

APL Response to Independent Review Recommendations

April 2023

Australian Pork Limited



Australian Pork Limited Response 2019 – 2023 Independent Review of Performance Recommendations

Australian Pork Limited's (APL) Independent Performance Review (the Review) was completed in March 2023 by Forest Hill Consulting. Under APL's 2020 – 2030 Statutory Funding Agreement (SFA) with the Commonwealth of Australia (the Government), an independent review may be requested from time to time of APL's performance against the Performance Principles contained in its SFA. Such reviews may not be requested more than once every three years.

The Review is an independent investigation of APL's performance during the period of 2019 – 2023. Commonwealth and producer levy funding is used by APL to invest in research, development, policy and marketing projects that support and improve the productivity, profitability and competitiveness of Australia's pig industry.

The independent review found that APL has delivered demonstrated benefits to its stakeholders, and it has met the majority of its 2021/22 performance targets. The review team found no evidence or risk of APL fulfilling all its obligations under its SFA with the Commonwealth. The organisation's relationship with the Government is excellent and the delegate system continues to be a strong mechanism for engagement with pork producer levy payers.

The APL Board, management and team would like to give special thanks to the producers, industry representative bodies and supply chain stakeholders who took the time to share their thoughts, ideas and assessment of APL's performance, both constructive and positive. It is this critical and honest feedback that allows APL to continue to grow in a direction that supports and is supported by industry.

The review report identified 14 valuable continuous improvement recommendations which APL has agreed to. Many of the recommendations were already a focal point for APL and cover areas of better practice and important considerations. Key areas include addressing concerns around performance in research and innovation, increasing collaboration with APRIL, review and revise organisational KPIs and extending investment in benefit-cost analysis in order to strengthen demonstration of benefits from APL investment in research and innovation and marketing. Communicating results to producers and building on its support for extension via the development of a dedicated Extension and Adoption Strategy were also recommended.

APL's response and how it intends to act on them is provided in the following table. The Board and staff of APL look forward to working with the industry and Government to deliver continuous improvement to APL's performance and ongoing the benefits to producer levy payers in support of a prosperous future for the industry.

	RECOMMENDATION	SECTION	RATING	APL RESPONSE
1	APL should review and update its board manual in line with current governance standards	4.2	Better practice	<p>Agreed: APL will review the Board manual as recommended.</p> <p>This recommendation will be completed before the 2023 AGM to ensure that any inductions for new directors include reference to a contemporary Board Manual.</p>
2	APL should add to each board committee terms of reference the effective date, next revision date, and responsible officer, to manage version control	4.3	Better practice	<p>Agreed: APL has commenced adding the recommended information to Committee TOR and to all APL policies.</p> <p>This recommendation will be completed by 30 June 2023.</p>
3	As a matter of some urgency, APL needs to appoint an executive manager to oversee R&I activities of the company. This appointment should be made in close consultation with APRIL	4.6	Important	<p>Agreed: The APL and APRIL Boards met in February to discuss closer collaboration between the two organisations.</p> <p>This included the recruitment of an executive manager for R&I. The timeline envisaged to complete the recruitment process is August 2023.</p>
4	APL should consider appointing independent members to the Investment Committee to strengthen the committee's ability to effectively evaluate RD&E investment opportunities	6.1.1	Important	<p>Agreed: The APL Board had already decided prior to this review to appoint independent members to the Investment Committee. This follows a successful trial of recruiting independent specialist members to the industry marketing committee.</p> <p>APL notes it is unclear why this recommendation was included given the review team was advised recruitment of independent members was identified by the Board as an action.</p> <p>This recommendation will be completed by August 2023.</p>

	RECOMMENDATION	SECTION	RATING	APL RESPONSE
5	APL should consider conducting an external benefit-cost impact assessment of the base funding program to provide greater transparency of direct and industry benefits	6.1.2	Important	<p>Noted: APL invests in base funding agreements to maintain the key infrastructure, capacity, people and knowledge that supports innovation in the industry.</p> <p>APL will consult with its base funding partners and more widely with the industry via the Delegates forum to determine how best to increase the transparency around the base funding program. This may or may not include an external benefit-cost impact assessment.</p> <p>APL will update DAFF on how it is progressing with this recommendation after the Delegates forum in November 2023.</p>
6	APL and APRIL should consider developing a statement of intent for RD&E that signals lead organisation, operational activities, and expected impact from combined RD&E investment for the period 2023-2025	6.1.3	Important	<p>Agreed: The APL and APRIL Boards met in February to discuss closer collaboration between the two organisations. The organisations have agreed to establish a working group to progress.</p> <p>The working group will meet in May 2023 and will be charged with confirming a timeline to produce the statement of intent (or an equivalent alternative). The statement will need to be tabled as a draft with APL Delegates in November 2023.</p> <p>APL envisages this recommendation will be complete by the end of 2023.</p>

	RECOMMENDATION	SECTION	RATING	APL RESPONSE
7	APL should implement the findings of the extension and adoption review, especially the recommendation to develop a separate extension and adoption strategy that clearly shows how APL will maximise adoption by different segments of the pig industry. This should be done in close consultation with APRIL	6.1.6	Important	<p>Agreed: APL established a dedicated Producer Relations Team in mid-2020. Since that time APL has been working to engage with its member producers to understand what producers are adopting and what the barriers are to increasing adoption rates. APL's research shows a rate of 36% adoption of the top 10 R&D outcomes from APL.</p> <p>This work has been a precursor to APL completing an extension and adoption strategy.</p> <p>The existing engagement with APRIL discussed earlier will support consultation to aid in development of this strategy.</p> <p>A draft strategy will be presented to the Delegates forum in November 2023.</p> <p>APL envisages this recommendation will be complete by the end of 2023.</p>
8	APL should upgrade its evaluation framework, in association with the development of the next strategic plan, to provide more detailed information about how monitoring, evaluation and reporting will be conducted. This process should include review and agreement on all of APL's KRAs and KPIs with the Board and Delegates and consideration of the inclusion of company specific KPIs in the new strategic plan. It should also include reporting on the balance of APL's investment portfolio across the five themes and between 'solutions' and 'horizons', and how APL will report on progress against its stated 'audacious goal' to add \$1 billion to farm gate value by 2025	6.6	Important	<p>Agreed. This recommendation will be adopted when the process to develop the next Strategic Plan in 2025 commences.</p>

	RECOMMENDATION	SECTION	RATING	APL RESPONSE
9	APL should modify the COPP estimator to include the cost of on-farm implementation of RD&E projects to provide a truer reflection of the net benefits arising from the current and prospective projects and a truer measure of the aggregate COPP saving against the strategic plan target of 48 c/kg saving	8.2.1	Important	Agreed. Adoption of this recommendation will be delegated to the APL R&I team. It is envisaged a draft COPP will be presented to the Delegates Forum in November 2023.
10	APL should develop a clear schedule for <i>ex ante</i> assessment for future RD&E investments and implement this schedule as soon as practicable	8.2.1	Better practice	Agreed. This recommendation will be referred to the Investment Committee in the first instance and will also be delegated to the new executive manager for R&I.
11	APL should ask its impact assessment researchers to provide more detailed commentary on the likely distribution of benefits from projects between sectors of the Australian pig industry, notably between pig producers and processors	8.2.2.1	Better practice	Agreed. This will be included in requests for future impact assessments.
12	APL should conduct an independent, formal benefit-cost impact assessment of all its marketing investments	8.3.1	Important	Agreed: APL has previously used external impact assessments of its marketing investment – (An Ebiquity external media auditor sales decomposition in 2017 and a broader KPMG formal review in 2018). The Board has therefore requested management to confirm data availability and external review capability whilst budgeting for this to take place in the 2023-24 financial year.
13	APL should communicate the results from all of its impact assessments to stakeholders using clear, simple language in its annual report, in presentations to the Delegates forum, in newsletters and communications to levy payers and members, and on the APL website. This should include case studies where appropriate	8.5	Better practice	Agreed. APL will adopt this recommendation within its business operations across marketing, policy and research. This will include in the 2022/23 Annual Report, November 2023 Delegates Forum and in ongoing levy payer and member communications.

	RECOMMENDATION	SECTION	RATING	APL RESPONSE
14	APL should consider commissioning a robust yearly or biennial survey, including questions on levy payer perceptions of value, and those results be analysed and reported by size of operation. APL should also consider whether a more deliberative survey methodology than that currently adopted would deliver better data	8.6	Better practice	<p>Agreed. APL Board has directed management as a first step to understand the learnings from current and past surveys prior to implementing this recommendation.</p> <p>APL has been piloting survey mechanisms over the last two years to identify the preferred method among producers for providing feedback to APL and to avoid survey fatigue.</p> <p>How this recommendation fits with existing survey methods needs to be understood prior to implementation.</p>

Level 2, 2 Brisbane Avenue Barton ACT 2600
PO Box 4746 Kingston ACT 2604 Australia

02 6270 8814
australianpork.com.au

Australian Pork Limited

