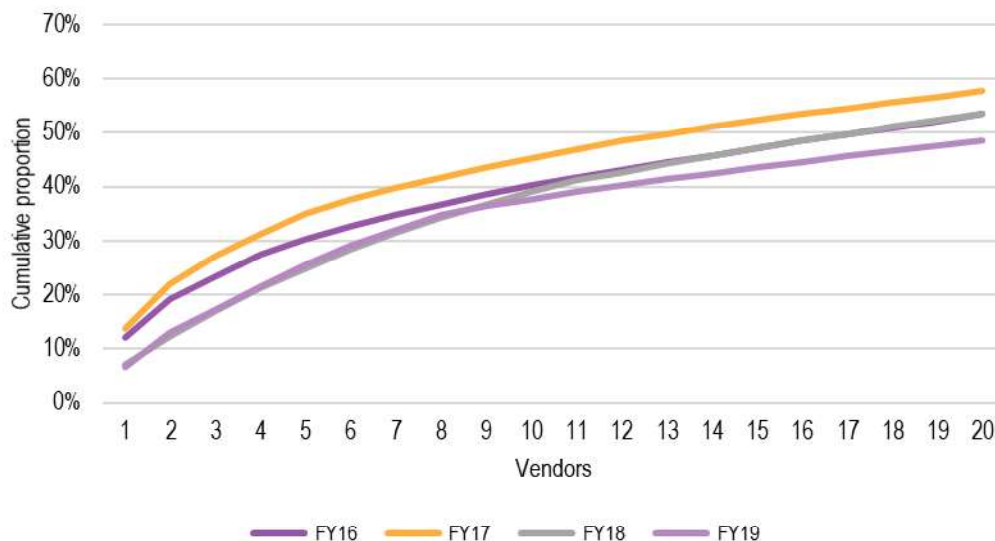
6.3 Partnerships and collaborations

6.3.1 Financial dimensions

To understand who MLA partners and collaborates with, an analysis of its financial data was undertaken. This analysis shows that MLA has over 500 registered vendors who received funding over the review period. Collectively the top 20 comprise of over 50 per cent of the total funding received.

The distributions are shown in **Figure 6.3** and **Figure 6.4** using two different charts to demonstrate the level of concentration.

FIGURE 6.4 PROPORTION ON INVESTMENT BY VENDORS



SOURCE: MLA AND ACIL ALLEN CONSULTING

The top 20 vendors for each year are tabulated in **Table 6.3**. The top 20 is a mix of industry bodies, universities and private companies. There are several consistent vendors each year. The table shows that RDCs, technology companies, universities and government agencies are some of MLA’s most important partners by dollar value.

While the top 20 vendors (**Table 6.3**) account for more than half of MLA’s investments the remaining investments are just as important because:

- some vendors have intrinsic characteristics (industry supply chain location) and specialist capabilities (skills and additional finance) that MLA cannot easily access or replicate through other means
- large investments are not necessarily required at this point in time
- investment is proportionally more significant to some vendors, and the stakeholders/communities they serve, than as a proportion of MLA’s total investment.

For the past two and half years MLA has been implementing CODEX to improve its ability to effectively partner with its vendors and other partners. Through CODEX MLA is progressively integrating its financial, project management, impact assessment and CRM systems to allow real time reporting by vendor/partner/stakeholder segment to inform decision making and stakeholder engagement. The project is on-going.

The need for MLA and its vendors and partners to achieve a laser like focus is behind Jason Strong's *fewer bigger bolder* call to stakeholders. The rationale is clustering priorities (fewer) and then collectively investing in impactful (bigger) activities which result in significant change (bolder) will maximise returns from MLA.

TABLE 6.3 TOP 20 VENDORS BY YEAR AND TOTAL

	2015-16	2016-17	2017-18	2018-19	Cumulative total
	\$52,155,903	\$65,494,653	\$92,488,921	\$76,419,173	\$271,128,046
	53% of total	58% of total	53% of total	49% of total	50% of total
1	Technology company	RDC	RDC	RDC	RDC
2	RDC	Technology company	University	University	Technology company
3	University	Government agency	Technology company	Government agency	University
4	Government agency	Advertising agency	Government agency	Government agency	Government agency
5	University	University	University	Technology company	University
6	Advertising agency	Animal health organisation	University	University	Government agency
7	University	Cattle and beef organisation	Technology company	University	Advertising agency
8	University	University	Government agency	Technology company	Technology company
9	Technology company	Meat standards R&D company	University	Advertising agency	University
10	Food processing company	RDC	Technology company	University	University
11	University	University	Advertising agency	Technology company	University
12	Government agency	Government agency	Innovation company	University	Government agency
13	Consulting Group	Meat processor and exporter	Government agency	Meat processor and exporter	RDC
14	Innovation company	Government agency	Meat processor and exporter	PR and communications company	Meat processor and exporter
15	RDC	Innovation company	Government agency	Government agency	Government agency
16	PR and communications company	PR and communications company	PR and communications company	RDC	PR and communications company
17	Advisory service	Livestock trader, meat processor and wholesale	Research and innovation company	Research vets	University
18	Government agency	University	University	Government agency	Innovation company
19	Auditing, certification and training provider	University	RDC	Cattle and beef organisation	Animal health organisation
20	Animal health organisation	Government agency	University	Research and innovation company	Cattle and beef organisation

Note: Total funding by vendor is not equal to the total investment for MLA because costs have been excluded such as staff costs, staff expenditures, etc.

SOURCE: MLA AND ACIL ALLEN CONSULTING

One of the most contentious financial relationship is with the PICs. Service level agreements and performance-based contracts are used for PICs to provide agreed services to industry. The tensions lie on mutually agreeing on what the services are, meeting the performance standards and the high degree of financial reliance many PICs have on MLA funding. The issue is long-standing, systemic and present in other sectors as well. The MoU white paper covers the issue but no major resolution is

expected until the reforms are agreed and implemented. This may take considerable time and may not address this issue. In the interim it is important for the PICs and MLA to make best use of the service level agreements and performance-based contracts.

Consultation with other RDCs suggests MLA can be a difficult organisation to partner with. This feedback is consistent with the previous review, which suggested that there can be a 'my way or the highway mentality' displayed by MLA when negotiating joint investments and research projects. Some RDCs consulted have expressed surprise by the lack of recognition in other organisations' processes and probity requirements when negotiating joint agreements. These RDCs feel the probity and accountability requirements placed on them by their boards and stakeholders require greater recognition during contractual negotiations. These RDCs are calling for a standard agreement/contract for all RDCs to reduce contacting effort and enhance incentives to undertake additional collaborations. While MLA's views about the views of other RDCs have not been tested they are something which MLA should consider and take steps to address overtime.

Consultation with a small selection of private sector investment partners suggests that the funding provided by MLA (especially the opportunity to leverage funding through the MDC) is highly valued. These partners continue to look for more agility and responsiveness from MLA and MDC when developing and negotiating contracts, and would like to see the total time taken for signing agreements reduced over time.

6.3.2 Committees and partnerships

MLA operates and participates in numerous committees to seek/provide advice and operationalise its investments. The practice is long standing and widely used by all RDCs, governments and across the agricultural sector. The practice is deemed appropriate given the breadth of advice needed and that MLA invests industry levies and government funds.

Table 6.4 summarises the key standing committees, organisations and collaborations MLA is involved with. There are even more committees associated with time-bound initiatives operated by MLA, industry and government.

The resource commitments for MLA are significant and include funding the secretariat/member participation (indirectly or directly), providing briefings, attending meetings and making investments on committee findings and recommendations.

MLA has made considerable effort to improve its engagement with the committees over the review period. This includes providing additional funding (directly or outsourced contract), improving the briefing system, increasing (senior) participation and establishing new committees. These efforts were noted and recognised widely during the review consultations. Stakeholders also noted scope for further improvements.

A result of MLA's improved engagement is many stakeholders and committees have a greater appetite to work on their priority issues with MLA.

These committees are one hell of a resource (Committee Chair)

We want to do more with the MDC (Levy payers, RD&M providers and Committee Chairs)

This represents a maturing of stakeholders/committees and their relationship with MLA and a marked improvement from 2015. It also raises challenges around scope creep and boundaries for MLA, stakeholders and the MoU signatories that are complex and interrelated.

For the committees and organisations MLA collaborates with the key challenge is that in many of the areas they wish to develop into there is often another committee or organisation already in place. At the same time resources are finite and now that the MDC is investing at capacity the scope for additional MLA investment is limited and highly competitive on merit. Managing these scope and financial expectations will become more important in the future and are likely to be a point of tension.

TABLE 6.4 STANDING MLA COLLABORATIONS AND COMMITTEES

	Name
1	Animal Welfare Strategic Partnership
2	Australia Meat Industry Council
3	Australian Livestock Exporters' Council
4	Australian Lot Feeders Association: ALFA R&D Committee
5	Cattle Council of Australia
6	Climate Research Strategy for Primary Industries (CRSPI)
7	Climate Science Technical Advisory Group
8	Drought and Climate Adaptation Program
9	Food Safety R&D Program Advisory Group
10	Goat Industry Council of Australia
11	Goat Industry Development Group
12	Goat Industry Research, Development and Adoption Committee
13	Integrity Systems Company
14	Live Export Program research, development and extension program
15	Live export R&D Advisory Committee
16	Livestock Productivity Partnership
17	MLA & AMPC Joint Program Management Framework: - Food Safety RD&E Portfolio Management Team and - OCM (Objective Carcase Measurement) RD&E Portfolio Management Team.
18	MLA Domestic Market
19	MLA Foodservice
20	MSA Beef Pathways Committee
21	MSA Beef Taskforce Committee
22	MSA Sheep Taskforce Committee
23	National Livestock Genetics Consortium
24	North Australia Beef Research Council
25	Objective Measurement Adoption and Commercialisation Committee
26	Producer Adoption Reference Group
27	Red Meat Co-Investment Committee
28	Red Meat Panel
29	SAFEMEAT
30	Sheep Genetics Advisory Committee
31	Sheep Genetics Technical Committee
32	Sheep Producers Australia
33	Sheepmeat Council of Australia
34	Southern Australian Livestock Research Council
35	Western Australian Livestock Research Council

SOURCE: MLA SHAREPOINT ACCESSED 28/02/2020

It is valid to question the number of committees MLA needs to operate and/or participate in on both cost and effectiveness grounds. The question crosses over into the MoU where there was on-going discussion and considerable debate during the review period on proposed structural reforms, including committees. The MoU White Paper suggests a taskforce-based approach along with organisational consolidation reforms.

Our consultations highlight that stakeholders agree there is opportunity to improve committee structures but currently disagree on what should happen. Many PICs, committees and stakeholders are highly reliant on MLA funding which further clouds agreement on improvements.

The question MLA and its stakeholders need to ask is are they clear on their roles and those of the committees?

MLA has recently started a project to review its stakeholder management. This includes systematically documenting the terms of reference and commitments to all of the committees it serves. Our consultations with stakeholders and MLA staff identified understanding of the various committees' terms of reference and the associated MLA commitments vary considerably. This is not surprising given many committees are long standing and the dynamic environment in which MLA and its stakeholders operate. The review provides an important opportunity for MLA and its partners to objectively assess the committee structures and improve their cost-effectiveness.

The most frequently raised frustration during our consultations is when MLA leads on an issue related to the whole industry and requires joint action by industry. These issues are often contentious and require an enduring adaptive response. Examples cited included: CN30, DEXA, Sustainability Framework, alternative proteins, animal welfare, live exports, bushfires, biosecurity, ISC etc.

There are a number of dimensions as to why stakeholders are frustrated as illustrated below.

We weren't consulted

We weren't consulted early enough

I worry this will lead to industry incurring unnecessary costs

I don't agree with the issue/response/cost

I feel MLA is imposing the collective response onto us

The last point is the most instructive. It is apparent the red meat sector needs to work collaboratively on many issues, both reactively and proactively. These issues are not expected to diminish. When they extend beyond crisis management the sector needs to sustain a collective response.

As the largest and best resourced organisation in the MoU (other than the Commonwealth) it is inevitable MLA will play an important role in reputation stewardship and risk/issue management for the whole sector as well as for itself (**Figure 6.2**).

In 2018 the MoU partners agreed to establishing a Red Meat Industry Corporate Affairs Committee following the (now) temporary cessation of live sheep exports. In May 2019 the partners agreed to the committee's scope which included membership and a small unit from within MLA to provide support. The committee will focus on three industry issues initially to prove up the approach (animal welfare, sustainability food & nutrition). The committee met for the first time in December 2019.

The Red Meat Industry Corporate Affairs Committee is a welcome development stakeholders' consulted noted challenges associated with establishing this function. The necessity for MLA and industry to respond to industry issues as they arose impeded committee establishment. Many of these issues were (perceived) to lie outside of its proposed three priority issues. The on-going function of the committee is also related to the Red Meat MoU White Paper. All of these matters will continue in the future. They should not impede the committee becoming operational.

In late 2019 MLA commenced Project Auto to integrate all of its stakeholder engagement developments through a Key Account Management (KAM) strategy and framework to improve performance. A consultancy is currently underway to review MLA's stakeholder segmentation. Documentation reviewed indicates that MLA will fast track the KAM strategy and framework with the top 50 partners this year and then more widely.

6.4 Key findings

Our review of organisational documents, MLA processes and systems and feedback from stakeholders concludes that of MLA's engagement function have matured since the 2016 review. There is now a greater level of two-way stakeholder engagement than observed previously. Also, there is stronger alignment between MLA's strategies and its engagement objectives, which suggests that it has adopted aspects of good practice over the review period.

Our review has also highlighted some improvements in MLA's ability to partner with RDCs, government, private industry and universities has improved over the review period.

Feedback collected during consultations identifies the need for MLA to continue to improve its partnership model. MLA is aware of this as well as the need to respond and continually improve.

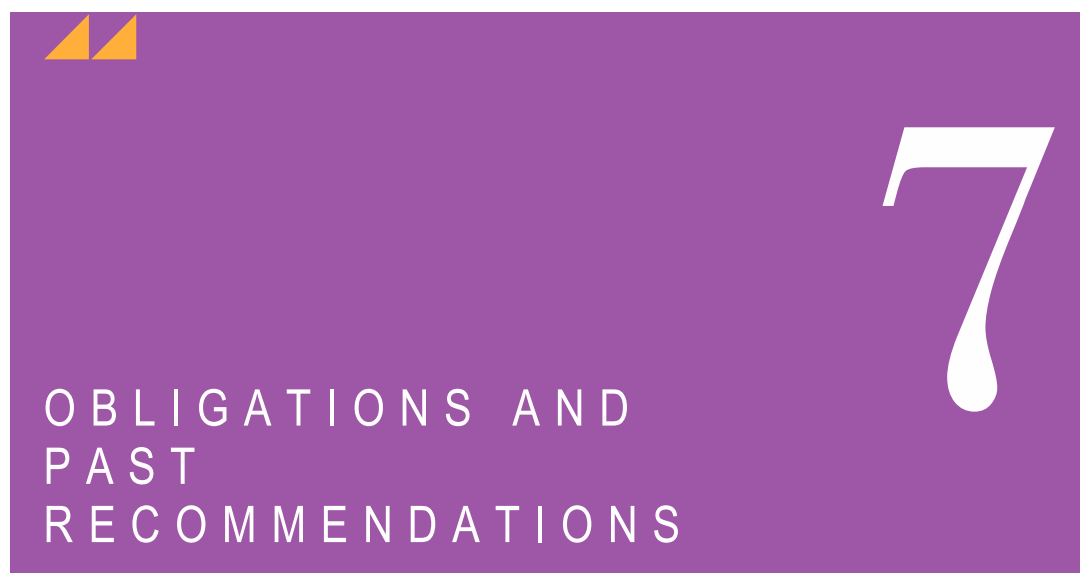
To achieve this MLA has commenced activating a Key Account Management strategy and framework (Project Auto). This builds on the internal process improvement project CODEX which is on-going.

The success of these two projects is dependent on the efforts of both MLA and the stakeholders it works with regularly to invest in and deliver services to industry, while also pursuing MoU reforms.

Given committees are central to the way MLA receives and provides advice to, it is timely to focus on their effectiveness to improve MLA's services.

A practical first step is for committees to assess their own (rather than MLA's) performance. This is consistent with the two-way stakeholder engagement approach MLA is actively pursuing and how the MLA Board assesses its own performance. Importantly the assessment creates a mutual obligation on members and MLA for the committee to perform. It is reasonable for each committee or major partner relationship funded by MLA to undertake a facilitated self-assessment of their performance. The results should be reported to all committee members.

The first meeting of the Red Meat Industry Corporate Affairs Committee in December 2019 is an important development. MLA and its partners should ensure this committee continues to be supported to become fully operational.



7.1 Assessment of obligations under the SFA

ACIL Allen assessed MLA's compliance with its obligations under each clause of the 2016-2020 SFA. The detailed assessment is provided in **Appendix A**.

Of the 67 clauses:

- 42 were fully satisfied
- 6 were partially satisfied
- 19 were not enacted (either because the need for it had not arisen or was due to arise in the future).

The clauses that were partially satisfied, and the reasons why they were not fully satisfied, are summarised below. Partial satisfaction was only on aspects which are immaterial to MLA's overall compliance to SFA requirements.

Clause 18.2 – Performance review terms of reference

The SFA requires MLA to complete a Performance Review. Under clause 18.2 MLA must agree the terms of reference with the Commonwealth three months before the Performance Review commences.

MLA first requested Commonwealth input on the terms of reference in November 2018. This was followed by three further attempts to have this matter addressed in time. However, due to delays from the Commonwealth, the terms of reference were late in being signed off. Nevertheless, the terms of reference were agreed to prior to commencement of the review and the delay did not have a material impact on the review outcomes.

Clause 24.8(b) – Confirmation of certain information in an independent audit report

Clause 24.8 requires the final claim for a Financial Year to be supported by an independent audit report which confirms that claims for Commonwealth Matching Payments under clause 24.5 and the declared R&D Expenditure for that Financial Year are accurate and in accordance with the *Australian Meat and Live-stock Industry Act 1997* and the SFA.

This information was confirmed in the 2018 and 2019 independent audit reports but not the 2017 report. The wording in the audit reports was changed in 2018 to meet this requirement following a request from the Commonwealth and the independent auditors, Ernst & Young, have maintained the wording since.

Clause 30.2 – Information provided in Strategic Plan

Clause 30.2 contains a list of information MLA must include in its Strategic Plan.

One such requirement (at clause 30.2(f)) is details of planned evaluation activities to demonstrate the extent to which planned outcomes have been delivered. This was only partially satisfied. The Strategic Plan contains some high-level references to the evaluation and monitoring framework; however no details are provided. Details of evaluation activities are, however, contained in the 2017-18, 2018-19 and 2019-20 AIPs.

Another requirement (at clause 30.2(j)) requires the Strategic Plan to include details on how Extension, technology transfer, and commercialisation of R&D will be addressed and demonstrating that extension and adoption are incorporated into the planning and approval processes. Such details are not explicitly contained in the Strategic Plan; however, they are provided in the AIPs.

Clause 32.1 – MLA to provide Commonwealth with an AIP before 1 July each year

Clause 32.1 requires MLA to provide the Commonwealth, before 1 July each year, with an Annual Operational Plan (referred to by MLA as an Annual Investment Plan or AIP) to implement its Strategic Plan during the next Financial Year.

Examination of records found that MLA submitted an AIP to DAWR prior to 1 July every year during the review period, with the exception of the 2016/17 plan which was submitted on 4 July 2016 (following a period of consultation with the Department as part of the development of the Plan).

Clause 33.2 – Information in Annual Report

Clause 33.2 contains a list of information MLA must include in its Annual Report. This includes details of senior executive and Board remuneration.

The Annual Reports contain information on Aggregate Board remuneration and the remuneration framework for senior executives. The reports do not contain financial details of executive remuneration; therefore this obligation was determined to be partially satisfied.

7.1.2 Key findings

MLA has a very high compliance rate with its obligations under the SFA, with 96 per cent of clauses either fully satisfied or not enacted. MLA maintains detailed records to monitor its compliance against its obligations each year.

The partial satisfaction of the remaining four per cent of clauses did not have a material impact on the performance of MLA or the intent of the SFA 'to provide clarity, consistency and transparency across the management and accountability frameworks applicable to all RDCs'.⁴³ In these cases, it can be seen that MLA either endeavoured to meet its obligations and fell just short, or provided the required information in a different (but related) key document.

7.2 Implementation of recommendations from the 2016 review

The last independent performance review of MLA was conducted by ACIL Allen in 2015-16. The Review, which was based on consultation with 76 stakeholders and extensive document analysis, found that overall MLA was meeting its obligations to the Australian Government and delivering effective results to levy payers. There was ample evidence to suggest that MLA is an effective organisation that had significantly improved its internal organisational arrangement to ensure it is accountable to producers, industry and Government.

That being said, the Review highlighted four key findings and corresponding recommendations which were important to the future success of MLA and MDC. An overview of the findings and recommendations is provided in **Figure 7.1**.

⁴³ SFA, Clause I.

FIGURE 7.1 FINDINGS AND RECOMMENDATIONS FROM 2016 REVIEW



SOURCE: ACIL ALLEN CONSULTING

In order to independently assess the implementation of those recommendations, a senior director of ACIL Allen who was not involved in the 2015-16 review was engaged to evaluate MLA's progress against those recommendations. The detailed assessment is provided in **Appendix A**. A summary of the findings are set out below.

Recommendation 1: Maintain current company structures

ACIL Allen's rationale for this recommendation was to address selected criticisms which called for a fundamental change to MLA's company structure. While this recommendation did not require specific action or investments, it provided MLA with the 'breathing space' necessary to operationalise the internal reforms that had been implemented over the past 2-3 years prior to the 2015-16 performance review. Those reforms showed great promise but needed time to be completed and fully operationalised.⁴⁴

Since the recommendation was to maintain company structures, there was little to change. Various projects have been completed by MLA to improve the extant structures and embed the MLA, MDC and more recently the ISC company structures.

Recommendation 2: Use MISP 2020 as the access and entry point to MLA

ACIL Allen's rationale for this recommendation was to reinforce the role of MISP 2020 as a strategic planning and operational document which drives internal and external company interactions. MISP 2020 is a key document for the industry, which was developed using broad industry consultation, is underpinned by data and relatively robust economic analysis and is forward thinking (i.e. not retrospective). MISP is ideally placed to drive industry behaviour and investments over time, and should be the primary lens through which MLA interacts with its internal and external environment. MISP 2020 should be used to structure all interactions with accountability agents under the MoU, to set KPIs for business units, to drive strategic partnerships with providers and to report the outcomes of MLA's investments to industry.

MLA has undertaken numerous activities to implement this recommendation, including linking all annual projects, sponsorships, scholarships and individual performance plans to the MLA 2016-2020 Strategic Pillars which clearly link to the pillars outlined in MISP 2020: and regular review and development of MLA's global portfolio strategy.

⁴⁴ ACIL Allen Consulting (2016), Independent Performance of Meat and Livestock Australia and the MLA Donor Company.

Recommendation 3: Improve MLA's strategic partnership model

ACIL Allen's rationale for this recommendation was that MLA's existing stakeholder engagement could be characterised more as stakeholder communications and was not meeting the expectations of important stakeholders. An on-going legitimacy gap between performance and expectations means stakeholders do not engage with and support the company as well as they could. Simply demonstrating benefits is insufficient and stakeholders were looking to engage in long term partnerships based on relationships, collaborations, involvement and identifying opportunities to create shared value.

A significant amount of activity has been undertaken by MLA to implement this recommendation. Actions include implementation of the Regional Consultation Model, development of a stakeholder engagement strategy, development of business plans and annual investment plans with PICs, global marketing and market access consultation, the launch of the Value Chain Digital Strategy, and development and review the MLA Monitoring and Evaluation policy and frameworks, amongst others.

Recommendation 4: Identify and then implement a leaner, more flexible procurement process

ACIL Allen's rationale for this recommendation was that MLA needed to achieve more from its investments to accelerate realisation of MISP 2020 for the industry's benefit. This would most likely occur in an environment of fiscal constraint for MLA and many of its partners reinforcing the need to "get more from less" and seek additional leverage from new partners.

Actions to implement this recommendation included review of the project and contract approval/process, implementation of an annual call for tenders for on-farm R&D for grass fed and sheepmeat levy-funded projects, increased PIC involvement in the development of marketing strategy and supporting investment allocations, and an enhanced MDC operational platform to better facilitate new strategic partnerships and improve procurement processes.

7.2.2 Key findings

The recommendations in the 2015-16 review were high level rather than prescriptive. This gave MLA a great deal of scope to decide on any range of actions to achieve the objectives set by each recommendation, which was appropriate for an organisation of MLA's maturity.

While this meant that just about any improvement initiative could be interpreted as being consistent with the recommendations, it is evident that MLA has been serious about implementing the recommendations with a large number of supporting activities undertaken – with many still ongoing – since the last review. ACIL Allen is satisfied with the progress that has been made against these recommendations.



8.1 Conclusions

8.1.1 MLA

MLA is a large, complex, but relatively mature organisation. The review has uncovered ample evidence to suggest that MLA is well-governed and managed.

MLA has met the substantive obligations of the SFA. MLA have demonstrated compliance to the terms and conditions of its agreement with the Australian Government. It has met its obligations to levy payers and industry to deliver high quality RD&E and marketing outcomes in a cost-effective way.

Over the review period MLA's has significantly enhanced its ability to engage with stakeholders in a more meaningful way, with the introduction of a much more active regional panel and committee structure that seeks input from PICs, industry and other parts of the supply chain. MLA has also provided significant and timely in-country support to government when negotiating trade deals. It has delivered against its own performance criteria (i.e. KPIs) in areas where significant funding has been allocated. The period between 2016 and 2020 has marked an era of relative performance despite MLA itself undergoing some internal reforms and leadership changes.

Sustaining and further improving stakeholder engagement remains an on-going priority for MLA and its subsidiaries. Relevant KPIs and on-going improvement of stakeholder processes is central to improving and demonstrating improved engagement.

ACIL Allen has found that MLA's approach to assessing the economic impact and value of its research activities aligns with current best practice. We note the efforts to continue to improve the Path2Impact tool by incorporating additional information as it comes to hand. However, it is important that Path2Impact continue to be viewed as an informational tool rather than a decision-making tool.

We hold the view that MLA should increase its efforts to assess social and environmental benefits and where possible seek to quantify these. There is merit in earmarking some MLA funds for projects where the potential outcomes could be very beneficial, but also far less certain. This should target major strategic challenge or 'moon shot' projects to ensure that higher risk but higher reward investments are not being overlooked during investment decision making.

8.1.2 MDC

MDC is seen by many stakeholders as an effective vehicle for delivering investments which leverage the co-contributions of the Australian Government and industry. The MLA's move to integrate the MDC's governance and operational model with the parent company's model is prudent given that the MDC has reached its funding cap.

It will be important, however, to ensure MDC's progress against the funding cap is monitored closely and communicated to stakeholders on an ongoing basis. MLA/MDC cannot afford to have a repeat of the situation where the cap was breached and projects were either put on hold or descope to the surprise of some funding co-investors. Such a situation erodes confidence in future potential partners that their investment in scoping projects is a wise one.

8.1.3 ISC

The decision to amalgamate a range of industry integrity system programs and initiatives into ISC was on balance sound. However, stakeholders are also looking for ISC to ensure the integrity system continues to deliver efficient and effective services to the supply chain. They are seeking a 'truly national system for livestock integrity and traceability'.⁴⁵

To achieve this goal, ISC will need to ensure that people across the supply chain understand the importance of integrity to the future profitability and sustainability, and actively contribute to the compliance of the system. Activating greater stakeholder effort around compliance will require a significant stakeholder engagement and change management process, which must be led by ISC. According to some stakeholders consulted, educating and activating the supply chain to improve integrity system compliance this should be the core function of ISC in the future. Other initiatives, such as the development of digitisation technologies and processes, while important are lower order issues.

The views of stakeholders accurately reflect the strategic decision facing MLA and ISC. How MLA and ISC determines the appropriate balance between the short-term operationalisation of the current integrity system and the longer term opportunities to significantly optimise the system through technology adoption, is an issue raised by many stakeholders. Significant optimisation in the longer term will deliver benefits to all industry stakeholders. This is clear to see. However, it will come at the cost of ISC's immediate service delivery goals.

It is also clear that MLA and ISC understand the strategic and operational choices that lie ahead (evidenced by some of the changes MLA is considering to ISC's governance). These choices will need to be resolved and a clear direction set for the subsidiary to be successful in the future.

8.2 Recommendations

While the findings of this review are perhaps, as important, as its recommendations, ACIL Allen has identified 4 opportunities for improvement. These opportunities, if pursued, aim to position MLA to meet the challenges of an uncertain future.

8.2.1 Recommendation: Set a clear and certain direction for ISC

The decision to form ISC as a wholly owned subsidiary of MLA was on balance seen by many stakeholders consulted to be a sound decision. It is now important to provide ISC with a clear and certain pathway that allows it to hunt down a strategic direction. Unlike MDC, ISC has some service delivery dimensions which are distinct from MLA's traditional RD&E investments, but require significant investment if they are going to support an enhanced (i.e. streamlined, consistent and compliant) red meat integrity system. These investments will require a 3-5-year planning horizon and committed funding against that horizon to deliver services that industry will use, will trust and will drive the productivity and profitability of the supply chain.

RECOMMENDATION 1 INTEGRITY SYSTEMS COMPANY

Provide a clear direction and secure funding for the next 3-5 years so that ISC can better support its commitments to Australia's red meat integrity system.

⁴⁵ ISC, Integrity System 2025, Implementation Plan and Technology Roadmap¹.

8.2.2 Recommendation: Continue to strengthen stakeholder engagement

ACIL Allen has observed improvement in MLA's engagement function since the 2016 review.

This improvement has been driven by investment in well targeted communications and an active regional panel and committee engagement process.

ACIL Allen has also witnessed more explicit linkages between MLA's engagement function and its strategy, which aligns with best practice. MLA is pursuing further engagement and performance improvements through activating a Key Account Management strategy and framework (Project Auto) and continuing systems-information integration (Project CODEX). While both are essentially internal reforms, they form the spine of how MLA progressively improves engagement and service delivery. It is critical these projects are successfully completed and can continue alongside consideration of the Red Meat MoU White Paper reforms. They also relate directly to the laser like focus MLA, its vendors and partners need to achieve better results, described as *fewer bigger bolder* in Jason Strong's call to stakeholders. The rationale is clustering priorities (fewer) and then collectively investing in impactful (bigger) activities which result in significant change (bolder) will maximise returns from MLA.

RECOMMENDATION 2 STAKEHOLDER ENGAGEMENT NARRATIVE

MLA should actively pursue the successful implementation of a Key Account Management strategy and framework (Project Auto) and associated systems-information reforms (Project CODEX). These initiatives should form the narrative for how MLA will work with stakeholders to improve engagement and service delivery with associated reporting.

MLA has more than 200 KPIs, aligned with the MISP 2020, and include stretch member satisfaction targets. This provides high levels of accountability and transparency. The practice of developing KPIs linked to the MSIP 2030 should continue while taking the opportunity to streamline and adjust the KPIs. Setting stretch satisfaction KPIs should continue in line with the Key Account Management strategy and framework.

RECOMMENDATION 3 RELEVANT AND LINKED KEY PERFORMANCE INDICATORS

MLA should maintain the practice of linking KPIs to the MISP. Stretch stakeholder satisfaction KPIs should be progressively expanded to include members and other key stakeholder segments in line with the Key Account Management strategy and framework.


MLA and its subsidiaries needs to convene or participate in a large number of committees at considerable cost. This includes establishment of a new Red Meat Corporate Affairs Committee in 2019 agreed to by the MoU partners. While there is scope to rationalise committees, this should not be at the cost of engagement effectiveness and is linked to the MoU white paper reforms.

Many of these committees are long-standing and represent MLA's and the red meat sectors' collective response to complex industry issues. This blurs perceptions on whether progress is related to MLA's performance or the performance of the committee (and the industry) itself?

To address this the committees should undertake regular facilitated self-assessments of their performance and establish a service agreement with MLA for a defined period. The results should be reported to the member organisations of the committees. MLA should publish the terms of reference service level agreements for all committees. Such an extension would take MLA's engagement function and the committees to the next level of maturity.

RECOMMENDATION 4 COMMITTEE EFFECTIVENESS

MLA should extend the application of a two-way engagement model to include a rolling schedule of facilitated self-assessment of all committees it convenes or funds. Findings would be reported to member organisations. Service level agreements between each committee and MLA should be established for a defined period after each assessment. MLA should publish the terms of reference, service level agreement and self-assessment findings for each committee. Such an extension will propel MLA's engagement function to the next level of maturity.



8.2.3 Recommendation: Evaluation and investment

This review has identified the strengths of MLA's evaluation functions, and their ability to support investment decision making which delivers long run ROI. While the evaluation function has many strengths it, perhaps, lends rise to an unintended bias towards lower risk and lower return investment decision making.

While ACIL Allen has found no clear evidence to make fundamental reforms to its evaluation model, it may be prudent to supplement its current model with more evaluation of issues which are difficult to analyse and do not fit well with a standard economic evaluation framework. These issues could relate to the prosecution of CN30 initiatives or ISC's 2025 'real time traceability', 'automatic integrity' and 'insights and information' activities (which could seek to address some major challenges that are inherently risky but worthwhile pursuing). What's more, the need to address these challenges are likely to increase over time. Piloting new quantifiable evaluation techniques may help MLA to shape future investment decision making which addresses these challenges.

RECOMMENDATION 5 EVALUATION

MLA should supplement its current evaluation model with more evaluation of issues that are difficult to analyse and do not fit well with a standard economic evaluation framework. These issues could relate to the prosecution of CN30 initiatives or ISC's 2025 'real time traceability', 'automatic integrity' and 'insights and information' activities. MLA should consider piloting a range of quantifiable evaluation techniques which help to inform investments that address these issues.





APPENDICES

**TABLE A-1** ASSESSMENT OF MLA'S OBLIGATIONS UNDER THE 2016-2020 SFA

Clause & obligation	Status (fully satisfied, partially satisfied, not satisfied, clause not enacted) during the review period
PART ONE – GENERAL REQUIREMENTS	
3. Term and operation of the Agreement	
3.3. The parties must, at least six months before the expiry of this Agreement, commence renegotiation of the Agreement in good faith with a view to entering into a new agreement	Clause not enacted - due by 13 April 2020 Discussions have commenced with the Commonwealth on a new template, although only the <i>Primary Industries Research and Development Act 1989</i> agency version has been sighted by MLA at this time.
4. Access to records and use of information	
4.2 MLA must co-operate fully with the Commonwealth or its representative to enable them to exercise their rights under clause 4.	Clause not enacted - There have been no formal requests by the Commonwealth to access MLA records.
PART 2 – MANAGEMENT AND GOVERNANCE OF MLA	
14. Corporate Governance	
14.1 MLA must maintain, implement and regularly review a framework of good corporate governance practice to ensure proper use and management of the Funds, which should meet government expectations and draw on better practice guides, including guidelines provided by the Commonwealth and the ASX <i>Corporate Governance Council's Corporate Governance Principles and Recommendations (Third Edition) (2014)</i> .	Fully satisfied – Corporate Governance Statement 2017, Corporate Governance principles and Board policies sighted. All align to ASX Corporate Governance Principles. R&D Matching Funding framework document has also been revised to reflect the Funding Agreement.
14.2 The framework at clause 14.1 must include a governance policy which includes a clear statement of MLA's commitment to effective governance and cover: a) Board charter; b) matters reserved for the Board; c) Board delegations of authority; d) charter of the Audit and Risk Committee and Selection Committee; e) Board appointments, composition (including requirements for diversity and a number of Independent Directors) renewal and succession planning; and f) code of business conduct and ethics.	Fully satisfied a) Board charter sighted b) matters reserved for Board contained in Corporate Governance statement c) Delegations of Authority policy sighted d) Audit and Risk Committee Charter sighted e) Board requirements contained in Remuneration Committee Charter, Diversity Policy and Policy on Independence of Directors f) Code of Conduct & Ethics sighted.

Clause & obligation	Status (fully satisfied, partially satisfied, not satisfied, clause not enacted) during the review period
<i>MLA Board</i>	
<p>14.3 MLA must establish a skills based Board of directors which can demonstrate collective expertise against each of the following:</p> <ol style="list-style-type: none"> corporate governance; meat and livestock production and through the value chain; finance and business management; legal and compliance; the promotion of products; domestic and international market development of products and international trade; commercialisation and adoption of the results of research and development; conservation and management of natural resources, and environmental and ecological matters; and administration of research and development. 	<p>Fully satisfied – Relevant Board policies sighted by ACIL Allen. Board members selected in accordance with Selection Committee process. Board members listed in annual reports confirm the required collective expertise.</p>
<p>14.4 The Selection Committee and the Audit and Risk Committee must each comprise a majority of Independent Directors.</p>	<p>Fully satisfied</p> <ul style="list-style-type: none"> Selection Committee comprises four members elected by producers, three members appointed by industry peak councils and two MLA Directors. Audit and Risk Committee fully comprises non-executive Directors. Membership composition confirmed in annual reports.
<i>Disclosure of pecuniary interests</i>	
<p>14.5 If a person is appointed as a member of an MLA committee or panel concerned with the selection and funding of Research and Development Activities and/or Marketing Activities and has a pecuniary interest that relates to the affairs under consideration by the committee or panel, MLA must cause that person to disclose that interest in accordance with any instructions given by MLA.</p>	<p>Fully satisfied. Committee members are subject to conflicts of interest clause. Conflicts register document also available for use.</p>
15. Role of company	
<p>15.1 MLA must ensure that it effectively represents and reflects the interests of its members and Levy Payers in respect of the Industry's Research and Development and Marketing interests.</p>	<p>Fully satisfied</p> <ul style="list-style-type: none"> MLA has implemented a regional consultation framework for directing research, development and adoption (RD&A) investment for grassfed cattle and sheepmeat levies The red meat industry Memorandum of Understanding specifies MLA's responsibility to develop a five-year business plan and an Annual Operating Plan in consultation with the peak industry councils. More detail on MLA's industry consultation is available at https://www.mla.com.au/about-mla/who-we-serve/industry-consultation/
<p>15.2 MLA must ensure Levy Payers who are not members of MLA are advised of their entitlements to become, and how they may become, members of MLA.</p>	<p>Fully satisfied - MLA membership is promoted at producer forums and in other MLA programs and publications.</p>
<p>15.3 MLA must not use Funds to:</p> <ol style="list-style-type: none"> engage in Agri-Political Activity or activities that aim to influence public policy and resource allocation decisions; act as an Industry Representative Body or provide information or an opinion which states or implies to stakeholders that MLA is an Industry Representative Body; encourage or support a campaign for the election of a candidate, person or party for public office. 	<p>Fully satisfied - Clause 1.3 of Commonwealth Matching Payments – Operational Framework expressly states that MLA must not use Funds for any of these activities. There have been no breaches of these guidelines.</p>

Clause & obligation	Status (fully satisfied, partially satisfied, not satisfied, clause not enacted) during the review period
<i>Company Constitution</i>	
<p>15.4 MLA must ensure that its Constitution remains appropriate to a body performing the functions of the declared Industry Marketing and/or Research Body and:</p> <p>a) any proposed changes to its Constitution are discussed with the Commonwealth;</p> <p>b) the Minister is advised of any resolution proposed by members to amend the Constitution as soon as reasonably practicable after the resolution is accepted;</p> <p>c) the Commonwealth is provided with a copy of each notice of a resolution to modify its Constitution, at the same time as it gives notice of the resolution to its members; and</p> <p>d) as soon as practicable after any modification of the Constitution is made, give the Commonwealth notice setting out the modification and explaining its effect.</p>	<p>Fully satisfied. The Constitution remains appropriate. Sub-clauses (a), (b), (c) and (d) not enacted.</p>
16. Notification of significant issues	
<p>16.1 MLA must give reasonable notice to the Commonwealth if it becomes aware of any issues that will materially affect or have affected MLA or any of its subsidiaries' ability to achieve the objectives stated in its Strategic Plan or comply with its obligations under this Agreement or the Act.</p>	<p>Clause not enacted</p>
17. Conflict of Interest	
<p>17.2 If a conflict of interest, or risk of a conflict of interest, arises in the performance of MLA's obligations under this Agreement, MLA must notify the Commonwealth of that conflict or risk and take steps acceptable to the Commonwealth to resolve or avoid the conflict.</p>	<p>Clause not enacted</p>
18. Review of Performance	
<p>18.1 MLA must complete a Performance Review and deliver the final Performance Review Report to the Commonwealth at least six months before the expiry of this Agreement, but no more than 12 months before the expiry of this Agreement without the agreement of the Commonwealth.</p>	<p>Fully satisfied – as evidenced by the independent review report.</p>
<p>18.2 MLA must agree the terms of reference with the Commonwealth three months before the Performance Review commences.</p>	<p>Partially satisfied. MLA first requested Commonwealth input on the terms of reference in November 2018. This was followed by three further attempts to have this matter addressed in time. However, due to delays from the Commonwealth, the terms of reference were late in being signed off. Nevertheless, the terms of reference were agreed to prior to commencement of the review and the delay does not have a material impact on the review outcomes.</p>
<p>18.3 MLA must engage, at its own cost, an independent organisation to undertake the Performance Review and prepare the Performance Review Report. The organisation engaged to undertake the Performance Review must, not within the previous four years, have carried out any corporate governance activity or reviews, performance audit or similar reviews of MLA.</p>	<p>Fully satisfied. ACIL Allen has been engaged to undertake the Performance Review. Although ACIL Allen conducted MLA's 2015-16 Performance Review, to ensure independence a senior director of ACIL Allen who was not involved in the previous review has been engaged to assess of the evidence of MLA's progress against the 2015-16 recommendations.</p>

Clause & obligation	Status (fully satisfied, partially satisfied, not satisfied, clause not enacted) during the review period
<p>18.4 The terms of reference for the Performance Review must take into account MLA's performance in:</p> <ul style="list-style-type: none"> a) meeting its obligations under this Agreement and the Act; b) implementing governance arrangements and practices for ensuring proper use and management of the Funds; c) meeting the planned outcomes and targets of its Strategic Plan; d) delivering benefits to members, Levy Payers, Industry and the broader community; e) satisfying the Research & Development and Marketing interests meeting the needs of members, Levy Payers and Industry; f) consulting with Levy Payers and Prescribed Industry Bodies and other stakeholders; and g) any other matters consistent with MLA's Strategic Plan and the Act the Commonwealth requires the Performance Review to cover. 	<p>Fully satisfied – all items were included in the terms of reference.</p>
<p>18.5 MLA must cause the Performance Review and the Performance Review Report to address all aspects of the agreed terms of reference.</p>	<p>Fully satisfied – as evidenced by this report.</p>
<p>18.6 MLA must provide the Commonwealth with a copy of the draft Performance Review Report at the same time as MLA receives a copy.</p>	<p>Fully satisfied – ACIL Allen provided a copy of the draft report to the Commonwealth and MLA at the same time.</p>
<p>18.7 MLA must provide the final Performance Review Report to the Commonwealth within 14 days of acceptance by the Board.</p>	<p>Clause not enacted – requirement to arise in the future</p>
<p>18.8 MLA must develop a response to the final Performance Review Report and a proposed implementation plan including dates and milestones for the implementation of recommendations within three months of the Board's acceptance of the Performance Review Report; and provide the response to the Commonwealth within 30 days of the Board's acceptance of that response.</p>	<p>Clause not enacted – requirement to arise in the future</p>
<p>18.10 MLA must;</p> <ul style="list-style-type: none"> a) publish the Performance Review Report on its public website; and b) make available copies of the Performance Review Report at its next annual general meeting to Levy Payers and Prescribed Industry Bodies. 	<p>Clause not enacted – requirement to arise in the future</p>
<p>19. Performance management</p>	
<p>19.3 MLA must give the Commonwealth any additional reports or explanations relating to management and expenditure of the Funds from MLA, including an audit report or opinion to inform its consideration.</p>	<p>Clause not enacted</p>

Clause & obligation	Status (fully satisfied, partially satisfied, not satisfied, clause not enacted) during the review period
<p>19.4 The Minister may request an audit report or opinion on any matter relevant to MLA's performance or compliance with this Agreement or the Act; MLA must at its own expense:</p> <ul style="list-style-type: none"> a) promptly obtain the audit report or opinion from MLA's auditor; or b) if, in the opinion of the Commonwealth, the audit report or opinion cannot be properly given by MLA's auditor, promptly engage another auditor to conduct an audit and give the audit report or opinion; and c) give a copy of the audit report or opinion to the Commonwealth within 14 days after MLA receives it. 	Clause not enacted
<p>19.5 The Commonwealth may:</p> <ul style="list-style-type: none"> a) provide a report of a review (or extract of its recommendations) to MLA for its consideration and response. MLA must: <ul style="list-style-type: none"> i) within 30 days, provide a notice to the Commonwealth in detail of the actions it intends to undertake to address the recommendations of the report; ii) within 60 days, negotiate in good faith with the Commonwealth any recommendations of the report or review that MLA has not agreed to implement; iii) within 90 days, provide the Commonwealth with a written report detailing progress and substantiating the actions it has taken in implementing the recommendations of the report 	Clause not enacted
<p>19.6 In each Annual Report MLA must include a written report detailing progress and substantiating the actions it has taken in implementing the recommendations of the report until all of the recommendations that MLA has agreed to implement under clause 19.5 (b) or the Commonwealth has directed MLA to implement under clause 19.5 (a) are implemented to the satisfaction of the Commonwealth.</p>	Clause not enacted
20. Reduction, suspension or termination of the agreement	
<p>20.4 Where a termination notice has been issued, MLA must prepare a plan for cessation of operations of MLA as the Industry Marketing Body and/or the Industry Research and Development Body, including arrangements for:</p> <ul style="list-style-type: none"> a) the repayment or transfer of the Funds to, or as directed by, the Commonwealth; and b) the payment of employee entitlements and other commitments and expenses; by the termination date specified in that notice, or within such other period as the parties agree; and c) management of any Activities extending beyond the termination date. 	Clause not enacted
22. Agreement-related assets and liabilities	
<p>22.2 MLA must ensure that it has appropriate contractual or other rights enabling it to deal with its Agreement-related Assets and Liabilities in the manner determined by the Commonwealth in accordance with clause 22.1.</p>	Fully satisfied – contained in Agreement templates.
<p>22.3 For the purposes of clause 22.1, the Commonwealth may request a list of all Agreement-related Assets and Liabilities from MLA. The list must be provided to the Commonwealth within 10 Business Days of receiving the request.</p>	Clause not enacted

Clause & obligation	Status (fully satisfied, partially satisfied, not satisfied, clause not enacted) during the review period
23. Consultations with the Commonwealth	
<p>23.1 The Chair of the Board, or in the Chair's absence, a non-executive Director nominated by the Chair of the Board must meet with the Commonwealth at least once in every six monthly period from the Effective Date; or at any other time requested by the Commonwealth on reasonable notice, to brief the Commonwealth on MLA's performance of its functions including:</p> <ol style="list-style-type: none"> progress on implementing MLA's Annual Operational Plan; Strategic Plan and the other plans referred to in clause 25.4; progress on the implementation of the relevant sectoral and cross-sectoral strategies under the RD&E Framework; consultation with Levy Payers and Prescribed Industry Bodies and other RDCs, Industry, and stakeholders; measures taken to enhance corporate governance in accordance with clause 14; progress in developing and implementing the Evaluation Framework; progress on implementing the recommendations from the most recent Performance Review; the development and implementation of additional systems, process and controls necessary to meet the requirements of this Agreement. 	<p>Fully satisfied. Meetings held on:</p> <ul style="list-style-type: none"> – 3 November 2016 – 16 June 2017 – 14 December 2017 – 15 June 2018 – 21 November 2018 – 26 June 2019 – 25 November 2019.
<i>Changes to the Guidelines</i>	
<p>23.4 Where the Board considers that the proposed variation to the Guidelines may, if issued:</p> <ol style="list-style-type: none"> require the Directors to act, or omit to act, in a manner that may breach any duty owed by the Directors to any person; cause the contravention of any Australian law; be likely to prejudice commercial activities carried on by or on behalf of MLA; be contrary to the public interest; <p>then the Directors must notify the Commonwealth.</p>	<p>Clause not enacted</p>
PART THREE – ACTIVITIES AND FUNDING	
24. Payment of Funds	
<p>24.5 MLA must provide a non-binding estimate of the amount of the Levy and matching payment payable to MLA for the current and forward financial years upon request by the Commonwealth.</p>	<p>Fully satisfied. Estimates provided to DAWR as requested.</p>
<p>24.8 The final claim for a Financial Year must be supported by an independent audit report which confirms:</p> <ol style="list-style-type: none"> the amount of R&D Expenditure expended for the relevant Financial Year; and that claims for Commonwealth Matching Payments under clause 24.5 and the declared R&D Expenditure for that Financial Year are accurate and in accordance with the Act and this Agreement 	<p>Partially satisfied</p> <ol style="list-style-type: none"> Independent audit report published in the Annual Reports confirm the reported expenditure is a true and fair view of MLA's financial position. Confirmed in 2018 and 2019 audit reports but not 2017 report.
25. Management of the Funds	

Clause & obligation	Status (fully satisfied, partially satisfied, not satisfied, clause not enacted) during the review period
<p>25.1 MLA must establish and maintain systems, procedures and controls to ensure:</p> <p>a) the Funds are spent only in accordance with this Agreement and the Act;</p> <p>b) all dealings with the Funds are properly authorised, conducted and accounted for; and</p> <p>c) an auditor is able to readily verify that the Funds have been used only in accordance with this Agreement and the Act.</p>	<p>Fully satisfied</p> <p>a) Appropriate accounting policies and practices in place.</p> <p>b) Audited financial statements published in Annual Reports 2016-19. Financial statements indicate that payments are made in accordance with requirements/obligations.</p> <p>c) Confirmed through independent audit reports.</p>
<p>25.2 MLA must notify the Commonwealth of the details of the systems, procedures and controls established in accordance with clause 25.1 on request.</p>	<p>Clause not enacted</p>
<p>25.3 MLA must not delegate or outsource the responsibility for the management, allocation, or investment of the Funds to third parties, including to Industry Representative Bodies.</p>	<p>Clause not enacted</p>
<p>25.4 MLA must maintain, implement and regularly review MLA's Risk Management Plan, Fraud Control Plan and Intellectual Property Management Plan and ensure they effectively meet MLA's requirements.</p>	<p>Fully satisfied</p> <ul style="list-style-type: none"> – Risk Management Plan revised 2016, 2017, 2018 and 2019 – Fraud Control Plan revised 2017, 2018 and 2019 – Intellectual Property Management Plan revised 2017 and 2018. <p>Internal professional advisors and the Audit Risk Committee ensure these documents effectively meet MLA's requirements.</p>
<p>25.5 MLA must provide any material variations or updates to the Risk Management Plan, Fraud Control Plan and Intellectual Property Management Plan, to the Commonwealth within 30 days of the variations or updates being adopted by MLA.</p>	<p>Fully satisfied</p> <ul style="list-style-type: none"> – revised Risk Plan of 15 December 2016 sent to DAWR on 22 December 2016 – revised Risk Plan of 2 March 2017 sent to DAWR on 22 March 2017 – revised Risk Plan of 21 March 2018 sent to DAWR on 10 May 2018 – revised Risk Plan of 22 May 2019 sent to DAWR on 24 May 2019 – revised Fraud Control Plan of 2 March 2017 sent to DAWR on 22 March 2017 – revised Fraud Control Plan of 23 May 2018 sent to DAWR on 25 May 2018. – revised Fraud Control Plan of 30 July 2019 sent to DAWR on 7 August 2019 – revised Intellectual Property Management Plan of 2 March 2017 sent to DAWR on 22 March 2017 – revised Intellectual Property Management Plan of 19 November 2017 sent to DAWR on 29 November 2018.
<p>25.6 The accounting systems, processes and controls to manage the funds with clause 25.1 must take into account MLA's current Risk Management Plan, Fraud Control Plan and Cost Allocation Policy.</p>	<p>Fully satisfied</p> <ul style="list-style-type: none"> – The financial policies and audit schedules are designed and implemented to reflect the Board's requirements – Risk Management, Fraud Control Plan and Cost Allocation Policy sighted by ACIL Allen.

Clause & obligation	Status (fully satisfied, partially satisfied, not satisfied, clause not enacted) during the review period
<p>25.7 MLA must:</p> <p>a) keep complete and detailed accounts and records of receipt, use and expenditure of the Funds in accordance with good accounting practice including all applicable Australian accounting standards;</p> <p>b) keep the accounts and records referred to in clause 25.7(a) separately in relation to the Marketing Funds, Research and Development Funds, Commonwealth Matching Payments and Voluntary Contributions; and</p> <p>c) keep accounts and records referred to in clause 25.7(a) to enable disclosure of the full costs of the Research and Development and Marketing Programs.</p>	<p>Fully satisfied – Audited financial statements published in the Annual Reports 2016-2019. Financial statements indicate that payments are made in accordance with requirements/obligations.</p>
26. Application of Funds	
<p>26.1 MLA must only spend the Funds:</p> <p>a) in accordance with sections 67 and 68 of the Act and this Agreement; and</p> <p>b) in a manner that is consistent with;</p> <p>i) its current Strategic Plan and Annual Operational Plan; and</p> <p>ii) the Guidelines.</p>	<p>Fully satisfied</p> <ul style="list-style-type: none"> – Commonwealth Matching Payments - Operational Framework sets out that MLA must apply all Funds only in accordance with sections 67 and 68 of the Act, including in meeting the obligation to apply Commonwealth Matching Funds only in accordance with section 67(3). – Internal accounting system (SAP) aligned with Annual Operating Plan delegation and internal policies – Annual Investment Plans aligned to the Guidelines and MLA Plans.
<p>26.2 The Funds may only be applied by MLA as follows:</p> <p>a) in the case of Marketing Funds, to Marketing Activities related to the Industry, for the benefit of the Industry;</p> <p>b) in the case of Research and Development Funds, to Research and Development Activities related to the Industry, for the benefit of the Industry</p> <p>c) in the case of Commonwealth Matching Payments, to Research and Development Activities related to the Industry, for the benefit of the Industry and flow-on benefits to the Australian community; and</p> <p>d) to make payments to the Commonwealth under the Act.</p>	<p>Fully satisfied</p> <ul style="list-style-type: none"> – Annual Business Plans reviewed by the MLA leadership team to ensure funds are appropriately allocated, then signed off by the Board – Independently audited financial statements indicate that payments are made in accordance with requirements/obligations.
<p>26.3 MLA must not spend the Funds on making payments to Industry Representative Bodies. This does not preclude:</p> <p>a) payments by way of membership fees where that membership contributes to MLA pursuing the objects of the Act;</p> <p>b) payments to procure goods or services in accordance with MLA's procurement policy, and when all of the following conditions are met:</p> <p>i) the procurement process is open, transparent and, competitive;</p> <p>ii) the conditions of the transaction between MLA and the relevant body are the same as they would be for an arm's length transaction with any third party providing those goods or services; and</p> <p>iii) the arrangement for goods and services incorporates appropriate measures to demonstrate the performance of the relevant body undertaking the task. This assessment must be provided to the Commonwealth on request.</p>	<p>Fully satisfied</p> <ul style="list-style-type: none"> – Consultation between MLA and DAWR to ensure compliance with this provision – MLA has had industry capacity building projects under Pillar 5 of MLA's 2020 Strategic Plan (and subsequent contracts) in place with Cattle Council Australia (CCA) and Sheepmeat Council Australia. Milestones are monitored and payments made in accordance with successful achievement of those milestones. – Payments to PIC are made on a commercial fee-for-service basis using standard contractual terms – Board approval given to PIC agreements.

Clause & obligation	Status (fully satisfied, partially satisfied, not satisfied, clause not enacted) during the review period
26.5 MLA must publish a copy of any written notice under clause 26.4 in its next Annual Report.	Clause not enacted
27. Acknowledgement of funding	
Unless otherwise agreed with the Commonwealth, MLA must ensure that all significant publications and publicity by MLA in relation to matters on which Commonwealth Matching Payments are expended acknowledge the provision of the Commonwealth Matching Payments by the Commonwealth.	Fully satisfied. All R&D Final reports include acknowledgement of the Commonwealth Matching Payments. Confirmed in random audit of reports.
28. Consultation with Industry	
28.1 MLA must, communicate directly with Levy Payers and members to: a) review priorities for Research and Development Activities and Marketing Activities; and b) report on MLA's performance against the Strategic Plan and the Annual Operational Plan.	Fully satisfied. Planning, Consultation and Reporting framework shared with PICs prior to Annual Investment Plan consultation meetings. R&D Consultation model implemented to facilitate direct communication with levy payers on R&D priorities.
28.2 MLA must meet with Prescribed Industry Bodies at least six-monthly to; a) review industry priorities for Research and Development and Marketing investments, including any regional equity considerations; and b) report on MLA's performance against the Strategic Plan and the Annual Operational Plan.	Fully satisfied Records of meeting dates sighted. Gaps in records suggested that four meetings were held outside of the six-monthly requirement; however, consultation with MLA confirmed that meetings were held within the required periods.
29. Information on activities	
29.1 MLA must ensure the following is available on its public website: a) this Agreement; b) MLA's governance policy developed in accordance with clause 14.2; c) MLA's Strategic Plan, including the consultation plan developed in accordance with clause 30.3 and other information relating to its development and any changes; d) the priorities used by MLA to determine which projects it will fund; e) an overview of planned outcomes and Programs to achieve those outcomes; f) key Research and Development Activities (including Extension) and Marketing Activities which MLA is funding; g) MLA's Evaluation Framework and the outcomes of evaluations; h) MLA's Annual Operational Plan; i) MLA's Annual Report; j) the Performance Review Report and MLA's response to recommendations made in the Performance Review Report k) public submissions received on the development of its strategic plan under clause 30.4.	Fully satisfied. Note: Annual Operating Plan referred to as Annual Investment Plan. a) Fully satisfied. b) Fully satisfied c) Fully satisfied. Strategic Plan on MLA website. Consultation Plan not on website because the Strategic Plan was in place prior to this Agreement and was not a requirement at the time. d) Fully satisfied. See https://www.mla.com.au/about-mla/how-we-are-funded/about-your-levy/ e) Fully satisfied (contained in Strategic Plan and Annual Investment Plans) f) Fully satisfied (contained in Annual Investment Plans) g) Fully satisfied. See https://www.mla.com.au/about-mla/how-we-are-governed/Planning-reporting/evaluation/ h) Fully satisfied i) Fully satisfied j) Fully satisfied k) Clause not enacted (refer to answer (c) above).

Clause & obligation	Status (fully satisfied, partially satisfied, not satisfied, clause not enacted) during the review period
<p>29.2 The information to be published under the preceding subclause shall not include information of the following kinds:</p> <ul style="list-style-type: none"> a) personal information as defined in the <i>Privacy Act 1988 (Cth)</i>, unless permitted by the Privacy Act; b) information about the business, commercial, financial or professional affairs of any person if it would be unreasonable to publish that information, such as Confidential Information; c) information which would, or could reasonably be expected to damage; <ul style="list-style-type: none"> i) MLA; ii) the Industry; or iii) the national interest. 	<p>Fully satisfied.</p>
<p>29.3 Where MLA invests Funds towards projects initiated under an open call or tender process, MLA must provide feedback on the outcomes of such funding applications to all applicants.</p>	<p>Fully satisfied. Feedback is provided in outcome letters to applicants, with the offer of further feedback provided by relevant MLA staff.</p>
<p>30. Strategic Plan</p>	
<p>30.1 MLA must maintain a Strategic Plan covering a three to five year period and must;</p> <ul style="list-style-type: none"> a) review and, if necessary, update the Strategic Plan at least once every year; b) obtain the Commonwealth's endorsement of any proposed new or amended draft Strategic Plan before the Strategic Plan comes into effect; c) provide the Commonwealth with a copy of any new or amended Strategic Plan within 30 days of Board approval; d) publish the Strategic Plan on its public website within 30 days of approval; and e) consult with the Commonwealth during the term of this Agreement to ensure its Strategic Plan has regard to the Guidelines. 	<p>Fully satisfied</p> <ul style="list-style-type: none"> a) Strategic Plan is reviewed as part of the Annual Investment Plan process. b) MLA Board adopted the MLA Strategic Plan on 5 May 2016 and, following DAWR consultation and amendment, endorsed this again on 23 June 2016 c) Clause not enacted d) Strategic Plan available on MLA's website e) Clause not enacted - Guidelines have not changed during the Funding Agreement period and nor has the content of the Strategic Plan.

Clause & obligation	Status (fully satisfied, partially satisfied, not satisfied, clause not enacted) during the review period
30.2 The Strategic Plan must include;	Partially satisfied
<p>a) MLA's roles and responsibilities as the declared research body under the Act including MLA's;</p> <p>i) mutual obligations as partner with the Commonwealth in delivering services to members and Levy Payers; and</p> <p>ii) responsibilities for proper use and management of the Funds;</p> <p>b) clear linkages with the meat industry strategic plan 2020 (MISP 2020);</p> <p>i) an overview of any priorities and outcomes identified by Levy Payers and the Prescribed Industry Bodies and other stakeholders during consultations that differ from or are additional to those reflected in the MISP 2020; and</p> <p>ii) include an explanation on the extent to which these additional priorities are reflected in MLA's Strategic Plan;</p> <p>c) key investment priorities and planned outcomes for the period of the Strategic Plan;</p> <p>d) details of the Programs that MLA intends to deliver Research and Development Activities and Marketing Activities to achieve the planned outcomes, including details of key activities under those Programs;</p> <p>e) key deliverables and performance indicators and that clearly set out how planned outcomes will be achieved;</p> <p>f) details of planned evaluation activities to demonstrate the extent to which planned outcomes have been delivered;</p> <p>g) details on how the Programs link, and give effect, to the Guidelines;</p> <p>h) planned collaboration with other RDCs on priority Research and Development issues;</p> <p>i) planned contributions to the implementation of relevant industry sector and cross-sectoral strategies under the National Primary Industries RD&E Framework;</p> <p>j) details on how Extension, technology transfer, and commercialisation of Research and Development will be addressed and demonstrating that Extension and adoption are incorporated into the planning and approval processes;</p> <p>k) estimates of income and expenditure for the life of the plan including broad estimates of expenditure separately for the Research and Development and Marketing Programs;</p> <p>l) an overview of MLA's approach to ensuring a Balanced Portfolio of investment appropriate to the Industry.</p>	<p>a) Fully satisfied (p 4)</p> <p>i) Fully satisfied (p 5)</p> <p>ii) Fully satisfied (pp 4, 6, 27, 28-34 and 35)</p> <p>b) Fully satisfied</p> <p>i) Fully satisfied (p 7)</p> <p>ii) Fully satisfied (p 25 – stakeholder engagement is an additional priority).</p> <p>c) Fully satisfied (p 3)</p> <p>d) Fully satisfied (pp 15-25)</p> <p>e) Fully satisfied. Deliverables and KPIs (p 26), how they will be achieved (pp 15-25)</p> <p>f) Partially satisfied. The Strategic Plan contains some high-level references to the evaluation and monitoring framework, however no details are provided. Details of evaluation activities are, however, contained in the 2017-18, 2018-19 and 2019-20 AIPs.</p> <p>g) Fully satisfied (pp 30-34)</p> <p>h) Fully satisfied (p 27)</p> <p>i) Fully satisfied. Strategic plan aligned to both industry and Australian Government priorities. Strategies addressed include the <i>Beef Industry Strategic Plan 2020</i>, <i>Sheep Industry Strategic Plan 2020</i>, <i>Australian Lot Feeders Strategic Plan</i> and <i>Goat Industry Strategic Plan</i>.</p> <p>j) Partially satisfied. Details are not explicitly contained in the Strategic Plan; however, they are provided in the AIPs.</p> <p>k) Fully satisfied (pp 4, 28-29)</p> <p>l) Fully satisfied (pp 6-7 and 28-34).</p>
<p>30.3 In developing or varying the Strategic Plan, MLA must develop a consultation plan including, details of proposed consultations with;</p> <p>a) Levy Payers;</p> <p>b) the Commonwealth;</p> <p>c) Prescribed Industry Bodies;</p> <p>d) other RDCs as appropriate; and</p> <p>e) other stakeholders as appropriate.</p>	<p>Fully satisfied. The next Strategic Planning process has commenced. A consultation plan has been provided to DAWR for approval which details proposed consultations with these stakeholders.</p>

Clause & obligation	Status (fully satisfied, partially satisfied, not satisfied, clause not enacted) during the review period
30.4 The consultation plan must include provision for online and electronic submissions to be made	Fully satisfied. The MLA website will host a dedicated Strategic Planning section where levy payers and other interested parties will be invited to view Plan development and contribute. MLA has confirmed that provision will be made for submissions to be made online or electronically.
30.5 The consultation plan must be agreed with the Commonwealth prior to commencing any development or variation of the Strategic Plan.	Fully satisfied. The next Strategic Planning process has commenced. A consultation plan has been provided to DAWR for approval.
30.6 For minor variations to an existing Strategic Plan, MLA may request approval from the Commonwealth not to develop a consultation plan.	Clause not enacted
31. Evaluation Framework	
31.1 MLA must develop an Evaluation Framework within six months of the Effective Date. The Evaluation Framework must; <ul style="list-style-type: none"> a) be consistent with MLA's Strategic Plan; b) ensure that key performance related information is routinely collected and monitored; c) include a structured plan for the systematic evaluation of the efficiency, effectiveness and impact of MLA's key investments; and d) include a means of publishing and disseminating relevant Research and Development outcomes and the outcomes of evaluations. 	Fully satisfied – Evaluation Framework in place prior to the Effective Date. Framework has been sighted for compliance.
31.2 MLA must; <ul style="list-style-type: none"> a) consult with the Commonwealth in preparing the Evaluation Framework; b) participate in any Commonwealth or collective RDC evaluation project relevant to MLA's operations which is established for all RDCs; and c) demonstrate MLA's commitment to provide adequate expenditure for this purpose. 	Fully satisfied <ul style="list-style-type: none"> (a) Commonwealth was consulted. (b) MLA has contributed to all evaluation projects. (c) Dedicated Evaluations manager with ongoing evaluation activities budgeted in the Corporate Services costs.
31.3 The Evaluation Framework must be published on its public website within 30 days of being adopted by MLA.	Fully satisfied
32. Annual Operational Plan	
32.1 Before 1 July each year, MLA must provide to the Commonwealth with an Annual Operational Plan to implement its Strategic Plan during the next Financial Year.	Partially satisfied – every Annual Investment Plan was submitted to DAWR prior to 1 July with the exception of the 2016/17 plan which was submitted on 4 July 2016 (following a period of consultation with the Department as part of the development of the Plan).
32.2 The Annual Operational Plan must set out; <ul style="list-style-type: none"> a) all activities to be funded by MLA during the next Financial Year, identifying the Marketing, Research, Development and Extension Programs; b) performance indicators, key deliverables, timetables and milestones for MLA's proposed activities and expenditure which demonstrate progress being made towards planned outcomes; c) estimates of all income and expenditure for the Financial Year separately and detailed; and d) detailed information on how MLA intends to implement and operationalise a Balanced Portfolio for the next Financial Year. 	Fully satisfied (a) – (d).

Clause & obligation	Status (fully satisfied, partially satisfied, not satisfied, clause not enacted) during the review period
32.3 MLA must provide any material variations or updates to the Annual Operational Plan, to the Commonwealth within 30 days of the variations or updates being adopted by MLA.	Clause not enacted
33. Annual Report	
33.1 MLA must prepare its Annual Report in accordance with the requirements of Chapter 2M of the Corporations Act and this Agreement and provide four copies of its Annual Report to the Commonwealth at the same time as section 316A(3) of the Corporations Act requires an annual report to be given to members.	Fully satisfied. Annual Report sent with Funding Agreement compliance and Audit compliance report on: <ul style="list-style-type: none"> – 4 October 2016 – 16 October 2017 – 8 October 2018 – 7 October 2019.
33.2 The Annual Report prepared in accordance with clause 33.1 should include comprehensive coverage of; <ul style="list-style-type: none"> a) sources of all income separately identified; b) the full cost of the Marketing Programs and Research and Development Programs, with costs being allocated in accordance with the Cost Allocation Policy; c) progress against key performance indicators specified in the Strategic Plan and Annual Operational Plan; d) deliverables and associated outcomes achieved against key Marketing Programs and Research and Development Programs; e) Intellectual Property creation and protection, including management of Intellectual Property arising from Research and Development Activities or acquired with the Funds; f) subsidiaries and joint ventures formed; g) material changes to MLA's membership; h) collaboration with Industry and other research providers; i) directions given by the Minister; j) consultations undertaken with stakeholders referred to in clause 30.3 on MLA's Strategic Plan, Annual Operational Plan, Programs and Activities; k) details of senior executive and Board remuneration; l) corporate governance practices in place during the Financial Year; m) the rationale for the mix of projects included in the Balanced Portfolio; and n) any other relevant matters notified to MLA by the Commonwealth. 	Partially satisfied <ul style="list-style-type: none"> a) Fully satisfied 2015-2019 b) Fully satisfied 2015-2019 c) Fully satisfied 2015-2019 d) Fully satisfied 2015-2019 e) Fully satisfied 2015-2019 f) Fully satisfied 2015-2019. No new subsidiaries or joint ventures formed. Existing subsidiaries reported. g) Fully satisfied 2015-2019 h) Fully satisfied 2015-2019 i) Clause not enacted. n/a 2015-2019. j) Fully satisfied 2015-2019 k) Partially satisfied 2015-2019. Aggregate Board remuneration reported. Only remuneration framework for senior executives reported. Financial details of executive remuneration excluded from report. l) Fully satisfied 2015-2019 m) Fully satisfied 2015-2019 n) Clause not enacted - n/a 2015-2019.
34. Compliance Audit Report	

Clause & obligation	Status (fully satisfied, partially satisfied, not satisfied, clause not enacted) during the review period
<p>34.1 MLA must, within five months after the end of its Financial Year, give the Commonwealth a report (Compliance Audit Report) providing an audit opinion on whether MLA has complied with its obligations under clauses 25 and 26 during the Financial Year. The Compliance Audit Report must;</p> <p>a) be prepared in accordance with relevant Australian Auditing and Assurance Standards;</p> <p>b) include a review of the efficacy of the accounting systems processes and controls required under clause 25.1;</p> <p>c) include any qualifications to the Compliance Audit Report and any material incidences of non-compliance; and</p> <p>d) contain a detailed explanation of any incidence of material non-compliance.</p>	<p>Fully satisfied</p> <p>Timeframes for providing 2016 - 2019 reports were met.</p> <p>In addition:</p> <p>a) Fully satisfied – 2015-19</p> <p>b) Fully satisfied – 2015-19</p> <p>c) Clause not enacted - n/a 2015-19</p> <p>d) Clause not enacted - n/a 2015-19.</p>
<p>34.2 The Compliance Audit Report must include a statement that it has been prepared for the Commonwealth for the purposes of this Agreement and an acknowledgment that the Compliance Audit Report will be relied upon by the Commonwealth.</p>	<p>Partially satisfied. Statement included in 2018 and 2019 audit reports but not 2017 report.</p>
<p>35. Certification Report</p>	
<p>35.1 MLA must, within five months after the end of the Financial Year, give the Minister a report (Certification Report) from MLA's Board; signed by the Chair of the Board and the Chief Executive Officer of MLA:</p> <p>a) certifying whether MLA has complied with its obligations under the Act and this Agreement during the Financial Year;</p> <p>b) confirming that the Audit and Risk Committee has carried out all of its functions/responsibilities in accordance with its charter;</p> <p>c) detailing any material non-compliance and providing an explanation of the non-compliance; and</p> <p>d) containing an acknowledgement that the Certification Report will be relied upon by the Commonwealth.</p>	<p>Fully satisfied (a) – (d).</p>

SOURCE: ACIL ALLEN CONSULTING (2019)



IMPLEMENTATION OF RECOMMENDATIONS FROM PREVIOUS REVIEW

B

TABLE B.1 MLA'S RESPONSE TO RECOMMENDATION 1 FROM 2016 REVIEW**Recommendation 1: Maintain current company structures**

Action taken by MLA	Progress against recommendation
Endorsement of 2014 Structure Appointed inaugural CEO of MDC, Dr Christine Pitt, and Sean Starling to address succession.	Completed
Amended MLA Corporate Governance process documents and policies to specifically capture "MLA Group companies" to reflect the fact that subsidiary company processes and policies mirror those used by the MLA Board.	Completed
Assessments of MLA Board performance review to include review of MDC Board	Completed and ongoing
CEO appointed to MDC and an updated resource plan developed to accord with project activity and revenue for 2016-17. A key component of the new MDC plan is greater focus on stakeholder engagement and ensuring that MLA members are aware of the opportunities that are available for them to partner with MDC.	Completed and ongoing Updated resource plan adopted by the MDC Board in September 2016. MDC annual reports and Strategic Business Plan Investments reports published.
Development of comprehensive MDC Marketing and Communications Plan to address the needs of all key stakeholders; enhanced MDC operational platform developed to simplify the application process and ensure clear visibility of the outcomes of all MDC projects; targeted producer MDC program developed and launched.	Completed Operational platform enhanced. New producer MDC program launched.
All research, development and innovation activities that span the entire value chain under a single General Manager within MLA. General Manager can now effectively balance investments in whole of value chain R&D with levies and Donor Company to maximise industry impact.	Completed

TABLE B.2 MLA'S RESPONSE TO RECOMMENDATION 2 FROM 2016 REVIEW**Recommendation 2: Use MISIP 2020 as the access and entry point to MLA**

Action taken by MLA	Progress against recommendation
Implemented MISIP 2020 as reflected in MLA Strategic Plan	Completed
Structure (strategic pillars, outcomes and priorities) of MLA's 2016 – 2020 Strategic Plan and Annual Investment Plans to mirror that of MISIP 2020.	Completed and ongoing

Recommendation 2: Use MISP 2020 as the access and entry point to MLA

Action taken by MLA	Progress against recommendation
All annual projects, sponsorships and scholarships linked to the pillars in the MLA 2016 – 2020 Strategic Plan and MISP 2020.	Completed and ongoing
Progress to the AIP and Strategic Plan monitored quarterly with corrective actions taken as required.	Completed and ongoing
Consultation, planning and reporting cycle developed in conjunction with PICs to ensure committee structures are utilised within the planning and reporting process.	
All individual performance plans aligned to delivering to the pillars of the MISP 2020 and MLA's Strategic Plan	Completed and ongoing
Analysis of long term decline in beef consumption and barriers to red meat consumption. MLA to proactively explain market conditions influencing beef consumption and the strategy in place to continue to drive demand.	Completed and ongoing
Global tracker studies undertaken to understand triggers and barriers to consumer purchase in key markets. Results used to inform the development of MLA's global marketing objectives and strategies and underpin the develop the development of MLA's global portfolio strategy.	Completed and ongoing
Development of global markets matrix to plot markets according to their relative attractiveness and form the basis of market investment allocations.	Completed Matrix used to define market opportunities.
Annual reviews of global portfolio strategy and matrix	Completed and ongoing Annual consultation with PICs with progress reports at least every 6 months.

TABLE B.3 MLA'S RESPONSE TO RECOMMENDATION 3 FROM 2016 REVIEW**Recommendation 3: Improve MLA's strategic partnership model**

Action taken by MLA	Progress against recommendation
New Regional Consultation Model implemented to provide a transparent, representative, cost effective and systematic framework for effective and relevant R&D investment.	Completed and ongoing 18 R&D projects that arose out of the model endorsed to receive MLA investment of sheepmeat and grassfed beef levies. Priorities identified by producers through consultation. Annual reviews to ensure the program remains effective.
Development of stakeholder engagement strategy to inform MLA's corporate communications strategy and the channels utilised, MLA membership strategy, adoption and extension practices and market information products and services.	Various activities completed and ongoing Qualitative and quantitative research undertaken. Segmentation, value propositions, stakeholder and corporate communications strategies developed.
In May 2015, Ardrossi Pty Ltd was commissioned to examine the process for identifying levy payers and calculating voting entitlements, and to propose alternatives and improvements to enhance automation, transparency and accuracy. Options in relation to NLIS/National Vendor Declaration leverage, legislated data and commercial service provider arrangements were subsequently explored.	Completed Report delivered regarding possible alternatives and improvements to enhance automation, transparency and accuracy of identifying levy payers.

Recommendation 3: Improve MLA's strategic partnership model

Action taken by MLA	Progress against recommendation
Phase 3 of the Ardrossi review investigated the relevant systems and processes of MLA and MLA's suppliers to provide a point reference from which to evaluate three options. The analysis showed that the legislative option was the best option.	<p>Completed</p> <p>MLA re-engaged Ardrossi to progress to the next phase of MLA's single sign-on project and explore the use of the integrity systems databases with the CRM tool to capture producer levy payments and calculate voting entitlements for the MLA AGM process.</p>
Work with the specialist DAWR team tasked to conduct a feasibility assessment for levy pay identification across all agriculture industries and, in the interim, focus on the systems hosted by MLA and the Single Sign-on project to bring together multiple data sources to assist levy payers with the management of their operations and for MLA's service delivery to members and levy payers.	<p>Completed and ongoing</p> <p>Single sign on service officially launched 31 January 2017. Grains Research and Development Corporation was the pilot organisation for this and has just completed implementation of its levy payer register. Several RDCs including MLA will be in the next wave.</p>
Build CRM tool	<p>Completed and ongoing</p> <p>CRM is operational and is in a further build process to accommodate the new procurement policy requirements and modern slavery questionnaire being implemented under legislative obligations.</p>
MLA and PICs to have a clear framework in which to provide input, review and approve investment in international and domestic marketing and market access programs.	<p>Completed and ongoing</p> <p>Annual industry consultation, planning and reporting framework used by MLA to engage with PICs and other industry representatives to ensure broad understanding and oversight of MLA programs.</p>
As per the red meat industry MoU, once the industry has developed the MISIP, MLA is to develop 3-5-year business plans and annual investment plans, in consultation with PICs.	<p>Completed and ongoing</p> <p>Regular meetings between MLA technical subject matter experts and management team as part of consultation process.</p>
Global marketing and market access consultation process to set strategic and investment priorities for growing demand and improving market access for the Australian red meat industry across global markets.	<p>Completed and ongoing</p> <p>Market Access taskforce meetings held. Specific taskforce(s) will be formed to develop strategies and investment plans to address specific issues.</p>
MLA marketing consultation with PICs and industry	<p>Completed and ongoing</p> <p>Quarterly meetings with PICs. Planning, consultation and reporting cycle in place and adhered to.</p>
MSA Beef and Sheepmeat Taskforce to provide advice to support MLA's efforts in improving the eating quality of Australian beef and lamb. When formulating advice, the committee will seek a consensus position across industry representatives.	<p>Completed and ongoing</p> <p>The Taskforce is a well-established forum for consultation on the MSA program. Meets at least twice per annum. The MSA pathways committee supports the identification and prioritisation of eating quality R&D to underpin the continued advancement of the MSA program and works in conjunction with the MSA Taskforce.</p>
Lead the development of the Value Chain Digital Strategy to deliver seamless capture, integration and interpretation of the vast and increasing range of data being generated through new technology.	<p>Completed and ongoing</p> <p>MLA engaging with government and industry stakeholders to develop the strategy.</p>
Drive the adoption and use of new objective measurement systems and technology from farm gate to dinner plate. Create new ways for generating objectively measured data and ensure transparent feedback systems through all stages of the value chain.	<p>Completed and ongoing</p> <p>In August 2017 MLA announced it would invest nearly \$28 million in new research into objective measurement technology. Objective Carcase Measurement (OCM) taskforce has been formed and is progressing the adoption and commercialisation of OCM technologies.</p>

Recommendation 3: Improve MLA's strategic partnership model	
Action taken by MLA	Progress against recommendation
Implementation of Producer Demonstration Sites (PDS) program	Completed and ongoing More than 500 producers have engaged in demonstration site projects and/or extension activities at more than 175 individual sites. Farm Innovation Network strategy developed. The PDS program is one of the key avenues for the adoption team to disseminate R&D.
Review of Collaborative Innovation Strategy program and similar processor and producer engagement offerings to launch a more streamlined, yet intensive, whole of value chain facilitated innovation strategy program with a larger range of customers.	Completed and ongoing Program framework has been completed and road-tested with industry during.
Initiate new strategic partnerships, including the National Livestock Genetics Consortium. The Consortium is designed to provide a new structure for investment that will enable the industry to increase genetic gain and adoption to underpin profitability through the beef and sheep value chains. Consortium's governance structures and 5 year investment plan to be completed by an implementation committee and interim board which will be finalised through broad industry engagement.	Completed with variation MLA formed a skills-based taskforce rather than proceed with the full plan developed by the Consortium's Implementation Committee, due to the proposed structure deemed to be too top heavy and resource intensive.
Development of the MLA Monitoring and Evaluation (M&E) policy	Completed Monitoring & Evaluation framework and policy developed and presented to MLT in October 2016 then submitted to the Board for approval in November 2016.
Review current M&E Frameworks in use for some investments and develop the MLA M&E Framework to align with the MLA M&E Policy and other requirements	Completed
Ensure all MLA investments have consideration and documentation for M&E including establishment of baseline criteria and data, establishment of KPIs and/or contribution to MLA Corporate Plan and MISIP 2020 KPIs	Completed and ongoing
Review the range of in-house economic assessment tools currently in use across the business to align where possible, and consider the establishment of a single in-house economic assessment tool	Completed
Develop a M&E process and system to enable recording of M&E information for all investments and enable regular reporting of potential benefits (ex-ante analysis) and progress against KPIs	Completed
Program evaluation schedule should be developed so that all programs are covered over a 5-10 year cycle.	Completed

TABLE B.4 MLA'S RESPONSE TO RECOMMENDATION 4 FROM 2016 REVIEW

Recommendation 4: Identify and then implement a leaner and more flexible procurement process	
Action taken by MLA	Progress against recommendation
Appoint a Process and Project Manager on contract for six months. Review project and contract approval/process with a view to create a streamlined and consistently applied Project Management Framework.	Completed Project Management Framework released in September 2016 and presented to the MLT in October 2016 following a review of the process. Role of Project Management Office subsequently implemented to drive adoption of the Project Management Framework throughout the business and advise on and oversight project and contract approvals.

Recommendation 4: Identify and then implement a leaner and more flexible procurement process**Action taken by MLA****Progress against recommendation**

Implement an annual call where a proportion of on-farm R&D for grass fed and sheepmeat levy-funded projects will be publicly tendered.

Completed

Increase PIC involvement in the development of marketing strategy and the supporting investment allocations via the new consultation framework. Key investment decisions to be discussed in quarterly committee meetings and supported by MLA contracting and approval processes as required.

Completed and ongoing

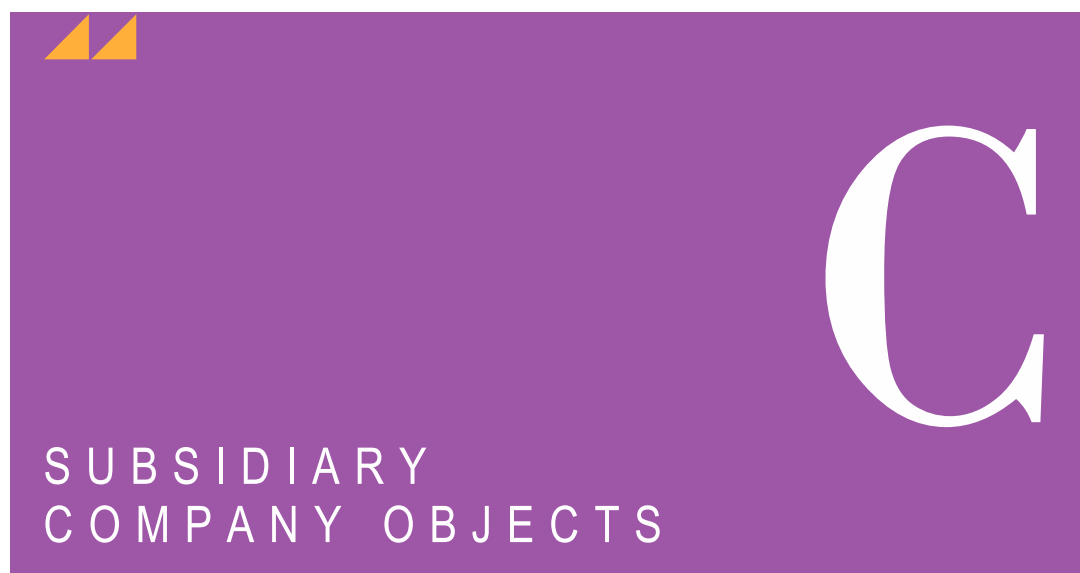
Quarterly meetings with PICs.

Enhance MDC operational platform to simplify the application and approval process for new strategic partnerships and achieve efficiencies and greater transparency in the MDC procurement process.

Completed and ongoing

Enhancements progressively implemented.

Strategic partnership model implemented with a number of universities and research providers.



The following sections contain the objects for which MDC and ISC were established under their respective Constitutions.

8.3 MDC objects

Under clause 2(a) of the MDC Constitution, the objects for which the company is established are:

1. to be an approved donor under section 61(1) of the *Australian Meat and Live-stock Industry Act 1997* Act for research and development matching funding purposes;
2. to improve the production and quality of meat and live-stock in Australia;
3. to improve the methods of production, handling, storage, transport and marketing of Australian meat and live-stock and encourage the production of live-stock and the marketing of meat and live-stock to be more efficient;
4. to investigate and evaluate the needs of the industry for meat and live-stock research and development and to encourage and facilitate the exploitation and commercialisation of the results of meat and live-stock research and development;
5. to undertake, co-ordinate and fund meat and live-stock research and development activities;
6. to collect information and statistics relating to the industry and to prepare, analyse and distribute information and statistics relating to the industry for the benefit of the industry;
7. to collaborate with government and with government departments and agencies, both Federal and State, in relation to animal health and welfare, meat safety and hygiene, crisis and issues management, regulatory activities and any other activities which may be necessary or convenient for the improvement of the productivity or the market performance of the industry; and
8. generally to do all other things that may appear to the company to be incidental or conducive to the attainment of the objects or any of them for the benefit of the industry.

8.4 ISC objects

Under clause 2.1 of the ISC Constitution, the objects for which the company is established are:

- 2.1.1 Provide, develop, deliver and administer meat and livestock integrity programs.
- 2.1.2 Integrate, expand and enhance meat and livestock integrity programs to improve the quality, efficiency and performance of the programs for the benefit of the meat and livestock industry.
- 2.1.3 Develop, deliver and administer information technology platforms for the benefit of the meat and livestock industry.
- 2.1.4 Recognise and protect the investment made by the cattle and sheep industries and Commonwealth and State governments in the development of the meat and livestock integrity programs.

- 2.1.5 Ensure that any change in ownership in the Company is subject to consultation with Industry Peak Councils and Commonwealth and State governments.
- 2.1.6 Maintain a framework for consultation with Industry Peak Councils and government stakeholders.
- 2.1.7 Pursue commercial opportunities, provided such opportunities do not detract from the provision of the core business of the Company or conflict with the Company's not for profit status.

**TABLE D.1** STAKEHOLDERS CONSULTED FOR THE REVIEW

Categories	Number
MLA Board and Staff	21
MDC Board and Staff	4
ISC Board and Staff	4
Peak bodies	12
Government and research organisations	10
Other Research and Development Corporations	8
Top 20 levy payers	6
Regional Consultation Committees	4
Large processors/exporters	6
Sample of other levy payers	10
TOTAL	85

SOURCE: ACIL ALLEN CONSULTING

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AUSTRALIAN OWNED ECONOMIC
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WE SPECIALISE IN THE USE OF
APPLIED ECONOMICS AND
ECONOMETRICS WITH EMPHASIS ON
THE ANALYSIS, DEVELOPMENT AND
EVALUATION OF POLICY, STRATEGY
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RESEARCH, CREDIBLE ANALYSIS
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DEVELOPED OVER A PERIOD OF
MORE THAN THIRTY YEARS.

