

Performance Review 2020

Australian Eggs Final Report



Anwen Lovett Consulting

16 Glencoe Road
Murrumbateman NSW 2582

Phone: 0418 284 169
Email: anwen.lovett@gmail.com

This report was prepared by Anwen Lovett Consulting in association with Ancer Consulting Pty. Ltd. (the reviewers).

The reviewers would like to thank Rowan McMonnies (Managing Director) and Carron Elvin (Finance Manager and Company Secretary) along with the Board, management and staff of Australian Eggs Limited for the open communication, cooperation and access given in conducting this review. A particular thank you goes to egg industry levy payers and representative bodies who made time to contribute to this review during a very challenging period for the industry.

The COVID-19 lockdown has presented unique issues to deal with for this review. Without the standard methods of communication being possible, information has been gathered and connections made with people through a heavy reliance on phone calls, online tools and resources. Despite these difficulties, Australian Eggs Ltd stakeholders have collaborated actively and effectively.

The review was completed through a desktop review and evaluation of relevant documents, interviews with key members of the Board, management and staff, the Australian Government and industry stakeholders. The reviewers have diligently and in good faith worked to verify and substantiate the information provided to them and which is contained in this report, but no warrant is placed on its specific accuracy in any particular area including errors or omissions.

Table of Contents

1.	Executive Summary.....	1
2.	Introduction.....	5
3.	Compliance	7
3.1.	Funding Contract.....	7
3.1.1.	Agri-political Activity and EFA Relations	8
3.1.2.	Board Skills and Succession Planning.....	8
3.1.3.	Independence of Directors.....	9
3.1.4.	The “Plans” - Risk, Fraud, Intellectual Property.....	9
3.1.5.	Activity Plans and Reports - Strategic Plan, Annual Operating Plan and Annual Report	10
3.2.	Australian Eggs Limited Constitution	10
3.2.1.	Director Number and Remuneration	10
3.2.2.	Membership	10
3.2.3.	Voting Procedures	11
3.3.	Organisational Compliance Culture	11
4.	Governance	12
4.1.	AICD Not For Profit Governance Principles.....	12
4.1.1.	Purpose and strategy	12
4.1.2.	Roles and responsibilities	13
4.1.3.	Board composition.....	14
4.1.4.	Board effectiveness	15
4.1.5.	Risk management.....	17
4.1.6.	Performance.....	17
4.1.7.	Accountability and transparency	18
4.1.8.	Stakeholder engagement.....	19
4.1.9.	Conduct and compliance	20
4.1.10.	Culture	20
4.2.	General Governance Comments	20
5.	Operations.....	22
5.1.	Operational Effectiveness	22
5.1.1.	People and Culture.....	22
5.1.2.	Strategy.....	23
5.1.3.	Structure.....	25

5.1.4. Processes	26
5.2. Divisions	27
5.2.1. Marketing and Communications	27
5.2.2. Research and Development	30
5.2.3. Finance	35
6. Delivering Benefits.....	38
6.1. Evaluation Framework.....	38
6.2. Other Measures of Benefit.....	39
6.2.1. Sustainability Framework	39
6.2.2. Farmer Extension Workshops.....	40
6.2.3. Industry Snapshot Survey.....	40
7. Stakeholder Engagement	42
7.1. Levy Payers	42
7.2. Communications	43
7.2.1. On-line, Social Media and Survey.....	43
7.2.2. Events	44
7.3. Membership	44
7.4. Representative Body Relations	45
7.5. Extension	46
8. Collaboration	48
8.1. RDC's	48
8.2. Other.....	49
9. Findings and Recommendations.....	50
9.1. Findings 2020	50
9.1.1. Board Diversity, Tenure and Succession	50
9.1.2. KPI's & Targets	52
9.1.3. Employer of Choice	53
9.1.4. Egg Farmers of Australia and Agri-Political Activity	55
9.1.5. Stakeholder Engagement	55
9.1.6. Others	56
9.2. Response to 2016 Performance Review	58
9.2.1. Recommendations Implemented	58
9.2.2. Recommendations Not Implemented.....	60
10. Appendices.....	61

10.1.	Stakeholder Interviews.....	61
10.1.1.	Meeting and Consultation List.....	61
10.1.2.	Stakeholder Engagement Plan.....	63
10.2.	Document Review List	68
10.3.	Compliance and Governance Tables	68
10.3.1.	Constitution.....	68
10.3.2.	Funding Contract	71
10.3.3.	ASX Corporate Governance Principles and Recommendations	76
10.3.4.	AICD Not For Profit Governance Principles.....	84
10.4.	Acronyms.....	91
10.5.	Project Brief/ Terms of Reference	94

1. Executive Summary

Australian Eggs Limited (AEL) is the Industry Services Body under the *Egg Industry Service Provision Act (2002)* for the Australian egg industry. The organisation provides marketing and innovation services and is funded through levies from Australian egg farmers, with matching funding for research and development provided by the Commonwealth Government. This relationship is governed by a Funding Contract between AEL and the Commonwealth.

This report presents the findings and recommendations of the four-yearly independent performance review which AEL is required to undertake under its Commonwealth Funding Contract. The review must be completed and the report submitted to AEL and the Commonwealth at least six months prior to the expiry of the current contract in March 2021.

Funding Contract Clause 18 deals with the review and forms the terms of reference for this report. They specify that the review must consider AEL's performance in:

1. Meeting its obligations under the Funding Contract and the *Egg Industry Service Provision Act 2002*
2. Implementing governance arrangements and practices for ensuring proper use and management of funds
3. Meeting the planned outcomes and targets of its Strategic Plan
4. Delivering benefits to members, levy payers, industry and the broader community and meeting the needs of members, levy payers and the industry
5. Consulting with levy payers and their representative bodies.

The review has found AEL to be committed and dedicated to delivering high quality services to Australian egg levy payers and to how it engages with those stakeholders. The organisation is appropriately governed, managed and led. There were a number of examples shared with the review which demonstrated AEL's leadership and proactive attitude toward generating value to levy payers and Australian tax payers. Examples include the Sustainability Framework which places the egg industry on the front foot of engaging with community on its social licence, and the support AEL provided to industry during the response to the *Salmonella enteritidis* outbreak in 2019 and COVID19 in 2020.

The review has been undertaken with consideration of the context of AEL. The company is small (budget of around \$12 million per annum), with a staff of ten. The Australian egg industry faces a number of challenges. While there are opportunities for industry growth, it lacks production capacity due to factors which are dampening confidence, motivation for investment and growth. These include recovery from drought, uncertainty around Australian Animal Welfare Standards and Guidelines for Poultry and retail pressures. There is also a divide between large and small producers which compounds these pressures and undermines industry unity. This makes it a challenging and dynamic environment for AEL to service the needs of levy payers and deliver value.

The reviewers' evaluation of AEL performance in terms of strategy, governance, operations and stakeholder engagement have been considered given this context. The organisation has not been compared to larger, more significantly resourced organisations, nor that of a perfect world situation.

AEL is required to meet appropriate governance and accountability obligations to be compliant with the requirements of its Funding Contract, the *Egg Industry Services Provision Act 2002* and the *Corporations Act 2001*. The reviewers have undertaken an appropriately detailed investigation of the compliance and governance functions of AEL. A pragmatic and contextual business improvement approach has been taken to any recommendations which have been made in this area. Particular successes of the organisation have also been identified and highlighted.

The method applied to complete this review included:

1. Desktop review and analysis of AEL and other relevant documents from the perspective of performance
2. Consultation and engagement with AEL stakeholders to explore industry context, performance and stakeholder views on value and impact generated by AEL marketing and innovation activities:
 - AEL Board, Management and staff
 - Commonwealth Government
 - Members of AEL Industry Consultative Committees
 - Industry Representative Bodies
 - Individual levy payers – small, medium and large
 - Review of Annual Survey and Sustainability Framework
3. Analysis and synthesis of findings between materials evaluation and advice provided through consultation
4. Development of recommendations and observations

This review has been conducted during the lockdown phase of the COVID-19 virus outbreak during 2020. This has required that there be no face to face meetings with AEL and its stakeholders. While the reviewers have extensively used technology to enable visual and audio meetings and interviews, the nuanced interactions which occur between people when they meet one on one and in groups is missing from this process. There have however been no issues with access to key individuals.

AEL commissioned Anwen Lovett Consulting (in association with Ancer Consulting) to undertake this independent performance review. This report is structured to respond sequentially to the review terms of reference. The outcomes are synthesised in the context of AEL in Chapter 9 which presents the review findings, recommendations and observations.

The following list provides a summary of the recommendations:

Theme	Director Tenure Limits
Board succession planning has been a live subject at AEL since the last performance review in 2016. Progress has been made with the Board adopting a tenure limit for directors in its Charter. However, the Board Charter is not shared with stakeholders. This lack of transparency runs the risk	

of undermining confidence in the Board succession process and may limit understanding about the accessibility of director positions. There is also the possibility that the Board may change the Charter at some point in the future.

An increase in transparency around Board tenure offers the benefits of not only increasing member confidence but it also promotes awareness about opportunities for nomination for director positions. It would also enable stakeholders to have greater input on the Board succession process, which potentially could include amendment to the Constitution.

Recommendation 1	The Board take steps to increase transparency over directors' tenure limits to ensure alignment with good corporate governance and stakeholder expectations. This could include a process to engage with stakeholders to offer them greater input on the Board succession process, which potentially could include amendment to the Constitution.
------------------	---

Theme	Nominations Committee
--------------	------------------------------

One of the challenges the organisation faces is to be engaged and valuable to all sectors of the industry. This challenge starts around the Board table and the origins of the elected directors. The ability of the AEL Board to positively engage with all parts of the industry depends on a healthy level of diversity in and competition for elected director positions. Whilst the Nominations Committee plays an important role in the recruitment of specialist directors, it could also be taking a more active role in recruitment of elected directors to better manage the skills and diversity of the Board overall.

Recommendation 2	The Board make greater use of the Nominations Committee to assist in the recruitment of elected directors. This includes a more secure arrangement for the Chair and members of the Nomination Committee.
------------------	---

Theme	Board Skills and Diversity
--------------	-----------------------------------

The AEL Board appears to have the necessary skills (as per the Constitution and the Funding Contract) to carry out their responsibilities. This could be more demonstrable however with some formalised documentation recording an audit of the skills around the table. To aid in the maintenance of an appropriate level of diversity a policy outlining the approach to diversity is also considered necessary.

Recommendation 3	The AEL Board would be well served to demonstrate its compliance with the skill set requirements of its Constitution and through the Funding Contract by the adoption of a Board Skills Matrix document which encompasses the skills of specialist and elected directors. This could be managed through the Nominations Committee.
------------------	--

Theme	Setting Targets
--------------	------------------------

AEL KPIs are mostly activity based. If a KPI is increases year on year, then benefit is being derived for stakeholders. There are no defined targets for industry growth, sustainability or productivity gains and there are no long-term aspirational targets for the industry. From the perspective of measuring and communicating impact it is difficult to evaluate what level of impact is being achieved when success has not been defined with an articulated measure such as a target. Targets reflect true success more effectively because encompassed within them can be assumptions around the prevailing conditions impacting on the ability to perform in the specific field.

Recommendation 4	AEL has the opportunity to develop more specific targets as measures of success against each Goal which could be adopted with the new Strategic Plan and reported on year on year.
Theme	People, Culture and Values
<p>AEL has a proactive culture which reflects its service commitment to the Australia egg industry. The relationship between Board and management is positive, and AEL staff express commitment and motivation to delivery of outcomes for stakeholders. AEL's approach to managing culture and its relationships with staff is mostly informal. For this review the 2020 Culture Review became a focal point of feedback given it had been recently completed. It seems there is an opportunity for AEL to do more with the start it made through that review to achieve stronger buy-in and engagement by staff around the culture of the organisation. AEL also operates without an articulated set of values. This is unusual for any organisation. There is an opportunity for AEL to develop of an agreed set of values.</p>	
Recommendation 5	There is an opportunity for AEL to increase the engagement of staff in culture by building on the 2020 Culture Review. This could include the development of a set of values for the organisation. Engagement of a specialist third party could assist this process.
Theme	Creating an Enabling Staff Environment
<p>AEL operates in a competitive market for talented staff and it relies on a few key individuals. The Board can assist by setting a positive and dynamic tone around staffing. Maintaining the leanness of the organisation may be a positive in the eyes of some stakeholders, however too great an emphasis on lean operations could be leading to restrictions on the performance of AEL and its capacity to meet its service obligations.</p>	
Recommendation 6	The Board could assist in ensuring staffing levels are aligned to workload requirements by setting a supportive tone. The perceived need to maintain a lean team needs to be balanced against the most efficient and effective use of levy funds to meet AEL's service delivery obligations.
Theme	A Sustainable Industry Representative Body
<p>Having an effective industry representative body is in the interests of the Australian egg industry. AEL has done a valuable industry service by facilitating the establishment of Egg Farmers of Australia. IRBs and their RDCs perform their roles best when they have a respectful business relationship with a degree of independence between them. If the industry is convinced of EFA's value, then it needs to support funding EFA as its own responsibility and ensure in the long term it is not reliant on financial assistance from AEL.</p>	
Recommendation 7	AEL work with EFA and the industry broadly to investigate sustainable financial business models for EFA that reflect its value to the industry and preclude any ongoing need for AEL to provide supplementary funding.

2. Introduction

Australian Eggs Limited (AEL) is the Industry Services Body under the *Egg Industry Service Provision Act (2002)* for the Australian egg industry. The organisation provides marketing and innovation services and is funded through levies from Australian egg farmers and matching funding through the Commonwealth Government (consistent with the rural research and development (R&D) model which applies across agricultural industries).

AEL's relationship with the Commonwealth is outlined under the *Egg Industry Service Provision Act (2002)* and a Funding Contract that specifies how the Commonwealth collects marketing and R&D levies on AEL's behalf, how the Commonwealth provides matching funding for R&D and the conditions applying on AEL relevant to those payments. The latest version of the Funding Contract was signed in early 2017 and is valid for a period of four years to the 3rd March 2021.

Clause 18 of the Funding Contract deals with the requirement that AEL undertakes an independent performance review which must be completed and submitted to the Commonwealth not less than six months before its expiry. The terms of reference of the performance review are listed in Clause 18.4 of the Funding Contract. They specify that the review must consider AEL's performance in:

1. Meeting its obligations under the Funding Contract and the *Egg Industry Service Provision Act 2002*
2. Implementing governance arrangements and practices for ensuring proper use and management of funds
3. Meeting the planned outcomes and targets of its Strategic Plan
4. Delivering benefits to members, levy payers, industry and the broader community and meeting the needs of members, levy payers and the industry
5. Consulting with levy payers and their representative bodies.

Clause 18.2 also includes the requirement that the Commonwealth agree to the terms of reference for the review. In doing so, the Commonwealth may identify any other matters consistent with AEL's Strategic Plan and the Act, that the Commonwealth requires the performance review to cover. Under this requirement the Commonwealth has requested that the review considers AEL collaborative activities with other rural research and development corporations (RDCs).

This performance review has been undertaken with consideration of the context of AEL. The company is small (budget of around \$12 million per annum), with a staff of ten and operations which are modestly resourced. The Australian egg industry has faced many significant challenges during the last four years, including drought and uncertainty about industry poultry welfare standards and guidelines; these pressures continue today. The reviewers' evaluation of AEL performance in terms of strategy, governance, operations and stakeholder engagement have been assessed given this context. The organisation has not been compared to larger, more significantly resourced organisations, nor that of a perfect world situation.

However, AEL is still required to meet appropriate governance and accountability obligations to be compliant with the requirements of its Funding Contract, the *Egg Industry Services Provision Act 2002* and the *Corporations Act 2001*. The reviewers have undertaken an appropriately detailed

investigation of the compliance and governance functions of AEL. They have taken a pragmatic and contextual business improvement approach to any recommendations which have been made in this area. Particular successes of the organisation have also been identified and highlighted.

This performance review has been conducted during the lockdown phase of the COVID-19 virus outbreak during 2020. This has required that there be no face to face meetings with AEL and its stakeholders, which a review of this kind would normally undertake. While the reviewers have deployed online technology to enable visual and audio meetings and interviews, the formal and informal interactions (including individual nuances) which naturally occur when people meet physically are missing from this process. The reviewers also note that the duration of conversations with AEL personnel and stakeholders may also have been shorter given they have been remote interactions. There have however been no issues with access to key individuals.

COVID-19 has also meant that contact with many of the important industry stakeholders has been difficult given that they have been dealing with their own business and personal challenges created by COVID-19. This should come as no surprise given the compliance requirements of COVID-19 on businesses including shut down, adoption of social distancing within operations and ongoing uncertainty. This has generated significant distractions and additional workload for businesses, including those in the egg industry.

AEL commissioned Anwen Lovett Consulting (in association with Ancer Consulting) to undertake this independent performance review. This report outlines the methodology, outcomes and recommendations of the performance review. It has been structured to align with the review's terms of reference. The key questions posed by the reviewers as directed through the terms of reference have led to the structure of the report with the following chapters (underlined):

- Is AEL complying with the legal obligations contained within its legal framework? – Compliance
- Is the governance around the management of funds appropriate? – Governance
- Is AEL making appropriate plans and meeting those plans and outcomes? – Operations
- Is AEL creating value for its stakeholders? – Delivering benefits
- Is AEL communicating effectively? – Stakeholder engagement
- Is AEL collaborating effectively? – Collaboration

3. Compliance

This chapter deals with the review's first terms of reference which is to consider the performance of AEL in terms of meeting its obligations under the Funding Contract. The requirements of the *Egg Industry Services Provision Act 2002* and the directions set by AEL's Constitution have also been considered.

The process employed has included:

- Interviews with members of the Board and management about how AEL meets its governance requirements and the key issues pertaining to compliance
- Interviews with Commonwealth Department of Agriculture, Water and the Environment officials with responsibility oversight of the AEL – Commonwealth relationship, including AEL compliance with the Funding Contract
- Reviews of relevant compliance documents: examples include Strategic Plans; Annual Operating Plans; Annual Reports; Policy Manual; Board agendas, papers and minutes; Board Charter and Performance Reports and Committee Terms of Reference
- Presentation of the compliance requirements within the AEL Constitution and the Funding Contract (2017)¹ in a table format
- Completion of those tables with commentary which assesses the level of compliance with each requirement (included in the appendices from page 68).

The reviewers have also made observations about the culture and general attitude of the organisation toward compliance matters at the end of this chapter.

3.1. Funding Contract

The AEL Funding Contract with the Commonwealth obliges AEL in many areas including confidentiality, use of the "Funds", governance, strategic planning, Board skills composition, agri-political activity, constitutional change, operating planning and evaluation, consultation, conflict of interest, responding to government, and the undertaking of a Performance Review such as that described in this report. Additionally, the company is obliged in the Contract to develop, maintain and review a series of Plans – the Risk Management Plan, the Fraud Control Plan and the Intellectual Property Management Plan – as well as to document their strategic and operational intentions and report on them. This is done through the Strategic Plan, the Annual Operating Plan and the Annual Report.

In general, it seems clear that AEL management have had a high awareness of the conditions outlined in the Funding Contract and that active efforts have been taken to comply with them. This means that the overall compliance has been strong with these conditions. There are however a couple of areas worthy of some more discussion and these have been described below.

¹ The reviewers acknowledge the work of SED Partners who in their 2016 Performance Review of AECL presented the Funding Contract compliance evaluation in a table format, which has been repeated for this review in the appendices.

3.1.1. Agri-political Activity and EFA Relations

Egg Farmers of Australia (EFA) is the industry representative body for the egg industry. EFA has been established since the last Performance Review (2016) with resources and funding from AEL used to accomplish this. Despite a funding model based on membership fees and a voluntary levy, AEL has had to continue to help fund EFA for the last few years to ensure they have enough resources to carry out their role.

It is important to note that such funding from AEL has come from sources other than the two levies and Commonwealth matching. The Funding Contract is quite specific in clause 26.3 which states “*The company must not spend Funds on representative bodies unless these are clear arms length transactions for service or goods delivery*”. The “Funds” is a defined term within the Contract meaning either levies or matching funding. AEL have specifically for this reason used the Associate Membership Fees (categorised as “Other Income”) to fund their EFA contributions.

The arrangements whereby AEL have helped to establish and fund EFA over past years has been discussed openly with the DAWE by AEL. The DAWE have confirmed to the reviewers that they have had no issue with this arrangement on the basis that funds being used were non-Funding Contract funds.

There is however a question mark as to how long this funding arrangement should continue. AEL have been in discussion with EFA regarding passing over some responsibilities (for an arms length payment) in relation to the obligations around membership of Animal Health Australia (AHA). Typically, IRB’s are members of AHA rather than RDC’s but in the case of the egg industry, AEL has been the AHA representative due to a long period of absence of an egg IRB. It is understood that the extra funding to EFA through this arrangement will not be enough to cease the general AEL supplementary EFA funding.

The Chair of EFA is Bede Burke, a member of the AEL Board. It is understood that Bede and the rest of the Board are diligent in managing any conflict of interest potential due to this connection. If one was however designing the Board composition of the two entities on a blank sheet, it would be preferable to avoid any overlap.

3.1.2. Board Skills and Succession Planning

The AEL Board appears to have a sound composition in terms of the skills required within the Funding Contract, with the possible exception in the area of research and development administration and commercialisation. Two non-executive specialist directors bring strong skills in the marketing and legal/ governance areas and the elected directors are highly skilled in egg production and processing. A number of the directors would contribute skills in the area of finance and business management.

This skills mix however is identified on the basis of an understanding of the backgrounds and experience of the individual directors. No actual formal document outlining these skills as a matrix for the Board was supplied to the review and this informal understanding of skills was confirmed through consultation with management.

It would not be difficult to do an audit of Board skills given there are only five non-executive directors. A recording via a skills matrix document is useful and recommended, particularly as an input into the nomination of Directors.

3.1.3. Independence of Directors

The Funding Contract refers to independent directors, particularly with respect to being in the majority for the Audit and Nomination Committees.

Independence of directors is defined by the ASX Corporate Governance Principles and Recommendations as the ability to act in the best interests of the entity as a whole rather than in the interests of an individual security holder or other party. Typically for entities who have elected directors and no director term limits, independence of individual directors can come into question. This can become a particular concern if directors are viewed as “representing” a certain stakeholder group, they have held an elected appointment for a lengthy period and have strong relationships with management.

Our understanding is that the AEL Board and Chair go to lengths to ensure directors meet the definition of “independence” and that conflicts of interest are appropriately managed in the boardroom. Where necessary, the reviewers were informed that individual directors are excused from the room. The Board’s more recent discussions around tenure and succession planning will also contribute to the independent status of appointed directors.

3.1.4. The “Plans” – Risk, Fraud, Intellectual Property

These management plans mandated in the Funding Contract outline the company’s approach to specific identified risks (including fraud) and the management guidelines around intellectual property.

The Risk Management Plan content is professionally formatted showing the methods of assessing risks around likelihood and consequence, including a statement on risk appetite (recommendation from the last performance review). It has categorised risks around logical groupings and identified the risk ratings with and without mitigation measures showing the impact the organisation can have in actively reducing risk. In many cases, the mitigation measures include references to AEL policies and processes, meaning that the document has a static nature.

The alternative is addressing risk through specific identified actions with responsibilities and timelines which can over time be recorded as achieved, meaning the Risk Management Plan takes on a much more dynamic nature. It could be a consideration for AEL to look to increase the specificity and quality of the mitigation options around each risk, thereafter recording whether these options were undertaken and the impact on the likelihood or consequence of each risk. Policies and processes play an important role in efficient management of issues through routine responses but in the case of significant organisational risks, a more specific approach to management is necessary. This may also be helped through reducing the cycle of Risk Management Plan review to six months (from 12 months) with a greater level of operational input.

The Fraud Control Plan has a similar format to the Risk Management Plan (and one could easily envisage both Plans being contained within the one document considering their similarities in approach) noting that financial fraud is also included as one of the risks within the Risk Management Plan.

The Intellectual Property Plan outlines the procedures and approach the organisation takes in dealing with intellectual property. It co-exists with the intellectual property register which is the more dynamic document requiring regular updating with new or expired items of intellectual property.

3.1.5. Activity Plans and Reports – Strategic Plan, Annual Operating Plan and Annual Report

These Plans and Reports have been compiled with an eye on the compliance expectations of the Funding Contract. All were found to generally and competently comply with it. The Contract outlines in a broad fashion what these documents should contain and these have been checked and verified. The question of setting targets with which to underpin key performance indicators (KPI's) in the Annual Operating and Strategic Plans has been identified earlier and is discussed in more detail in Chapter 6.

3.2. Australian Eggs Limited Constitution

There are a number of overlapping subject areas between the Funding Contract and the AEL constitution (the Constitution). Where this is the case, the subject areas will not be re-discussed in this section.

The Constitution deals largely with the objects of the company, admittance and rights of members, meeting and voting procedures, numbers and appointment of directors and powers of the Board. In its reading, a number of issues are raised – not necessarily purely around issues of compliance – worthy of further discussion.

3.2.1. Director Number and Remuneration

The Constitution mandates a maximum number of seven directors for the company, one of whom may be the Managing Director, up to three of whom may be specialist directors (including the Managing Director) and up to four of whom can be elected directors. Presently, the AEL Board consists of three specialist directors (one of whom is the Managing Director) and three elected directors.

3.2.2. Membership

AEL membership is structured around members who are levy payers and associate members. Every levy-paying egg farmer in Australia is entitled to join Australian Eggs.

AEL currently has 81 full members, representing 77% of the industry. Membership is renewed annually.

There are forty associate members of AEL. They include breeders; feed and nutrition companies; animal health product developers and suppliers; housing, equipment and technology suppliers; insurance companies and supply chain and packaging suppliers.

3.2.3. Voting Procedures

According to the Constitution, polling done at general meetings is proportional on hen numbers; that is to say that the more hens (defined as over a threshold age) a farmer has in production, the higher is their voting entitlement. “Show of hands” voting is allowed at general meetings but any member has the right to ask for a poll which is the proportional voting methodology.

3.3. Organisational Compliance Culture

Interviews with the Board and management, along with a review of official AEL documentation indicates that the organisation places a high priority on compliance with its Constitution and the Funding Contract. The Managing Director has also advised that compliance has been an important area of focus since his appointment in 2016. Board feedback is also supportive of compliance and senior managers appear to understand their compliance roles and responsibilities.

Consultation with Commonwealth officials attest to AEL’s diligent approach toward compliance with the Funding Contract. Commonwealth officials expressed a positive attitude toward their relationship with AEL and noted AEL maintains reliable and consistent communication with them. No compliance issues from the Commonwealth’s perspective have occurred during the four-year period. The matter of AEL using non-Funding Contract funds to support Egg Farmers Australia has been reported by AEL to the Commonwealth on several occasions.

The consequences of failures in compliance can be extremely distracting; it increases organisational risk and it undermines sustainability. Failures can lead to increasingly burdensome procedures, more stringent standards and rules, greater scrutiny by investors, partners and members, and a heavier workload of reporting to and by Boards and management. AEL manages risk of non-compliance through communication between the Board and MD about expectations and defined delegations of responsibility. At the same time, given AEL has a small team, a pragmatic approach is taken which makes the distinction between compliance that is fundamental to organisational sustainability and legal requirements versus compliance for compliance sake.

This approach has enabled the organisation to focus the application of its effort and resources toward servicing the needs of egg farmers and assisting industry sustainability in a way that is consistent with the Funding Contract, whilst avoiding heavy administrative processes due to compliance failures. The reviewers consider that AEL is striking an appropriate balance between meeting the fundamentals of its legal compliance obligations with the pragmatism required given the scale of the operation. Overall, it is the reviewers view that AEL meets its compliance obligations to a high standard.

4. Governance

This chapter deals with the second review terms of reference which considers the performance of AEL around implementing governance arrangements and practices for ensuring proper use and management of the Funds. The “Funds” is a defined term in the Funding Contract including levies and Commonwealth matching contributions.

Quoting from the Australian Securities Exchange (ASX) Corporate Governance Principles and Recommendations (4th Edition, 2019), the phrase “corporate governance” describes “the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled within corporations. It encompasses the mechanisms by which companies, and those in control, are held to account” (Justice Owen in the HIH Royal Commission).

The approach taken in assessing this part of the terms of reference overlaps with many of the compliance obligations discussed in the previous chapter. Through reviewing and studying the relevant documents (including the Policy Manual, the Governance Policy, the Board Charter, Board Committee Charters, delegations of authority, position descriptions and employment contracts) and interviewing AEL directors and management, a picture of these systems and processes with the accountabilities around them has been built. This has enabled assessment of the company’s governance processes against the guidelines from the ASX Corporate Governance Principles and Recommendations. Whilst these principles and guidelines are designed for listed corporations, they give direction towards corporate governance best practice for all entities; albeit with some contextual interpretations necessary to allow for the nature of the entity.

The assessment is summarised in a table format in the Appendices on page 76. The AEL Governance Policy document provided to the reviewers and available on the AEL website, outlines the organisation’s position on how it complies with each area of the recommendations from the ASX Principles.

The reviewers also referred to the Australian Institute of Company Directors (AICD) Not-For-Profit Governance Principles which in many ways provides a better fit for AEL. The company’s processes, systems and accountabilities have been assessed against these principles. This assessment is also tabulated in the Appendices on page 84.

The discussion on governance is categorised under each relevant section of the AICD Not for Profit Governance Principles.

4.1. AICD Not For Profit Governance Principles

4.1.1. Purpose and strategy

“The organisation has a clear purpose and a strategy which aligns its activities to its purpose”

4.1.1.1. AEL Strategic Plan

AEL's Strategic Plan 2017-2021 clearly outlines the organisations purpose (expressed through the vision) and strategy. There are four "Goals" being Value for Money, Increased Consumption, Sustainable Production and Effective Engagement. These are accompanied by 15 "Key Focus Areas" where programs and projects sit.

There is one area of improvement around strategic and operational planning which has been identified during the review around the setting of targets to enhance the meaning of the KPI's. This is discussed in more detail in Chapter 6. In the absence of targets, the assumption seems to be that if a KPI is better than the previous year, then that is a good result. This may be true, or it may not. In some situations, just maintaining a KPI parameter can be a success where conditions have become more difficult (e.g. maintaining market share with a reduction in production) or even managing negative movement of a KPI could be a success. In other cases, doing nothing can result in an improved performance as measured through KPI's where, for example, the competition has suffered a setback.

4.1.2. Roles and responsibilities

"There is clarity about the roles, responsibilities and relationships of the board"

4.1.2.1. Nominations Committee

The AEL Board has the option to establish a Nominations Committee, although this has not been done for a number of years. The main role of the Nominations Committee is to undertake the recruitment of specialist directors, which it seems to have done to a high professional standard based on the current specialist directors.

Specialist director recruitment is done with one eye on the skill set of the Board overall. New specialist directors are expected to fill the gaps in skills not brought by elected directors, this places some pressure on finding the skills required in just a couple of candidates. The AEL Constitution allows for the Nominations Committee to take an active role in the recruitment of elected directors. From the information shared with the review the Nominations Committee is not being used for this task. An extract of clause 13.4 (h) reads "...the Board shall endeavour to recommend to the Members a candidate or candidates for election to the Board of Directors ensuring that the Directors will collectively have the appropriate balance of skills and experience..." – this applying in the case where a director has seen out his or her term and is not re-standing.

The reviewers also note that unlike many Boards, AEL does not have a People and Culture (or other relevant name) Committee which would typically look after governance around human resources, values and culture. The Nominations Committee could be asked to assist with this function. There is a more detailed discussion about people and culture in Chapter 5 Operations.

The reviewers believe that benefits could be achieved by:

- The appointment of a more permanent Nominations Committee with a dedicated Chair and membership

- A more active role taken by the Nominations Committee in testing suitability and communicating with levy payers about elected director candidates
- The Nominations Committee having the responsibility for the maintenance of a relevant Board Skills Matrix
- Forming a People and Culture Committee which could be asked to provide assistance on remuneration policy, support for managerial appointments, reviewing HR policies, employment contracts, company culture and succession planning (see also Operations – Chapter 5).

Proposed changes to the Board Charter (Board Meeting Papers, February 2020) open the door to increasing the Board's engagement in assessing suitability of elected director candidates. The proposed changes could also oblige the Board to more carefully consider issues around Board succession which would be beneficial.

4.1.2.2. Audit and Risk Committee

The unusual thing about the AEL Audit and Risk Committee is that the entire Board (with the exception of the MD who attends as an observer) sits on it. The review was informed that this is a historic matter of convenience rather than design. The Chair of the Committee is not the same as the Chair of the Board which is consistent with the principles of good governance.

The activities of the Committee seem to be discharged professionally, reviewing the risk management frameworks and the integrity of financial reporting. There is a specific boundary set between Board meetings and Audit and Risk Committee meetings. The reviewers note there is no internal audit functioning within AEL or through third parties. It would not be out of place for an internal audit to be undertaken (most likely through a third party) in a relevant financial or risk area (of the choosing of the Audit and Risk Committee) every few years.

4.1.3. Board composition

“The board's structure and composition enable it to fulfil its role effectively”

4.1.3.1. Board Skills Matrix

The reviewers noted that to the best of our knowledge, there is no documented Board Skills Matrix . This does not mean that the required skill set of the Board is not front of mind around the board room but it does mean that this understanding of the skills mix is difficult to demonstrate. A record of the skills of the Board at any one time which is documented can only be a positive thing, it can be a valuable resource when seeking specialist and elected directors and it can assist demonstrate compliance with the Funding Contract.

4.1.3.2. Elected Director Skills

See comments above under Nominations Committee relating to the potential for this Committee to take a greater role in the skills of elected director candidates.

4.1.3.3. Board Diversity

The current make-up of the AEL staff and Board would indicate that gender diversity is not a problem for the company. However, diversity goes beyond gender, it relates to the skills around the board table, ethnicity, age, perspective, experience and tenure. It is important to ensure that the make of the Board is more than one “type” of individual. This avoids the risk of group think which can occur when like-minded people, with long-term, established relationships discuss issues and make decisions. Board best practice seems to have moved in a direction whereby a documented diversity policy is required. A simple version of such a policy is considered to be a worthwhile acquisition for AEL.

4.1.3.4. Director Tenure

The new draft Board Charter presented in the February Board papers overrules previous maximum director tenure arrangements. Previously, it is understood that specialist directors had a maximum tenure of three terms or six years, while there were no tenure limits for elected directors. The new arrangements now require that all directors have a maximum uninterrupted tenure of 5 terms or ten years.

This is a move in the right direction as it creates the opportunity for more diversity around the board table. It reduces a barrier (perceived and real) to entry onto the Board by reducing the number of times an incumbent director re-nominates, thereby creating the opportunity for different people to nominate, including younger people. It should be noted that the response from industry stakeholders was mixed when asked about motivation to join the AEL Board. Some of that response seems to relate to a poor understanding of Board roles and lack of confidence, which could present an opportunity for AEL to engage with members and break down this perception.

While the changes to the Board Charter are positive, it was also clear from industry that there was low awareness about these changes beyond Board and senior management. This lack of transparency runs the risk of undermining confidence in the Board succession process and may limit understanding about the accessibility of director positions. There is also the possibility of the Board Charter being amended again by the Board in the future undermining the changes which have been made.

An increase in transparency around Board tenure offers the benefits of not only increasing member confidence but it also promotes awareness about the arrangements and opportunities for nomination for director positions. It would also enable stakeholders to have greater input on the Board succession process, which potentially could include amendment to the Constitution.

4.1.4. Board effectiveness

“The board is run effectively and its performance is periodically evaluated”

4.1.4.1. Board Meetings

Feedback from directors and through the “Board and Chair Diagnostic Report” conducted late in 2019, is that Board meetings:

- Are in general well chaired
- Are supported appropriately with quality papers
- Generally run to time with reasonable discussion input from all participants
- Are in most cases agreed to occur at the right frequency
- Have an appropriate annual calendar of items for decision and discussion.

4.1.4.2. Board Appraisals

AEL has put in place an effective rotation of external and internal Board appraisals. Every three years an external Board appraisal is conducted by an external independent party (last one occurred in 2019); every other year a simple internal assessment process through a director survey is conducted.

The last external appraisal was undertaken by Effective Governance and reported in November 2019. The first paragraph of the Executive Summary reads as follows:

“The feedback from both the survey and the subsequent interviews demonstrates that the Australian Eggs Board is performing at a high level as borne out by the performance rating of 8.67 out of 10. The same can be said for the performance of the Chair, Danny Jones, who scored a similarly high 8.8 out of 10.”

4.1.4.3. Board Development

The reviewers did not come across evidence of ongoing director professional and skills development during their tenure. It is understood that there is an open invitation for any director to undertake the AICD Company Directors Course. Currently only half of those on the Board are AICD graduates and it seems that elected directors are less likely to have completed the course, noting that this is not the case for the Chair. It is probably worthwhile that this offer is turned into an expectation rather than encouragement for any new director be they specialist or elected.

4.1.4.4. Management Relations

It is the reviewers opinion that the relationship between AEL management and the Board is healthy and respectful. There are a few areas however where some practices have been perpetuated from previous years the ongoing relevance of which is now questionable.

It is recommended that the Audit and Risk Committee review the delegation limits within the AEL Policy Manual as (1) the review was informed they have not been looked at for quite some time and (2) they would seem to be relatively low and potentially more burdensome than they have to be on management, one example is the requirements of contracts \$100,000 or more being subject to Board approval.

There also seems to be a perception at the Board and management level that stakeholders expect Australian Eggs to have “lean” administration, maximising spend on activity and not human resources. However, this may be leading to operational inefficiencies, expenses and consequences which may not be that apparent. Unless resourcing levels are regularly reviewed, there is a risk of the Board dictating to management how to meet their operational responsibilities. It may also lead to

passivity by management who make the assumption that there is no likelihood of achieving Board approval for requests for additional internal resourcing.

A limit on staffing could also be leading to missed opportunities. This includes not having access internally to new skills and talent which could boost internal performance. AEL could also be applying more expensive models to achieve operational outcomes. One example is a reliance on large external contracts for tasks which could be done for less cost internally. Business cases should be encouraged from management where there may be opportunities to adjust the mix of internal and external resourcing.

The reviewers are not arguing that AEL should substantially increase its staffing beyond current numbers. Our consultation with staff indicates that while AEL is small it is well run and has had success in attracting talented staff. However, the Board has an important role to play in setting a more flexible and dynamic tone around staffing. This would increase confidence among staff that they are supported and can access additional internal resources when there is a business case to do so. This may also assist in retention and attraction of talent to AEL. AEL's challenges as an employer of choice is discussed in more detail in Chapter 5 Operations.

4.1.5. Risk management

"Board decision making is informed by an understanding of risk and how it is managed"

4.1.5.1. Risk Management Framework

The risk management and fraud control framework at AEL is well documented, appropriately reviewed and effectively governed. Risks are identified and ranked well but there is room for improvement in terms of how the risks are managed through mitigation actions. The mitigations outlined in the Risk Management Plan are more of a listing of policies and procedures which, if followed, would be useful. They don't quite provide enough recognition of the ongoing role of management in reviewing major risks and setting specific tasks around their minimisation. The Plan could be improved where these actions were allocated to individuals or roles and time limited, and where the actions were recorded as completed or not. This makes the annual or biannual review a much more pro-active process than the routine of "is there any reason to change this?"

4.1.6. Performance

"The organisation uses its resources appropriately and evaluates its performance"

4.1.6.1. Planning and Targets

The reviewers believe that AEL management does a good job at recommending the right investments for maximising benefits to flow to their key stakeholders; egg levy payers. The documents underpinning these activities are of a high quality without being too lengthy. The team comes across as motivated to do a good job for the industry.

For every organisation, there are always questions about whether a different decision might have resulted in a more valuable outcome but there are never any guarantees. One can only instil the

best processes, execute them professionally and evaluate and learn from the outcomes. From this perspective, the reviewers have no criticisms of management practices.

The establishment of a set of targets against which to evaluate the organisation's major KPI's is discussed in Chapter 6. Their absence restricts the ability of stakeholders to judge the successes and impact of the organisation over time.

4.1.6.2. Evaluation

Each year, the AEL Annual Report reports the shifts in the major indicators for the egg industry relevant to Australian farmers over the past year. These largely include measures of such things as production volumes, value, flock size and distribution, consumption and others. The reviewers accept that this information is of interest to and useful for egg farmers, especially seeing how the various measures of the industry change from one year to the next. However, these measures do not relate to AEL activity which does not really have the capacity to directly impact on these measures, but AEL may be indirectly influencing them in the long term.

Separate to our comments on the targets above, as AEL becomes more proficient at managing programs and generating outcomes, it will be appropriate to relook at the sophistication of the major KPI's chosen to measure the success of the four organisational goals. There is little improvement to be made on the consumption KPI as it directly measures the outcome being sought, although demand is better measured through value parameters than volume (which has a tendency to be a supply indicator). The others – average BCA's, engagement count or ratios of corporate versus project expenditure are simple enough but arguably do not provide sufficient interpretation around what AEL is actually trying to achieve.

One example is the Sustainability Framework (which seems based on the excellent feedback provided to the review, to have been a very valuable initiative for the industry and an ongoing success for AEL). A benefit cost analysis of this activity would be very difficult to conduct in a way that would accurately represent its value back to the industry.

Amalgamating the ambitions of effective communication to stakeholders and good evaluation of investments, case studies and stories - describing how investments have changed for the better community attitudes, farm practices, environmental management - can be powerful tools and might deserve a more prominent place within the framework for evaluation. Evaluation is discussed further in Chapter 6 - Delivering Benefits.

4.1.7. Accountability and transparency

“The board demonstrates accountability by providing information to stakeholders about the organisation and its performance”

4.1.7.1. Board Membership

Many RDCs and other agricultural boards recruit directors with the dilemma of how to achieve a Board composition which fulfils the skills and diversity around the table needed for the Board to be effective, whilst at the same time acknowledging the expectations of stakeholder interests. Board

recruitment seeks the right combination of the “head and heart” – passion and industry knowledge from those with skin in the game coupled with additional skills and independence from specialist directors.

The current AEL Board composition appears to achieve this balance of industry passion and knowledge coupled with specialist expertise. Probably the greater challenge AEL faces is achieving an appropriate sense of diversity of farmer interests with only three elected directors. This is especially important given there is competition and polarisation within the industry between and among different sizes of business and between production systems. The reviewers note that the Board has the option of adding a fourth elected director if this issue became more pressing. If this option were pursued it should be noted that in doing so this would lead to a shift in the existing equivalent membership numbers between elected and specialist directors (which seems to be working well) would occur in favour of elected directors.

Like many smaller rural industries, achieving true independence of directors is very difficult in the Australian egg industry because of the interconnected nature of the players within it. The dynamics of the interplays and overlaps means that two entities can be collaborators and competitors at the same time.

Evidence to this review indicates that some AEL elected directors do have interests in competitive and collaborative entities. However, the advice to the review was quite strong that the Board is aware of those interests and it goes to some lengths to ensure that the individual interests of directors play no role in decision making in the board room. Directors expressed that the discipline of excusing individuals from the room is applied when discussions moved into areas where there were potential implications for directors’ businesses and interests.

4.1.8. Stakeholder engagement

“There is meaningful engagement of stakeholders and their interests are understood and considered by the board”

4.1.8.1. Stakeholder Relations

The two key stakeholders for AEL in order of priority are egg farmer levy payers and the taxpayer through the Commonwealth. This appreciation appears well entrenched within the Board and management and drives the activities and investments made. In recent years, the value of close consultation with egg farmers (including “pre-investment extension”) has become more recognised and has taken a stronger position within the company. In the case of the Sustainability Framework, this has extended to community consultation to understand how the industry is seen in a wider context.

Not surprisingly, in talking to levy payers about the role of AEL, they identify more with marketing ambitions which are more visible and tend to have a quicker return on investment than innovation. This challenges AEL in innovation to ensure that not only is there an intimate understanding of the innovation solutions required to respond to the greatest needs for the industry but that AEL also continually reaffirms the value of the R&D projects being undertaken back to industry.

4.1.9. Conduct and compliance

“The expectations of behaviour for the people involved in the organisation are clear and understood”

4.1.9.1. Policy Manual/ Code of Ethics

The AEL Policy Manual incorporates a Code of Ethics for the organisation. This code is comprehensive in its coverage of honesty and integrity, reputational issues, community responsibilities, conflict of interest and whistle blowing. The code could be more explicit in terms of directions in the case of breaches, including the necessity of reporting to the AEL Board. The review was informed that this code will be updated based on the outcomes of the Culture Review undertaken in late 2019 early 2020.

4.1.10. Culture

“The board models and works to instil a culture that supports the organisation’s purpose and strategy”

4.1.10.1. AEL Values and Building Culture

The extent to which the Board is involved in setting the culture of the organisation is understood to be informal. Discussions around culture are not a standing item of the Board, however the review was informed that there are discussions about culture when the need arises. For example, the Board was informed about the 2020 Culture Review process but does not appear to have played an active role in it.

Interviews with both directors and management provided a consistently strong and aligned message about dedication to the purpose of the organisation to serve the needs of industry. This is considered as indicative of a generally positive organisational culture.

The organisation also does not have a stated or published set of values. The Culture section in Chapter 5 Operations argues that the establishment of company values which are endorsed by the Board, along with more active engagement of staff on culture offers opportunities for AEL.

4.2. General Governance Comments

The general impression that the reviewers want to leave about the quality of governance processes in AEL is that both the Board and organisation are very attentive to governance and their responsibilities in terms of accountability to industry and government stakeholders. The organisation is considered to communicate well to the Commonwealth and most industry stakeholders acknowledge that AEL communicates regularly using a number of channels to levy payers and industry stakeholders.

AEL has achieved stronger clarity that its role does not include agri-political activity with industry since the 2016 review. This position was expressed to the review by both Board directors,

management and industry representative bodies. The development and now consolidation of the operations of Egg Farmers of Australia has been a positive move in this area.

Despite the above comments AEL operates in a dynamic and challenging industry environment. The egg industry is subject to a number of serious pressures impacting on enterprise profitability and long-term viability. The future around caged production systems continues to generate tensions and concerns for some parts of the industry, with some of those tensions directed at AEL. While the AEL Board is integrally connected into these issues through its elected directors, it must operate with an acute awareness of the risks to governance that such tensions bring. Overall AEL appears to balance well a focus and commitment to its stated strategic objectives, with a level of responsiveness to industry during critical issues which is mostly applauded by the industry.

Overall the Board operates effectively with a strong awareness toward the industry AEL serves. It actively manages conflicts of interest, the delegations to management are unambiguous and the checks and balances appear to be applied and are effectual.

5. Operations

5.1. Operational Effectiveness

5.1.1. People and Culture

Organisational culture was one of the dynamics which the reviewers found most challenging to judge due to the engagement limitations created by COVID-19. The organisation is effectively led and that leadership focusses the organisation on the purpose of AEL to deliver value to levy payers. There is a supportive dynamic between the Board and management.

Interviews with AEL staff also reflected an understanding of the organisation's purpose and the fit of their roles in delivery of that purpose. Staff came across as motivated and committed to making a difference for the egg industry.

Industry stakeholders advised that AEL communicates well and demonstrates responsiveness and commitment to assisting the industry. Examples include short term – *Salmonella enteritidis* response and long term – Sustainability Framework. This is indicative of a positive and committed culture toward servicing the needs of industry.

There are some areas of improvement identified by the review, which if adopted, could assist in AEL to better engage its people and enhance culture. Investing in organisational culture underpins the capacity of the organisation to deliver its purpose and it is a core element of being an employer of choice – attracting, motivating and retaining staff. However, they are not static and require ongoing engagement by Board, management and staff.

As has been noted earlier, AEL's approach to culture is mostly informal. There are only a few processes which require all staff to participate in such as fortnightly staff meetings. The Management Group also does not appear to have scheduled meetings as the Management Group. This may be allowing silos around communication and activities to emerge and missed opportunities for collaboration.

AEL's current initiative around culture is the 2020 Culture Review. It appears COVID-19 has limited the opportunity for follow through on this review. Feedback suggests that more can be gained from this activity if AEL were to build on the start the review made. There is an argument that this process could be enhanced if an external third party were engaged. Independent assistance could mitigate dynamics like the balance of power and authority between individuals and managing how different people experience and interpret the same process.

In addition the absence of a set of published AEL values has already been raised. Values are used by organisations to support their vision, culture and to articulate what is important to its identity. The reviewers believe there is an opportunity while engaging staff on culture and with stakeholders through the new Strategic Plan process, for AEL to develop a set of values. The organisation can have one set of values, with the messaging around them nuanced for internal and external audiences.

The final area of opportunity in people and culture is in developing AEL's position as an employer of choice. AEL is in a competitive market for talented people and it relies on a few key individuals. Some areas of attention for AEL to consider include:

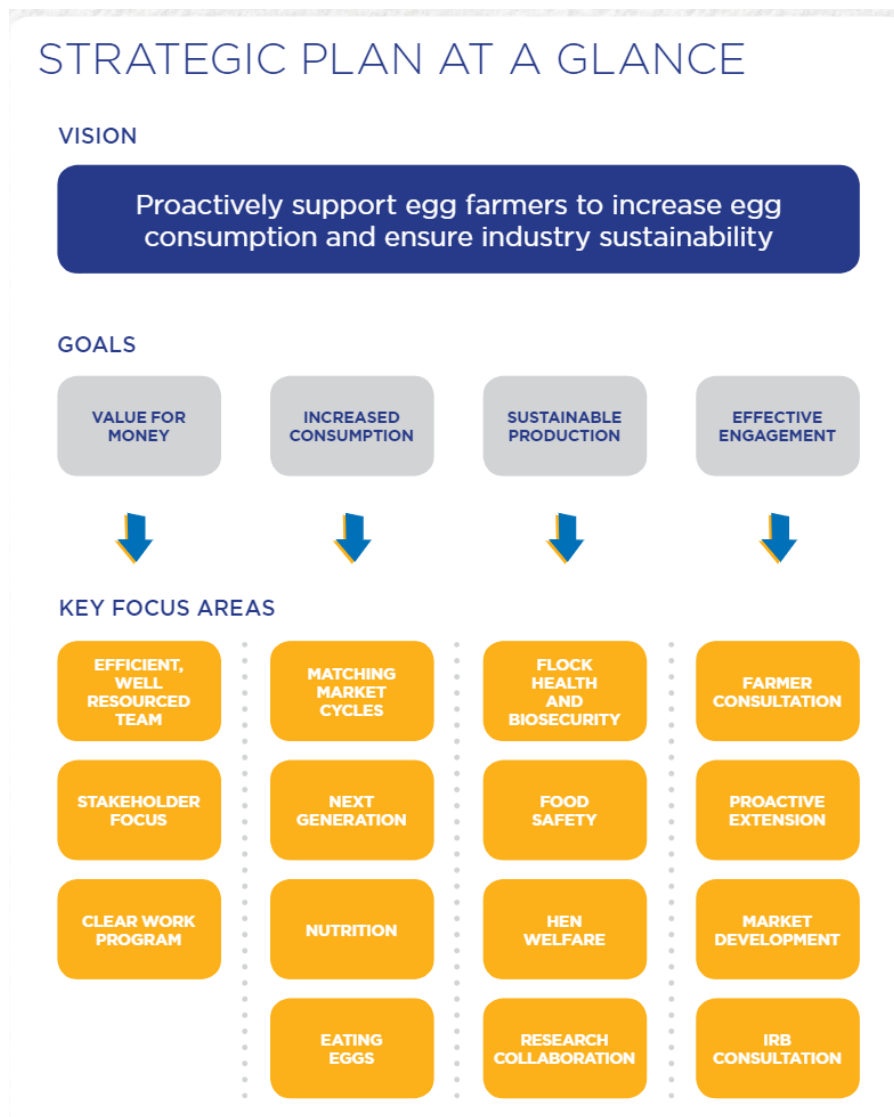
- The Board can set a positive and dynamic tone around staffing. Maintaining the leanness of the organisation may be a positive in the eyes of some stakeholders, however too great an emphasis on lean operations could be leading to restrictions on the performance of AEL, large workloads and a lack of capacity to meet service obligations.
- Support for all staff to access professional development opportunities internally and through access to external training opportunities should be actively promoted. Opportunities to rapidly advance professional development is something small organisations can offer.
- AEL should ensure its conditions of employment are market competitive and attractive to people to join and stay. Examples are flexible working arrangements and leave entitlements.
- Consideration of succession requirements should be included during any senior recruitment opportunity and support for professional development should build the capacity of managers to advance into executive positions.

5.1.2. Strategy

The AEL Strategic Plan covers the period of 2017 to 2021. The organisation has recently commenced the development of a new Strategic Plan.

The Strategic Plan has a Vision and four Goals against which the structure and functions of the organisation are arranged. This makes it easy to understand the alignment between the corporate strategy and organisational activity. Key Focus Areas under each Goal make it clear where the attention and effort of AEL is proposed to be.

The Strategic Plan is a clear and straightforward communication piece to industry and government stakeholders about the purpose and the activity areas of AEL. AEL staff are also able to clearly articulate the fit of their division and their roles under the Strategy.



One observation made by the reviewers is that the Vision of the organisation is more about activity rather than setting an aspiration for the future. In some ways it is more of a purpose statement than a vision. Visions generally describe a successful future that the organisation is working toward under its strategy. There may be an opportunity for AEL in its new Strategic Plan to reposition the Vision toward setting a stronger aspiration around a future state for AEL and the industry.

The reviewers have been advised that the new Strategic Plan development is being led by the MD. AEL has announced on its website that it has commenced preparations for the development of the new plan and subscribers to the AEL monthly email have also received notification.

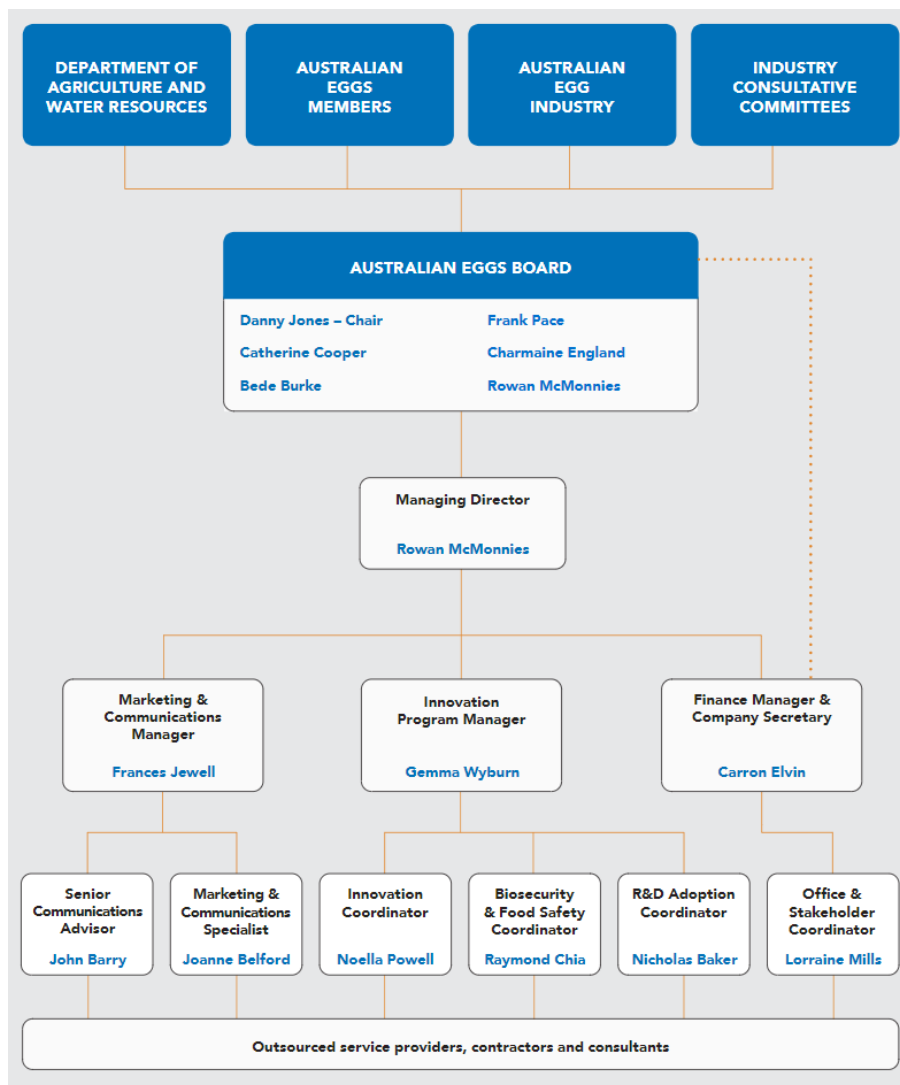
AEL has published a stakeholder consultation factsheet for the period of April to December 2020. This consultation plan is being adapted due to COVID-19. Key stakeholders for the Strategic Plan development process identified are levy payers, egg industry representative bodies, the Commonwealth and other RDCs. The proposed approach involves workshops for levy payers, an online written submission process and consultation with industry representative bodies and other stakeholders.

The AEL Annual Operating Plans and Annual Reports are structured to provide a natural flow on in reporting from the corporate Strategic Plan. AEL reporting is organised against the Goals and Key Focus Areas. For each Goal there are Key Performance Indicators (KPI) which AEL reports progress on year on year. The reviewers provide more of a discussion on KPIs in Chapter 6.

5.1.3. Structure

The organisational structure of AEL is aligned with the corporate strategy. The Board provides governance and oversight of organisational strategy. The role of the Board is considered in detail in Chapters 3 and 4 of this report. Management are responsible for the operations of the organisation and implementation of strategy. Internally there are three divisions across Marketing and Communications, Innovation and Finance. The divisions are largely aligned with the Strategic Goals.

Goal	Value for Money	Increased Consumption	Sustainable Production
Division	Finance	Marketing and Communications	Innovation
Staff	3 Includes MD	3	4
Additional Goal	Effective Engagement Led by Innovation Supported by Marketing, Communications and Finance		



Implementation of the corporate strategy is led by the MD with support from staff. AEL also relies on a number of external service providers, contractors and consultants for service delivery. Interviews with the management group indicate that individual employees are experienced, technically competent in their areas of expertise and clear about their responsibilities.

While the MD leads the corporate strategy, advice to the reviewers indicates that the management group are all contributors to the preparation of the Annual Operating Plan. Managers were also able to clearly articulate the key performance indicators for the Goals under their responsibility, how those KPIs were measured and what they mean.

5.1.4. Processes

AEL's governance, strategic, operational, administrative, finance and reporting processes are described throughout this report. Overall the reviewers believe that AEL maintains an appropriate level of formalised process given the size of the organisation. A few observations have been presented by the reviewers for AEL to consider where opportunities have been identified which would improve clarity, effectiveness or compliance for some processes.

5.2. Divisions

5.2.1. Marketing and Communications

The marketing function at AEL is funded by levies paid under the egg promotion levy which does not receive matched Commonwealth funding. The budget for marketing is around \$5 million per annum. Advice from AEL indicates this investment is sufficient for them to deliver a multi-layered campaign which reaches different market segments. The task in marketing is reported to be large by AEL staff. There has been a recent increase from two to three members of the team which is considered a positive. The team is led by the Marketing and Communications Manager. Other roles are the Senior Communications Adviser and the Marketing and Communications Specialist. AEL has a roster of external big agency accounts which it uses to deliver marketing campaign elements.

Industry stakeholders consistently identify AEL's marketing function as a primary value proposition which AEL delivers to the industry. The driving of consumption of eggs is considered by industry stakeholders to be the most important task of AEL marketing. Industry feedback overall was that AEL does a good job of promoting egg consumption.

The major KPI used for egg consumption is volume based – a measure of number of eggs consumed per capita per annum in Australia (last reported in the Annual Report 2019 as 247.1). In reality, this KPI is probably more driven by supply than demand, as theoretically, every egg produced in Australia will either be exported or consumed locally – at a price. Demand is normally better measured in value terms because it encompasses the trade-off between price and volume. Our information is that this is very difficult in the egg industry because the dominance of the major supermarkets in the market suppresses price signals through their supply contract conditions and the supply arrangements are highly confidential. This is mentioned further in the section about retail relationships.

5.2.1.1. Market Analysis and Insights

AEL accesses a variety of sources of information to inform the development and implementation of its marketing strategies. Australian egg consumption is split into two segments – household consumption (48%) and food service (52%). Most AEL marketing is targeted at household consumption. AEL is able to access data for this segment and deploy strategies to influence consumer purchasing. The food service segment is opaque and AEL reports that it is difficult to access data to inform marketing strategies. Egg farmers are reticent about sharing information on food service relationships.

IRI AZTEC² data is collected fortnightly. This data provides market measurements, customer insights, consumer, shopper and retail intelligence. Surveys of consumer tracking via OmniPoll³ and

² IRI AZTEC is a company which provides big data analytics servicing retail, health care and media companies. They combine disconnected sources on purchasing, media, social, causal and loyalty data with predictive analytics to uncover consumer insights.

³OmniPoll market research provider

health care professionals (GP's and dieticians) via IQVIA⁴ are also used. Egg supply data is captured through levy information collected by AEL. These primary sources of information are used by AEL to understand the dynamics of consumer demand and the state of play in supply from the industry. AEL advise that they spend around 10 to 15% of marketing spend on analytics – this in our opinion would appear to be a healthy weighting.

5.2.1.2. Marketing Strategy

Promoting the consumption of eggs is the main focus of the marketing strategy. This objective is supported by complimentary strategies around promoting the safety, health and the nutritional benefits of eggs. Additional dimensions are also being adopted, such as AEL's Sustainability Framework project which is increasing their engagement with the community on the social licence of egg production. Analysis of the drivers of demand and supply enables AEL to target its marketing strategies toward either increasing consumption (when supply is high) or when supply is limited shifting focus toward security in consumer confidence in eggs on the basis of health and nutrition.

One example is that during COVID-19 supply was limited and so AEL reduced TV advertising by about 30% and shifted messaging to positive reinforcement of the health benefits of eggs, targeting health professionals who are considered to be gate keepers in health advice to consumers.

AEL focuses its messaging toward households in three groups; they are (i) families with children at home (35-54), (ii) baby boomers (55+) and (iii) nutritionally aware, millennial audiences (pre-kids). A fourth group will be added in the next AEL AOP which are GenZ with the aim of instilling in them a long term egg-loving attitude and to engage on environment and animal welfare issues.

The impact of COVID-19 on demand for eggs has been mixed. In food service there has been a significant decline in demand due to businesses such as restaurants ceasing operations. However, household demand has increased with more people staying at home and rediscovering cooking. Unfortunately for the industry, it is not a simple matter to redirect food service eggs into households as the supply chains and retailer expectations differ. Anecdotal advice to this review indicates that some switching of supply to segments has occurred.

5.2.1.3. Retail and Supply Chain Engagement

The major retailers, in particular the largest two, account for a major proportion of the retail sale of eggs in Australia. Their supply is managed through contracts with some of the key egg producing companies – our understanding being that they're likely term and volume specific. Because these contracts cover a large proportion of Australia's egg production, the retailers are not particularly responsive to other shifts in supply and demand that under normal conditions would impact on their business behaviour. For example, in times of scarcity, prices go up under normal economic theory. This is not necessarily the case for eggs in the major retailers because their supply tends to be locked in by the contracts and even if they do put up their prices, they don't necessarily pass the increase back to their suppliers. This is the reason that a value measure of egg consumption doesn't

⁴ IQVIA human data science provider

necessarily reflect true shifts in demand. There is an aspect of market failure here that distorts market signals back to farm.

AEL has limited engagement with retailers, with major egg producers reticent about AEL getting involved. These relationships are “managed” by the major egg producers who have supply contracts with key retailers. A concern about AEL being pulled into agri-political activity was also conveyed which seems to limit enthusiasm to engage with retail.

This appears to be an opportunity lost. AEL commits significant resources to understanding consumer segments and attitudes that, in conjunction with the information held by retailers, could be a very useful category management tool. Retailers are interested in market insights and are likely to welcome engagement if AEL sought to do so.

There are dynamics now emerging in the industry which suggests to AEL that producers may look for AEL to increase its engagement with retail operators. Opportunities include influencing category management and Egg Standards Australia accreditation as a supply condition. A further opportunity may be to engage the retail sector with AEL’s Sustainability Framework which is a very positive community engagement initiative by the industry.

The food service segment accounts for a significant part of the consumption of eggs in Australia but it is very fragmented (composed of restaurants and cafes, quick service/ take away, institutions, events caterers) and difficult to track volumes through. There are few robust sources of data and insight for this segment of the market so a marketing strategy of talking directly to the consumer makes sense in this context.

There is a key area in strategy around egg marketing that does create some tensions for AEL. That is the trend toward ethical purchasing by consumers. AEL does not promote one egg production system over another on any basis of health, ethics or welfare. However, AEL does come under pressure from some farmers to promote or at least defend all production systems. The establishment of Egg Farmers of Australia has assisted AEL in managing this tension, however there continues to be demand from some for AEL to mount the argument through presenting the evidence base which supports the retention of all production systems by the industry. Industry tensions also arise from the marketing activities undertaken by individual brands and businesses who promote their own production systems for market advantage.

One opportunity for AEL to engage with the retail sector is about the community engagement it is undertaking through the Sustainability Framework. This is a very positive story for the industry around building its social licence and understanding community expectations about egg production.

5.2.1.4. Marketing Industry Consultative Committee

The Marketing ICC meets quarterly and provides anecdotal industry feedback to AEL about supply projections and any issues which may impact supply and thereby impact marketing strategy. There are four farmer members. AEL advise that a strong effort was made to have a range of farmer views on the Marketing ICC with members from two of the largest farmers, one mid-sized and one small; geographic spread was also considered. Consultation with both AEL staff and farmer members of the ICC indicate that this group works effectively to provide industry intelligence, with the

contribution of the group considered to be valuable for their assistance in AEL adapting marketing strategy as needed.

Additional industry intelligence is sought by AEL staff at industry forums and events either hosted by AEL or those such as PIX. Staff also make and take phone calls from farmers. Consultation with farmers is captured by AEL through “effective engagements” which are recorded on a spreadsheet and reported annually.

5.2.1.5. Measuring Marketing Performance

AEL’s primary performance measure for marketing is per capita consumption. AEL also tracks the performance of campaign marketing. It is the reviewer’s observation that AEL tracks trends in order to monitor performance. Further discussion about AEL KPIs for measuring benefit can be found in Chapter 6.

The egg consumption metric in Australia is increasing year on year, with 247 eggs per capita consumption in 2019 up from 244.8 in 2018. However, this increase cannot be fully directly attributed to AEL effort. Consultation with the industry indicates that supply is the biggest driver of annual egg consumption. In other industries, a more meaningful metric would be to measure demand in value terms, not consumption which is a measure of volume. However, in the case of eggs price signals are suppressed by the behaviour of retailers, making the value measure problematic.

Consultation with both AEL and industry also indicates that there is no aspirational “growth” target for egg consumption set by the industry. Reasons given relate to difficulties in supply – such as drought, investment uncertainty and retailer suppressing prices which dampens motivation for farmers to increase egg supply. By comparison in 2019, USA per capita consumption was reported to be 287.1⁵. They produce more eggs than any other country.

5.2.2. Research and Development

Research and Development is funded through the *laying chicken levy* which attracts matching Commonwealth funds. The budget for R&D during the last four years has been around \$4 million per annum. These funds are split between R&D projects and communication and extension activities. There is a team of four which is led by the Innovation Program Manager. The other roles are Innovation Coordinator, Biosecurity and Food Safety Coordinator and R&D Adoption Coordinator. R&D team members advise that they operate with significant workloads but consider R&D to be well supported and resourced.

5.2.2.1. Balanced portfolio

AEL R&D focusses on delivering commercially adoptable outcomes for egg farmers. Main areas of R&D include production efficiencies, biosecurity, environment, health and welfare. In more recent years the R&D portfolio has diversified into other industry sustainability issues such as climate and

⁵ American Egg Board 2020 website www.aeb.org/farmers-and-marketers/industry-overview

social licence. AEL also collaborates with other rural research and development corporations in areas including production innovation, community social licence and climate.

The reference to a balanced portfolio within AEL means an investment profile of projects which offer immediate through long term outcomes, can be delivered in short, medium and long timeframes, and are a combination of incremental research through to blue sky. The majority of AEL R&D is invested in addressing the immediate needs of industry.

5.2.2.2. Innovation Industry Consultative Committee

The Innovation Industry Consultative Committee (Innovation ICC) operates under a terms of reference which specifies its purpose as being:

- To advise on innovation investment that supports the sustainability of the egg industry
- To provide a clear understanding of the needs of Australian egg farmers
- To provide advice on specific technical issues related to the egg industry
- To ensure benefits from R&D investments can be translated to the market through effective extension, adoption and communication and
- To ensure greater transparency and accountability to Australian Eggs stakeholders.

Its role is to:

- Provide advice on new and emerging egg production issues, ongoing long-term concerns and any specific RD&E priorities
- Make recommendations (through consensus of majority voting) on applications for RD&E funding in accordance with the objectives of the Australian Eggs Strategic Plan and RD&E selection criteria
- Advise on, and assist in, the extension, adoption and communication of RD&E activities, and
- Participate in the selection of recipients for Australian Egg's capacity development programs when requested.

The Innovation ICC does not have financial delegations or the power to commit Australian Eggs to funding particular projects or activities.

The Innovation ICC is intended to be made up of four farmer and two specialist members. Currently it operates with two farmers, a veterinarian employed by a major farmer and one specialist member following the recent retirement of the other specialist member. Advice from AEL is that it is difficult to find farmers who can commit to being on the Innovation ICC.

There were mixed views about the effectiveness of the Innovation ICC from management and some members of the Innovation ICC. Examples were given where the ICC had repeatedly rejected R&D projects even when farmer consultation had identified their subject matter as being a high priority. Those members of the Innovation ICC consulted advised that they felt under-utilised, with their function limited to project approvals rather than strategy or priority setting.

There has also consistently been feedback from farmers that they were clear about the activities of AEL in marketing and overall were supportive of the work AEL does to promote egg consumption. However, they were far less clear on R&D. Many were not clear about how they could contribute to

identification of R&D needs, while others indicated a willingness to be part of enhanced consultation on R&D. The function of the Innovation ICC was not clear to any farmers consulted unless they had had a current or previous involvement.

While previously the Innovation ICC has been a primary source of intelligence on R&D priorities, AEL's transition to a pre-investment extension approach to engage a broader cohort of farmers in R&D priority involves a change in the role of the ICC. AEL has advised that it envisages the future role to be primarily about technical expertise. To ensure this change is productive, AEL will need to take further steps to clarify expectations, membership and the functions of the Innovation ICC in the near future. Currently divergence seems to occur when farmer feedback on R&D priorities is not aligned with the individual views of Innovation ICC members. Under the new arrangements proposed by AEL this tension could continue if not actively resolved.

5.2.2.3. Projects

AEL commissions the majority of its R&D. This is done on the basis that there is a narrow pool of expert research providers who have the capacity to undertake egg (and poultry) research. Once an R&D project need is identified, AEL invites research providers to submit project proposals. Project proposals are assessed by the R&D ICC who evaluate them for impact, research and technical quality and value for money. A project proposal may be submitted to the R&D ICC a number of times before it is approved.

AEL has recently moved to requiring a business case for each research proposal. Initial feedback on this change is positive, with the approvals process through the R&D ICC appearing to operate more smoothly as researchers are required to more strongly demonstrate the commercial value and impact to industry of the research.

Once approved, each project is established with its own industry Steering Committee to provide advice to the researchers and to keep each project on track. The life of most projects is between 1 and 3 years, but they can be longer. A preference was expressed by AEL for most R&D projects to deliver industry outcomes within 12 to 24 months.

5.2.2.4. Access to R&D Capacity

AEL, like many small industry RDCs relies on a small group of research providers who have the specialist expertise in poultry and eggs. AEL has long term relationships with these research providers. These relationships are based on project by project commitments, rather than formalised partnerships. Most R&D is directly commissioned; from time to time AEL advertises for R&D through an open call process. This is done to test the market for potential R&D capability which they may not have been aware of.

Consultation with AEL also indicates that while retaining R&D capacity is important, there is a low appetite for encouraging R&D capacity development through research projects, such as PhDs, a primary reason given being that the research providers themselves prefer to not support egg PhDs as there is rarely an ongoing career path for the PhD graduate within the research organisation.

AEL has also previously supported building research capacity. Examples given were two senior research positions which were jointly supported with the AgriFutures Chicken Meat R&D Program at University of Sydney (USYD) and University of New England (UNE). Neither of the researchers have continued to work in the industry. In the case of UNE, once the joint RDC funding concluded, UNE could not continue support for the position. In the case of USYD the researcher took up a position overseas, which has led to some international linkages for AEL.

AEL also collaborates with other RDCs. Examples include supporting students through the AgriFutures Horizons Program and collaborating with the chicken meat industry such as in bird health and welfare. AEL also collaborates with other intensive livestock industries on feed grains and the welfare issues associated with intensive management of livestock.

AEL has limited connections to international R&D. Reasons given were that northern versus southern hemisphere production challenges differ significantly. Examples include that Australian farmers have to manage extreme heat while northern hemisphere farmers manage extreme cold. The feed in Australia is based on wheat while overseas it is based on corn. AEL also has no domestic or international commercial R&D partnerships.

Given international innovation capacity in eggs is significantly greater than in Australia, some industry members suggested that there is the potential for AEL to assist in translation of international innovation into the Australian context, such as through assisting approvals of animal health products and demonstration of production technologies such as AI and automation.

5.2.2.5. R&D Extension and Communication

AEL takes the approach of problem identification through stakeholder engagement. In 2016 AEL completed a survey of industry members. That survey delivered feedback that levy payers did not consider AEL R&D was delivering benefit to farmers. This motivated a re-think within AEL about its approach to engagement with farmers during the identification and prioritisation of R&D. The current approach aims to seek advice directly from farmers to understand their problems, then identify potential R&D for solutions and future opportunities.

Examples of how AEL works to achieve increased engagement on R&D include:

- Communication through the AEL Eggstra! newsletter, website and the monthly EGGSpress email
- Engaging farmers prior to R&D investment
 - Consultation with farmers at industry events with the Poultry Information Exchange (PIX) and the Australian Poultry Science Symposium (APSS) considered to be important annual events
 - Use of the annual industry snapshot survey to seek a ranking from farmers about R&D priorities
 - Extension workshops with farmers at the initiation of R&D investment to better understand industry need. Examples in 2019 including workshops on Salmonella enteritidis and flock life management
- Reporting the priorities identified by farmers who participated in the extension activities to inform R&D ICC investment decision making

- Transitioning to an approach of pre-investment farmer extension whereby AEL convenes issues-based target groups of farmers to assist in setting R&D priorities. AEL believes this approach could lead to stronger engagement by farmers, with the Innovation ICC focused on technical review.

When farmers and industry representative bodies were questioned about whether AEL had improved its engagement with industry on R&D during the last four years, the response was generally positive. AEL was thought to communicate well to farmers through its newsletters, email and website, including the annual survey. The extension activities described above were also referred to as successes. One criticism was made that AEL spread itself too thinly in R&D and tried to address too many issues at one time.

5.2.2.6. Future model for R&D Priorities

The following approach is the new model AEL will be applying to identify R&D priorities:

1. Pre-investment farmer extension to identify R&D needs
2. Refinement of R&D needs through industry Snapshot survey ranking
3. Engage with researchers to develop the research proposals
4. Technical assessment of research proposals by R&D ICC

AEL's Sustainability Framework is also used by AEL as a source of intelligence about R&D priorities from industry and community perspectives.

5.2.2.7. Measuring R&D Outcomes

AEL has adopted Benefit Cost Analysis (BCA) to evaluate the ex-post impact of its R&D projects. The BCAs are based on the Council of Rural Research and Development Corporations (CRRDC) Impact Assessment Guidelines. AEL averages BCAs from all projects each year to generate an average BCA which is reported in the Annual Report. Each BCA costs around \$7,000 and is undertaken by the same consultant who repeats the methodology. In 2018-19 the average BCA was 2.88. The range of BCAs across projects evaluated for that year ranged from 1.67 to 4.46. The use of the average is primarily a communications tool in Annual Reporting. However, consideration of the range of BCAs and what they mean for industry benefit would provide a more meaningful insight into the benefits derived from AELs portfolio of investments.

Consultation with AEL suggests that BCAs are primarily used for communication of impact such as in the Annual Report. No other uses of BCAs were articulated to the reviewers. There may be the opportunity for AEL to leverage greater value from its investment in BCAs if they were used for internal planning and by the Innovation ICC for portfolio analysis to better understand the nature and types of investments which deliver the strongest returns and to also consider the reasons behind projects which deliver low BCAs. Such an analysis would also provide insight into the actual and intuitive risk appetite being applied by AEL in its R&D investment decision making.

AEL has also adopted a requirement for a basic ex-ante impact evaluation through the business cases that must be prepared under Full Research Proposals. The format is a simple allocation of the applicant's assessment of dollar value to industry of categories of benefit. On face value this

approach to attributing dollars of value while appearing simple is vulnerable to application of value judgements by the applicants. Drawing on the experience of ex-post BCAs, it may be possible to provide a simple framework or guidelines for applicants when they complete the ex-ante BCA which may lead to more robust results.

The capacity to have meaningful evaluations of both ex-ante and ex-post BCA's of an R&D investment has the potential to deliver powerful insights between expectation of value with what is ultimately delivered. While it is positive that a basic ex-ante evaluation is requested, the rigour behind them may need to be strengthened if they are to be used on a comparative basis.

5.2.3. Finance

The Finance Manager and Company Secretary (one person) runs a very small team to look after the services for the organisation around finance, information technology, human resources and corporate communications.

The role required as Company Secretary is laid out in the Board Charter and covers tasks around Board meetings, agendas, papers and minutes, legal requirements around member communication and ASIC communications and compliance.

5.2.3.1. Market Information

The Finance Manager also plays a role in feeding industry production information through to the Marketing team and using it to calculate, for example, egg consumption per capita per annum.

On a monthly basis, hatchling numbers (layer chick levy) are collected through the DAWE. This gives the ability to calculate projections on egg production through assumptions around daily egg lay rate and mortalities. Per capita consumption can also be calculated by adding imports, subtracting exports from local production and dividing by population.

From last year, membership renewal includes nomination of one's production system which has a bearing on mortality rates (information is commercial in confidence). There is presently only one year's worth of this data so the information is building accuracy over time. Hatchlings are declared monthly in the promotion levy numbers but the information from the DAWE does not indicate which properties/ entities receive the hatchling numbers. The promotion levy is the hatchling levy and is passed onto customers by the hatcheries. The R&D levy is paid by farmers on their own purchases of chicks.

5.2.3.2. Surplus/ Deficit Position

At the time of the last performance review, AEL carried significant financial reserves. In recent years, the organisation has been posting deficits from year to year to work the reserves down to a more logical level – now dictated through a Target Reserves Position. Presently, the matching funding qualification is close to being fully utilised each year through the right level of investment into R&D projects to maximise the Commonwealth contribution.

5.2.3.3. Levy Income Pressures

It is expected that there is going to be some pressure on income for AEL as a result of the drought (pushing up costs of feed for layers and reducing profitability), regulatory uncertainties about future production systems and supermarket aspirations to cease stocking cage eggs within the next few years (leading to a lack of investment into new production infrastructure).

The production volumes for the industry are already lower than what the market might demand presently. Normally such a situation would see prices rise with the commodity scarcity but, as has been explained to the reviewers, supermarket behaviour in locking farmers into contracts at fixed prices means they can commit to stable prices to consumers which much of the market feels it needs to meet. This blunts any signals coming back to the egg farm gate through higher price offers and thus does not motivate for an increase in production.

On top of this, in times of limited profitability, it makes sense for an egg farmer to try to extend the productive lifetime of their flock. This proportionally reduces the demand for hatchlings which is where the levies ultimately come from. R&D efforts to extend flock life suggest the industry could be moving in the next years from an average hen productive life of 62 weeks to more like 70 weeks and possibly up to 90 weeks in the longer term. This presents a dilemma for the R&D portfolio where successful projects could have the effect of restricting the income for the organisation. There might be some potential in the longer term for re-thinking the basis for the levy to AEL, away from hatchlings and more linked to production volumes or value.

5.2.3.4. Program/ Project Costs

In the interests of understanding the true cost of undertaking particular programs and projects, AEL has a Cost Allocation Policy (also a condition of the Funding Contract and in effect approved by the Commonwealth). The policy basically works by calculating full program costs by taking the third party project costs, adding the employment and on-costs associated with those managing the relevant programs/ projects and proportionally allocating corporate costs based on headcount of the same people.

One of the difficulties for financial management is the marketing expenditure policy that dictates a reduction in branding/ sales promotion of eggs in times of scarcity (reduced production). Where markets are operating efficiently, prices rise in times of scarcity, meaning that one could still look forward to a sound return on investment from promotional activities. The anomaly in the egg market is that supermarket prices do not proportionally rise in times of scarcity due to the supermarket contracts and behaviours, meaning that there's no positive short-term return on investment if every produced egg is going to be sold at a predetermined price.

It was noted that the Annual Operating Plan (AOP) did not specify the source funding for the various projects/ programs listed within it. A "working version" for the document used by the team internally was provided to the reviewers which did have this information. It is suggested that future AOP versions at least indicate which programs are R&D or Marketing or a mix of both.

5.2.3.5. Controls

The team operates under two different systems of delegation limits – one for the Marketing and Communication (M&C) team and one for everyone else. The two differ in terms of the thresholds applicable, the threshold for contracting consultancy services being either \$50,000 or \$20,000 for the program manager level for example. The explanation given was that too many of the contracts/invoices for the M&C area had to go through the MD/Board which became process inefficient. It may be time that the Audit and Risk Committee relooked at the delegation limits and recalibrated them to market-comparable levels for 2020. It would be useful to request Approved Authority or similar policies from other RDCs to compare the standards.

5.2.3.6. Human Resources

The HR function sits within the Finance Division. Position descriptions are prepared for each role and each staff member is required to prepare an annual performance agreement. Consultation with AEL staff indicate that performance meetings are held annually with their manager and agreements are prepared once per year. This includes staff considering training and development. The reviewers were advised that given AEL is a small team that feedback regarding an individual's performance for the rest of the year is done informally.

While the argument around the size of AEL is accepted, based on the information shared with the reviewers there appears to be low ownership and engagement in the annual performance management cycle by staff. There appears to be an annual process completed which is then not returned to for another 12 months. One example was given where a staff member had included training and development in their plan but they had done nothing about it, nor had they been followed up.

The reviewers query whether a commitment therefore to include six monthly progress performance meetings between managers and team members may be a valuable addition to the process. A small amount of additional structure to performance management may assist in building confidence and clarity about roles and could assist in staff feeling valued for what they do. It provides a mechanism which entrenches a requirement for communication between managers and team members about an individual's progress. This could prove important as wrong assumptions can be made about and by individuals when informal processes are over relied upon. There may also be some benefits to building desired organisational culture as it signals the organisation's interest in the progress and success of an individual.

There is also the perception within the organisation that the Board has an unwritten ceiling on the number of employees, being ten. Some managers expressed frustration at this "rule" considering that it restricted their ability to operate efficiently and in the best interests of levy payers. With an annual level of investment of around \$12 million, most comparisons would suggest that the ratio of people to expenditure in AEL, in the reviewer's opinion, is quite low when compared to similar organisations. While the reviewers accept that levy-payers express a preference for "lean" management, it may be appropriate to consider whether the current position is still relevant. While external providers give the impression of flexibility and can aid access to specific expertise, the services are delivered at higher costs to the organisation than having an internal resource.

6. Delivering Benefits

This chapter considers the benefits which Australian Eggs achieves and reports for its members, levy payers, industry and the broader community. Benefits are reported through stakeholder engagement activities such as the Annual General Meeting and farmer extension workshops and through its communications mediums including the website, members only section, monthly email, newsletter and formal reporting such as the Annual Report.

Feedback from stakeholders about what they consider to be the benefits achieved by AEL is sought by AEL through consultation at industry events, staff/farmer exchanges, workshops and the annual farmer survey.

6.1. Evaluation Framework

AEL has articulated its approach to measurement of benefit in its Evaluation Framework which was published in 2017-2018. The Framework is structured around AEL's Strategic Plan 2017-21 Goals and work program. For each of the four AEL Goals, key performance indicators are applied against which AEL reports progress every year. Activity is organised under a set of programs with each having performance metrics.

AEL reports achievements against the framework in a standalone Evaluation Framework Report which is released each year. The high level KPIs are then reported in the Annual Report.

Each Goal has a set of KPIs to evaluate benefit which reflect the nature of the activity in the goal. They can be summarised as:

1. Increased Consumption has a primary KPI of annual egg consumption per capita. This is accompanied by other KPIs which measure consumer and health professional awareness, recall of AEL campaigns, positive media coverage and volume growth
2. Sustainable Production uses a standardised benefit cost analysis measure for every project
3. Effective Engagement is measured through tracking AEL interactions with farmers, farmer attendance at workshops and farmer responses in the annual survey
4. Value for Money is measured as a ratio of administration services to program expenses.

AEL is applying positive rigor to tracking and reporting on the benefit of its investments to egg farmers and the community each year. However, most AEL KPIs are activity based with success interpreted to be if a KPI is increasing year on year, then benefit is being derived for stakeholders. This interpretation fails to include an appreciation that a KPI which is maintained, or a KPI which declines may also be a positive result in the context within which they are being measured. The absence of a target makes this level of interpretation impossible.

An additional question is the degree to which a KPI increase can be attributed to the efforts of AEL. There also seems to be no targets for industry growth, sustainability or productivity gains and there are no long-term aspirational targets for the industry. From the perspective of measuring and

communicating impact it is difficult to evaluate whether impact has been achieved without a target that helps to articulate what success looks like.

Examples of this approach include - in marketing - if egg consumption continues to increase then AEL is doing a good job. However, both AEL and the industry know that consumption is driven by supply more than any other factor. In sustainable production, an average BCA of 2.88 is reported for 2018-19, however there is no information about what that ratio of 2.88 means in terms of industry benefit. In the 2018-19 Annual Report the observation is made that the ratio of 2.88 is “down” on the previous year, however there is no explanation of the implication of this for the benefit or otherwise being derived by AEL.

Establishing meaningful KPIs of benefit including addressing the question of attribution is a challenge faced by every organisation. AEL is gathering a wealth of information about benefit for the purposes of evaluation and it has a systematic and structured approach to reporting benefit. However, there are some additional options available which AEL could consider which would enhance the current set of KPIs, how they are interpreted and how they are communicated. Some options include:

- Setting targets to underpin KPIs for the Goal against which progress can be reported over the period of a Strategic Plan and year on year
- When communicating BCA's consider shifting focus to the range of BCAs being achieved, the sort of research being undertaken to generate each BCA and how that translates to an industry benefit. BCA's can also be expressed as dollars returned, the ratio of 2.88 becomes more meaningful to farmers when expressed as for every \$1 invested there is a return of \$2.88 to levy payers
- The Evaluation Framework mentions some of the measures used as KPI's – for example – in the marketing area, consumer tracking, but it doesn't report against it for the purposes of informing stakeholders. This could easily be changed
- Combining good stakeholder communication with proper evaluation could lead to more case studies or stories of what – for example – R&D outcomes have meant for individual farmers production costs or increased revenue
- The adoption of ex ante BCAs which use similar methodology to ex post BCAs (which are discussed in Chapter 5) would also provide richer intelligence to AEL on the expectation versus the benefit being derived from investment; over time better understanding expectation over return can assist in portfolio design and research investment planning.

6.2. Other Measures of Benefit

AEL uses a number of other extension and engagement activities to seek feedback on its performance, farmers views on benefits and community expectations. There were three of these activities which were the most visible to this review which are summarised here.

6.2.1. Sustainability Framework

AEL commenced the sustainability framework project in 2018-19; it is a landmark activity for the egg industry as it seeks to inform how the egg industry farms eggs for Australians in a way which is socially, environmentally and economically responsible. The process is managed by CSIRO and seeks public views on the impacts and contribution of the egg industry, demonstrates how the egg

industry addresses issues important to the public and increases transparency by the industry on progress in key areas of interest to the public.

The benefit of this project appears to have been very positive for egg farmers and from the perspective of assisting the industry to be on the front foot with the broader community about its social licence. The adversarial nature of activism against some egg production systems has generated defensiveness among many farmers. However, the sustainability framework which takes a different approach to engaging with community has led to constructive feedback for the industry. Egg farmers have indicated renewed confidence and pride about what they do as result of this project.

AEL have also advised that it is making increasing use of the Sustainability Framework to inform its marketing strategy and R&D investment priority setting. The project is set to continue until 2021.

6.2.2. Farmer Extension Workshops

Two workshop extension series for farmers were delivered in 2019 in *Salmonella enteritidis* and on Flock Life. What AEL reports it learnt from those activities is that a broad demographic of farmers will attend a workshop that is addressing an immediate threat or need for business sustainability, which was the case for *Salmonella enteritidis*. The demographic for Flock Life workshops was orientated toward larger producers who probably had greater capacity to delegate participation to staff and to participate in developing industry opportunities for the future. AEL advises it is using these insights to inform the extension subjects it delivers and how to target those activities for different scales or enterprises and farmer groups.

6.2.3. Industry Snapshot Survey

The industry snapshot survey has been undertaken twice; in 2018 and 2019. AEL advises that it intends to continue to use the survey to seek feedback from a broad range of egg farmers. The survey will be distributed to 550 identified egg farmers in 2020. The purpose of the survey is to measure the health of the relationship between AEL and levy payers and to seek their feedback on where AEL should focus efforts in marketing, innovation and communications.

The survey takes the approach of presenting farmers in a single collective measure, that is the views of small through to large farmers are represented on a level playing field. This is an important opportunity for small and medium producers who have expressed to this review that they consider AEL priorities to be dominated by the large producers who represent 70% of production.

The findings of the survey are presented in a consolidated format each year by AEL.

Metrics reported in the 2019 survey indicate that egg farmer sentiment toward AEL is generally positive with most measures increasing from the prior year. The survey also reports that the strongest driver of satisfaction comes from each individual farmer's engagement experience with AEL. Some examples of those metrics are:

- Farmers are acknowledging the importance of an industry services body like Australian Eggs for the industry – importance rating of 9.0 up from 8.5 in 2018

- Overall satisfaction that levies are being invested to achieve outcomes expected by levy payers – 7.1 up from 6.6. AEL notes this is an area that requires further effort to continue to improve farmer satisfaction
- Other measures of satisfaction include: Marketing outcomes increased to 6.7; RD&A outcomes increased to 7.1 from 6.3 and communication and engagement with farmers increased to 6.9 from 5.8.

The intention of AEL is to find ways to increasingly adopt the intelligence gathered from the survey to inform how it communicates and how it invests for egg farmers. One example is the use of the survey to assist in setting the priorities for RD&A. Feedback from the Innovation Program Manager suggests that this has already proven to be a valuable addition to the RD&A prioritisation process as the survey provides AEL with some confidence it is gaining an industry wide view, rather than a view which may be dominated by one part of the industry over another.

7. Stakeholder Engagement

This chapter deals with the final review objective of assessing AEL's performance in consulting with levy payers and their representative bodies. Given the small size of the egg industry, existing and ongoing demands on egg farmers' time and capacity to engage, (including COVID-19) stakeholder engagement was evaluated by the following mechanisms:

1. Targeted interviews with a small cross-section of egg farmers (large, medium and small), Egg Farmers of Australia and state industry representative bodies (note Stakeholder Engagement Plan in the Appendices on page 63)
2. Review of the results of the Snapshot (industry survey) which is distributed to all AEL members on an annual basis
3. Interviews with a small number of members of AEL Industry Consultative Committees and service providers.

Each interview explored questions including:

- Relationship with and knowledge of operations of AEL
- What is important to the industry now and the future?
- What is important to industry about the role AEL plays?
- How effective is AEL in delivering outcomes to industry?
- How clear is the role of AEL versus that of EFA and state representative bodies?
- Are there opportunities for improvement?

7.1. Levy Payers

Consultation with levy payers and industry representative bodies found that there is overall support for AEL and the services it provides to the industry. There was a strong industry signal that there is high value in having a dedicated entity to the Australian egg industry which focusses on and services the needs of the industry. There is some variation among levy payers about the benefits (value) of AEL to egg farmers and the role it should play. The variation in views come from the different needs and challenges faced by the production systems deployed within the industry and the size of farmers – small, medium and large.

The key findings from consultation with levy payers were:

- They consistently identified AEL's primary function and value proposition was that of promoting increased consumption of eggs. Most farmers considered AEL was performing well in delivery of this function
- The industry faces sustainability and confidence challenges. Prolonged drought, critical incidents (*Salmonella enteritidis* and COVID-19), uncertainty around Standards and Guidelines, production system advocacy and the long term price squeeze from retailers places significant pressures on industry sustainability, including reducing its attractiveness for investment
- There is a perception that AEL focusses on the big farmers and its marketing and RDE leans toward free range production systems. Some small to medium farmers, along with some farmers who are invested in caged systems feel left out

- Some small to medium farmers advised that they were not precluded from engaging with AEL however competing demands on their time limited their ability to do so. Larger farmers, with employees, were better placed to engage with AEL for the industry
- Large farmers, the primary investors in AEL, have strong expectations about the services AEL should deliver and they can dominate decision making. AEL elected Board directors and Industry Consultative Committees have a predominance of large farmers represented
- There is tension within the industry among the four production systems – caged, barn, free range and organic. This leads to divergent views about the benefit of AEL to levy payers and where its focus should be
- There is a cohort of farmers who feel disenfranchised from AEL due to ongoing uncertainty around caged egg production systems. These farmers are less likely to express support for AEL. This group are concerned about the future of caged systems in which many are significantly invested through infrastructure. There is a perception that large farmers have the financial capacity to adapt and adopt multiple production systems to secure business sustainability, an option not available to smaller farmers. Some farmers would like AEL to be more proactive around explaining the benefits of all production systems
- The establishment of EFA is reported to be a positive. However, understanding about the different roles and responsibilities of AEL and EFA is considered to be poor beyond the large farmers and industry bodies. There is a view among some egg farmers that given the levies they pay, AEL should also service agri-political needs.

7.2. Communications

7.2.1. On-line, Social Media and Survey

AEL employs the following tools to share information with industry stakeholders:

- AEL website Members Only section which houses information and extension resources for egg farmers. This includes AEL publications, updates on AEL marketing and R&D activities, information about trending issues – for example COVID-19, training opportunities, Egg Standards Australia, Management Toolkits – for example Salmonella and Farm Trespass Toolkits and information about AEL Associate Members
- The Eggstra! Magazine - an industry targeted quarterly publication which features AEL marketing, R&D activities, news items and information about egg industry events
- The EGGSpres monthly email provides short updates about current issues and AEL activities
- AEL publications which include the Strategic Plan, AOPs, Annual Reports, marketing campaign information and evaluation of campaign outcomes, R&D research reports and evaluations of R&D impact
- Annual industry snapshot survey. The survey was first undertaken in 2018 with the intention that it be repeated each year. The purpose of the survey is to:
 - Provide an update on the overall 'relationship health' Australian Eggs has with levy payers
 - Update the measures around awareness and familiarity of R&D programs, communication from and engagement undertaken by Australian Eggs. The focus is on 'what's changed' over each 12-month period
 - Explore new areas of focus each year for AEL.

In 2019 the survey was distributed to 460 known farmers out of which 89 responses were received, a 20% response rate. In 2020 the survey was distributed to 550+ known farmers.

Data supplied by AEL indicates that farmers are accessing and downloading the online materials supplied specifically for them. Figures from 2019 are:

- Views of the For Farmers area of the website totalled 27,541
- 2,053 views were seen across specific, farmers-only content (/for-farmers/farmers-only/)
- Specified 'Toolkit' content was viewed 4,465 times, almost all of those 'Toolkit' views were for the /for-farmers/salmonella-risk-assessment-toolkit/
- 5,669 downloads of PDFs within the 'For Farmers' area of the website.

7.2.2. Events

The following AEL events are held each year targeted at industry stakeholders:

- Australian Egg Industry Forum held in November each year for egg industry participants from across the country. The AEL Annual General Meeting is held in conjunction with this event
- Farmer targeted workshops delivered around the country by AEL to assist farmers to respond to immediate industry issues and to engage in identification of future priorities. Two workshop series were delivered in 2019 on Salmonella enteritidis and Flock life. Attendance figures for the workshops were:
 - Salmonella & biosecurity control: 5 workshops = 133 attendees
 - Controlling Salmonella enteritidis: 5 workshops = 319 attendees
 - Extending Flock Life: 5 workshops = 151 attendees.

There are two major industry events each year which AEL supports through sponsorship and by attendance. AEL staff advised that these events are important opportunities for them to consult with a large number of farmers and industry members from the value/supply chain, consultants and research sectors. They are also an opportunity for AEL to share and promote their activities:

- Poultry Information Exchange (PIX) combined event with the Australian Milling Conference
- Australian Poultry Science Symposium (APSS).

7.3. Membership

AEL membership is structured around members who are either levy payers or associate members. Every levy-paying egg farmer in Australia is entitled to join Australian Eggs but must actually apply to become so.

There are forty associate members of AEL. They include breeders; feed and nutrition companies; animal health product developers and suppliers; housing, equipment and technology suppliers; insurance companies and supply chain and packaging suppliers.

According to AEL management, there are 81 members of Australian Eggs Ltd with membership farms covering around 77% of the national flock. Considering that the three largest egg farmer groups account for around 70% of the national flock (see below - and we assume they are all members), only one hen in four or five thereafter are joined to AEL through membership.

Membership numbers and industry coverage can be strong indicators of farmer engagement with RDC's. Whilst no RDC exclusively reserves their activities for the benefit of members only, the ability to attend and participate in voting at general meetings is important for credible company governance.

Information provided to the reviewers by AEL management suggests that the three largest egg production groups would jointly account for around 70% of all hens in production in the industry, meaning that if three individuals holding the votes for these groups agreed on any particular issue up for a vote, they would be assured of a majority. Three production farmer groups could thus have a strong influence on, for example, changes to levy arrangements or changes to the Constitution.

There's nothing wrong with those with the greatest investment in the industry and providing the greatest amount of funding to AEL having a greater say in how the company operates and what it does. An exclusively production weighted voting process given the polarisation of Australian egg production towards the larger end could be a significant irritation however, to medium and smaller egg farmers, leading to them disengaging with the organisation. It is to the credit of the Board and management that this disengagement to a large extent hasn't happened, as the attitude has been that AEL is still there for all egg farmers.

Other RDC's (example in this case being Australian Pork Limited) have found mechanisms where proportional voting is the rule with two exceptions where members have one vote each. These exceptions are (1) Constitutional change and (2) changes to the levy. This gives some comfort to levy payer members that they have a fair say on critical company issues.

7.4. Representative Body Relations

There was positive feedback given to the review that AEL communicates strongly with national and state representative egg industry bodies (IRBs) on an ongoing basis. IRBs were consistently positive about the effort made by AEL to consult with them and to communicate on industry priority issues. All IRBs were able to clearly articulate the difference in role and function between AEL and IRBs.

There have been major changes to national industry representation on behalf of the egg industry in the last four years. The 2016 performance review by SED Partners made the comment

“There is ongoing concern about the AECL's role in policy advocacy in the absence of a representative body. It asserts that AECL must continue to undertake its governance role strictly within the constitution and SFA agreement”.

Since the 2016 review, Egg Farmers of Australia (EFA) has been established, with the support of AEL. Clarity and confidence about the separation of roles between the industry services functions of AEL and industry agri-political activity does appear to have now been achieved for most of the industry. While the current arrangements have received positive endorsement from all stakeholders consulted in this review, there are some risks to the long-term sustainability of these arrangements.

A particular concern is the financial sustainability of EFA. During the last four years EFA has faced some significant challenges. For a short time AEL provided administrative, back-office services to

EFA, which has been followed by financial support on an annual basis for the last four years. EFA also receives membership funds and voluntary contributions from industry members. The support given by AEL has enabled a re-boot of EFA. AEL justifies this support on the basis that an effective national industry representative body is in the best interests of the industry.

Financial support for EFA by AEL is sourced from non-Funding Contract associate member contributions. This funding support has been reported to the Commonwealth which has noted the source of funds used are not related to the statutory levy arrangements.

There is an unresolved question about whether the funding contributions being made to EFA by AEL should be seed-funding for a set time period or whether there will need to be an ongoing commitment. Consultation with all of the IRBs indicates that they face ongoing difficulties with securing funds for their operations. A consistent view shared from egg farmers is that they are already paying levies and expect all industry services, including agri-political to come from those funds.

One pathway to increase the financial sustainability of EFA is an expansion of its industry services activity. AEL is currently negotiating for EFA to take on its representative function with Animal Health Australia in the area of biosecurity consultations. While for continuity, AEL will remain the AHA signatory, it will contract EFA to take on the role. This not only expands services to industry delivered by EFA, but also releases resources for AEL through an out-sourcing of that function via contract to EFA.

7.5. Extension

AEL reports it has increased its commitment to and activity in industry extension since 2016. This includes having a dedicated R&D Adoption Coordinator. AEL has been working toward stronger industry engagement at the pre-investment stage of R&D ensuring that R&D investment is aligned with industry needs, as identified by the farmers themselves. The primary mechanisms being used for farmer extension are:

- Farmer targeted workshops: two series were delivered in 2019. Feedback from AEL and industry members indicate that these workshops were a success:
 - Salmonella enteritidis workshops were held for farmers as part of the AEL response to the SE outbreak. Advice from AEL indicates that these workshops were strongly attended by all sectors of the industry given the critical threat the outbreak posed to individual businesses and the industry. AEL also provided online materials on Salmonella including a Toolkit
 - Flock life workshops were held to explore industry needs around managing birds with extended production lives. Feedback from AEL indicates that these workshops were well supported but there was stronger attendance by larger farmers compared to other members of the industry.
- An annual industry snapshot survey is also considered by AEL to be an important contributor to its extension efforts, the idea being that the survey provides valuable feedback on how farmers view their relationship with AEL and as a mechanism to invite farmers to provide feedback on new focus areas and priorities for AEL

- The creation of information resources that are tailored to egg farmer audiences including fact sheets, manuals, videos and virtual reality extension content
- Members Only resource centre on the AEL website and AEL app which houses farmer Toolkits and information resources. The Toolkit section had 4,465 downloads in 2019.

Themes from industry stakeholder feedback about AEL's extension efforts were:

- IRBs and farmers interviewed confirmed awareness of AEL communication outputs such as Eggstra! and the monthly email and extension resources
- The industry targeted workshops in 2019 were well received by those farmers who attended
- Farmers were aware of the snapshot survey but did not indicate that they identified with it as an important feedback mechanism to AEL
- There is a perception among smaller and medium sized farmers that AEL services large farmers. One small farmer advised that some of this perception comes from larger farmers having more capacity (i.e. staff) to engage with AEL versus small owner-operated businesses
- Large farmers express concern that AEL places too much emphasis on small and medium farmers
- Farmers have limited time and resources. Attendance at extension events addressing an immediate need – such as a Salmonella outbreak, will be stronger than future-orientated events This is confirmed in the attendance figures supplied by AEL.

8. Collaboration

8.1. RDC's

AEL reports its collaborative investment in RD&E in its Annual Report. \$613,154 of AEL funds were directed to collaboration in 2018/19 with other RDCs. \$455,154 of those funds were directed to joint projects with the Agrifutures Australia Chicken Meat Program. In joint projects with Agrifutures Australia, AEL investment represents a range of 30% to 94% of the funds invested.

All other AEL collaborative activities with RDCs are in major joint initiatives in which up to ten other RDCs are participating. In these collaborative activities, AEL is a minor investor in the order of \$10,000 to \$30,000 per annum. The exception is the Joint RDC Community Trust Program in which AEL invested \$90,000 in 2018/19.

Most AEL collaborations are in the areas of animal health and welfare and production. There are two exceptions being capacity building (Agrifutures Australia Horizon Scholarship) and the Community Trust Program. AEL's Sustainability Framework has been a very positive example of industry leadership which AEL has shared through the Community Trust Program with other RDCs.

AEL is a member of two of the National RDE Framework Cross-Sectoral Strategies which are the National Animal Welfare RD&E Strategy and the Climate Research Strategy for Primary Industries.

AEL does not appear to be collaborating with other RDCs in marketing. There is a view that animal-based sources of protein such as red meat, pork, dairy products and fish could be in competition with each other. This may represent a missed opportunity for AEL given that there are pre-competitive areas such as market analysis and consumer insights in which it may be possible to share costs with other RDCs.

Consultation with the Council of Rural Research and Development Corporations (CRRDC) indicates that there is a strong imperative on all RDCs to support larger scale co-investment to address national strategic challenges for Australia's rural sector. The aim is transformational outcomes from R&D with strong extension pathways to industry, including increased commercialisation. AEL is a proactive participant in these activities with the MD a member of CRRDC's Executive who regularly attends meetings. This includes a willingness from AEL to join the proposed RDCs Joint Investment Vehicle.

All small RDCs face challenges in participation in RDC collaboration. Given AEL's small size compared to other RDCs, the relative cost of engagement and participation by AEL is far greater than RDCs with more significant budgets.

From the information shared with the reviewers, AEL has demonstrated willingness and a proactive attitude toward being involved in joint RDC initiatives which deliver both direct egg industry benefit and initiatives which deliver more indirect industry benefit.

8.2. Other

AEL reported only one other co-investment beyond RDC collaboration in 2018/19 which was with the NSW Food Authority into which it provided \$105,450. That collaboration formed part of AEL's response to the *Salmonella enteritidis* outbreak.

AEL is also a member of Animal Health Australia (AHA), providing the egg industry representative functions on AHA. It is unusual for an RDC to be a member of AHA given that this task is one fulfilled by industry representative bodies. However, until EFA was established the egg industry did not have a national industry body to fulfil this function. AEL is currently working with EFA toward it taking on the AHA functions for the egg industry under contract to AEL with financial support, however the intention is that AEL will remain the AHA signatory.

No information was provided to the review about commercial partnerships between AEL and other organisations. AEL also reported no international research collaborations. The MD does attend a meeting every year of the International Egg Commission which is a membership-based organisation for the global egg industry of which Australian Eggs is a member.

AEL has also participated in the process to develop proposed Australian Animal Welfare Standards and Guidelines for Poultry. This has been a lengthy process which is not complete. The process is under the leadership of an independent panel appointed by the agriculture ministers of all jurisdictions. The Commonwealth is providing secretariat support.

9. Findings and Recommendations

9.1. Findings 2020

This review has found that AEL is an appropriately governed, managed and led organisation which operates with dedication to engaging with and delivering value to levy payers. The findings, recommendations and observations made in this chapter reflect the context of the industry and opportunities for continuous improvement.

This is a time of uncertainty in the Australian egg industry. While there are opportunities for industry growth, it lacks production capacity due to factors which are dampening confidence, motivation for investment and growth. There is also a divide between large and small producers which is likely to remain, if not increase, under the pressures identified. This makes it a challenging and dynamic environment for AEL to service the needs of levy payers and deliver value.

Some of the critical pressures identified in this review for egg farmers include:

- Drought and profitability consequences suppressing motivation to increase production
- Uncertain future regulatory environment around cage eggs suppressing investment (Australian Animal Welfare Standards and Guidelines for Poultry deadlock) and for some businesses placing their futures at significant risk
- Retail price squeeze and uncertainty around future supermarket conditions of supply relating to production system suppressing investment
- The battle for the hearts and minds of consumers leading to increasing polarisation between and within some production systems

The recommendations made in this review are intended to assist AEL to respond to this current and future context. AEL has already demonstrated some success in enhancing its capacity to engage with egg farmers during the last four years. This needs to continue in order for AEL to grow as a consultative and open organisation which demonstrably communicates with and values all levy payers and members, irrespective of production system.

9.1.1. Board Diversity, Tenure and Succession

The AEL Board overall performs its functions professionally, as outlined in this report. Nevertheless, there are a small number of issues which if further managed by the Board would lead to very positive outcomes in terms of planning for greater future diversity, better industry engagement and tidying up some of the processes that the Board is responsible for.

Item	Board Diversity, Tenure and Succession
Theme:	Tenure limits
Board succession planning has been a live subject at AEL since the last performance review in 2016 and progress has been made in this area. A supplementary report to the “Board and Chair Diagnostic” (“Board and chair assessment process report”) dealt specifically with Board candidate, tenure and	

Item	Board Diversity, Tenure and Succession
<p>succession issues and the reviewers' understanding is that this has instigated some ongoing follow up activities including changes to the AEL Board Charter around tenure.</p> <p>However, the Board Charter is not shared with stakeholders. This lack of transparency runs the risk of undermining confidence in the Board succession process and may limit understanding about the accessibility of director positions. There is also the possibility that the Board may change the Charter at some point in the future.</p> <p>An increase in transparency around Board tenure offers the benefits of not only increasing member confidence but it also promotes awareness about the arrangements and opportunities for nomination for director positions. It would also enable stakeholders to have greater input on the Board succession process, which potentially could include amendment to the Constitution.</p>	
Recommendation 1	<p>The Board take steps to increase transparency over directors' tenure limits to ensure alignment with good corporate governance and stakeholder expectations. This could include a process to engage with stakeholders to offer them greater input on the Board succession process, which potentially could include amendment to the Constitution.</p>
Theme:	Nominations Committee
<p>One of the challenges the organisation faces is to (and be seen to) be engaged and valuable to all sectors of the industry. This is whether they are large, medium or small farmers and irrespective of the production system they have chosen to employ. This challenge starts around the Board table and the origins of the elected directors play a large role in setting up the industry perceptions around the focus of AEL.</p> <p>The ability of the AEL Board to positively engage with all parts of the industry depends on a healthy level of diversity in and competition for elected director positions. Whilst the Nominations Committee plays an important role in the recruitment of specialist directors, it could be performing a greater service to industry in encouraging potential candidates, screening candidates against skill requirements and taking a more active role in managing the skills and diversity of the Board overall.</p>	
Recommendation 2	<p>The Board make greater use of the Nominations Committee to assist in the recruitment of elected directors. This includes a more secure arrangement for the Chair and members of the Nomination Committee.</p>
Observation	<p>The expertise of the Nominations Committee should be leveraged to design processes which are implemented by AEL which increases AEL member awareness of elected director opportunities and creates an enabling environment for them to seek nomination.</p>
Theme:	Board Skills and Diversity
<p>The AEL Board appears to have the necessary skills (as per the Constitution and the Funding Contract) to carry out their responsibilities. This could be more demonstrable however with some formalised documentation recording an audit of the skills around the table. Additionally, to aid in the maintenance of an appropriate level of diversity (age, gender, ethnicity and size of production system – elected directors - and other attributes), a policy outlining the approach to diversity is considered necessary.</p>	
Recommendation 3	<p>The AEL Board would be well served to demonstrate its compliance with the skill set requirements of its Constitution and through the Funding Contract by the adoption of a Board Skills Matrix document which encompasses the skills of specialist and elected directors. This could be managed through the Nominations Committee.</p>

Item	Board Diversity, Tenure and Succession
Observation	Board best practice has moved in a direction where a documented diversity policy is a valued requirement. A simple version of such a policy is considered to be a worthwhile acquisition for AEL
Observation	The standing offer of undertaking the AICD Company Directors' Course for incumbent directors would be greatly improved by moving it from an encouragement to an expectation.
Theme:	Director Remuneration
The Board remuneration pool has not been increased beyond \$150,000 since the company was established in 2002. To allow for market-based director remuneration over time (and if desirable in the future, the appointment of an extra elected director which is allowed under the Constitution) this might be something that the Board could choose to consider. Our interpretation of the Constitution is that this could only be done through a constitutional change or annual general meeting vote.	
Observation	Board remuneration is likely in the next few years to lose connection with the market making it more difficult for AEL to attract and retain director talent. The remuneration pool could be justifiably increased at an annual general meeting. A resolution which connects the remuneration pool with CPI would resolve this matter for the long term.

9.1.2. KPI's & Targets

Establishing meaningful KPIs to track performance is a challenge faced by every organisation. AEL is gathering a wealth of information about its activities for the purposes of evaluation and it has a systematic and structured approach to reporting benefit. There are some additional options available which could enhance AEL KPIs, how they are interpreted and how they are communicated.

Item	KPI's and Targets
Theme:	Setting Targets
AEL KPIs are primarily activity based with success interpreted to be if a KPI is increasing year on year, then benefit is being derived for stakeholders. This approach fails to include the context within which a KPI is being measured and raises questions about the degree to which an increase can be attributed to the efforts of AEL. In consultation with both AEL and egg farmers there also seems to be no short to medium targets for industry growth, sustainability or productivity gains and there are no long-term aspirational targets for the industry. From the perspective of measuring and communicating impact it is difficult to evaluate whether impact has been achieved if what success looks like has not been defined with a clearly articulated measure such as a target.	
Recommendation 4	AEL has the opportunity to develop more specific targets as measures of success against each Goal which could be adopted with the new Strategic Plan and reported on year on year.
Theme:	Increase the Meaning from BCA's
AEL has made a significant commitment to and investment in BCAs to measure the impact of its investment in innovation. However, consultation suggests that BCAs are primarily completed by AEL to	

generate the BCA metrics for reporting purposes. They do not appear to be used to assist AEL for RD&E portfolio analysis or for forward planning. The adoption of ex-ante BCAs which adopt similar methodology to ex-post BCAs can also provide valuable intelligence about expectation from an investment versus actual return.	
Observation	AEL could be making greater use of its BCAs for portfolio analysis and planning. The ex-ante Full Research Proposal BCA would be improved by adopting similar methodology to that used in ex-post BCAs. Thereby giving AEL comparative before and after BCAs.
Theme:	Increasing the Richness of Reporting on Impact
Combining a strengthened focus on communication of the meaning of KPIs measures with a stronger set of metrics could enable more effective communication about impact to stakeholders. There is a wealth of information collected by AEL that it is not necessarily being used for stakeholder communication.	
Observation	The sustainability framework is a particular success of AEL. While AEL has advised the framework is used to inform marketing and R&D priorities there appears to be the opportunity to expand the internal collaboration around the framework project.
Observation	When communicating BCAs, shift the focus to the range of BCA ratios across the portfolio rather than the average. BCA ratios like 2.88 are also more meaningful to farmers if expressed as for every \$1 invested there is a return of \$2.88 to levy payers.
Observation	Increased use of communication tools such as farmer case studies which combine AEL outcomes with real-world egg farm demonstration of what it means on farm can assist AEL to tell the story of its impact. Tools like case studies also enable AEL to demonstrate impact from the different perspectives such as small medium and large businesses and production systems.
Observation	In the marketing area, AEL gathers a number of metrics such as consumer tracking which it uses internally for planning marketing strategy, but it doesn't necessarily use this information when reporting impact to stakeholders. This could easily be changed.

9.1.3. Employer of Choice

AEL is effectively led and that leadership focusses the organisation on the purpose of AEL to deliver value to egg farmers. There appears to be a supportive dynamic between the Board and management. Like all small organisations, AEL faces the challenge of attracting, retaining and motivating talented staff. There is value in AEL considering what more it could do, for staff, to increase its appeal as an employer of choice. This includes employment conditions, motivating training and development, having a succession plan and fostering an organisational culture which is attractive to employees.

Item	Employer of Choice
Theme:	People, Culture and Values

Culture underpins the capacity of any organisation to deliver its purpose and it is a core element of being an employer of choice. AEL has a proactive culture which reflects its service commitment to the Australia egg industry. The relationship between Board and management is positive, and AEL staff express commitment and motivation to delivery of outcomes for stakeholders. AEL's approach to managing culture and its relationships with staff is mostly informal. It is an area where AEL has little process in place or policies defined. Given the size of the organisation this is not unexpected.

Culture however is not a static thing and it requires ongoing attention. For this review the 2020 Culture Review became a focal point of feedback given it had been recently completed. It seems there is an opportunity for AEL to do more with the start it made through that review to achieve stronger buy-in and engagement by staff around the culture of the organisation.

AEL also operates without an articulated set of values. This is unusual for any organisation. Discussions around values can assist in building shared agreement about acceptable behaviours and how to work together to deliver organisational outcomes. They are also a valuable communication tool for the organisation when engaging with external stakeholders

Recommendation 5	There is an opportunity for AEL to increase the engagement of staff in culture by building on the 2020 Culture Review. This could include the development of a set of values for the organisation. Engagement of a specialist third party could assist this process.
-------------------------	--

Observation	AEL's human resources policies are basic, with the responsibility of HR sitting in finance. There may be some benefit in establishing a Board Committee whose responsibility is People and Culture.
--------------------	---

Theme:	Creating an enabling staff environment
---------------	---

AEL operates in a competitive market for talented staff and it relies on a few key individuals. The Board can assist by setting a positive and dynamic tone around staffing. Maintaining the leanness of the organisation may be a positive in the eyes of some stakeholders, however too great an emphasis on lean operations could be leading to restrictions on the performance of AEL and its capacity to meet its service obligations.

For limited extra cost there are some areas which AEL could support which would assist in building AEL's position as an employer of choice. Given AEL relies on a few key individuals succession is an important issue for AEL.

Recommendation 6	The Board could assist in ensuring staffing levels are aligned to workload requirements by setting a supportive tone. The perceived need to maintain a lean team needs to be balanced against the most efficient and effective use of levy funds to meet AEL's service delivery obligations.
-------------------------	--

Observation	Support for staff to pursue professional development opportunities internally and to access external training opportunities should be actively promoted. Opportunities to rapidly advance professional development is something small organisations can offer.
--------------------	--

Observation	AEL should review its conditions of employment to determine if it could offer other benefits which would increase its market competitiveness to retain staff. Examples are flexible working arrangements and leave entitlements.
--------------------	--

Observation	Consideration of succession requirements should be included during any senior recruitment opportunities. Professional development for senior staff should be supported.
--------------------	---

9.1.4. Egg Farmers of Australia and Agri-Political Activity

Egg Farmers of Australia (EFA) with some set-up help from Australian Eggs, is now a functioning industry representative body for egg farmers in Australia. Representative bodies do have very different roles to service bodies and both organisations have spent time and resources trying to ensure that producers understand the differences. Close links between the two organisations have been necessary in the initial phases of EFA but long term, a healthy relationship between them relies on cutting some ties whilst retaining a respectful rapport.

Item	Egg Farmers of Australia and Agri-Political Activity
Theme:	A Sustainable Industry Representative Body
	<p>AEL has done a valuable service to the industry in promoting, encouraging and facilitating the establishment of Egg Farmers of Australia, despite some speed humps along the way. IRBs and their respective ISBs or RDCs perform their roles best when they have a respectful business relationship where they are both looking out for the industry within their own specific mandates. A degree of independence between them is necessary in order to create a healthy platform for questioning and challenging of direction and activity.</p> <p>Having an effective and functioning representative body is in the interests of the Australian egg industry. AEL's efforts in seeing this to fruition are commendable. In the longer term however, EFA needs to be able to stand on its own feet, so that it can be seen to be able to have input into the effectiveness of AEL's activities, investments and outcomes without constraint.</p> <p>If the industry is convinced of EFA's value, then it needs to accept that the funding of EFA is its own responsibility and take measures to ensure that it is provided.</p>
Recommendation 7	AEL work with EFA and the industry broadly to investigate sustainable financial business models for EFA that reflect its value to the industry and preclude any ongoing need for AEL to provide supplementary funding.
Theme:	Conflict of Interest Potential
	Bede Burke, a director of AEL is also the Chair of EFA. In the last few years, this has probably improved the connections and communication between the two entities. The potential for conflict of interest is managed actively at the AEL Board level as we understand it. The two bodies do have different interests and approaches and can in future possibly lock horns over these differences.
Observation	A cleaner governance approach to Board composition for EFA and AEL would preclude any overlapping directors. Where this might be an unproblematic direction to take at some point in the future, this could be considered by the AEL Board.

9.1.5. Stakeholder Engagement

AEL's dedication to increasing its performance in engaging with stakeholders has been demonstrated through this review. A number of activities aimed at engaging levy payers were acknowledged by industry as positives during this review. Examples include the actions taken by AEL in the response to the *Salmonella enteritidis* outbreak and COVID-19. There are also strong lines of communication between AEL and industry representative bodies, farmer extension workshops, annual survey and the Sustainability Framework. There does however seem to be a

divide in satisfaction between larger producers and smaller producers whose AEL connections are less strong.

AEL also pays attention to other stakeholders. The Commonwealth has indicated satisfaction with its relationship with AEL and AEL has been proactive in alerting the Commonwealth to any matters which have relevance to its Funding Contract. There is good evidence of AEL collaborating with other RDCs in RD&E and with other organisations where relevant. AEL is also seeking to engage with the community through its Sustainability Framework.

The industry is however polarised in production toward larger producers with a long tail of medium and smaller producers which creates tensions around industry stakeholder satisfaction with AEL. There is a dominance of large players in the control of AEL due to the powers provided to them in the Constitution. There are also significant tensions in the industry in the battle for the hearts and minds of consumers which need to be acknowledged.

Item	Enhancing Stakeholder Engagement
Observation	Engaging with small to medium egg farmers is a continuing challenge. However, they cannot be ignored. Some specific activities and communications aimed at this audience could assist in increasing their satisfaction with AEL. Examples include extension workshops targeted at their needs and communications – such as small to medium farm case studies of adoption of AEL RD&E.
Observation	AEL has a membership of 80 while they have a list of 550 egg producing farmers. Advice to the review was “there is no additional benefit to egg farmers in becoming a member”. However, if AEL were to reach out to farmers and encourage them to join this could be a way of building trust and engagement with the organisation. One way to overcome any concerns from egg farmers about declaring hen numbers would be to have a third party collect this information confidentially.
Observation	This could be a good time for the industry to ask itself what it wants to look like into the future and what are the critical factors to successfully achieving that. AEL could assist in building industry unity around a shared vision and future for the industry. Given the strength in the relationship with EFA, AEL could work with this body to take such an initiative forward.

9.1.6. Others

Item	Other
Theme:	Marketing Collaboration with other RDCs
AEL’s Marketing and Communications division helps maintain and increase egg consumption as well as inform consumers about the health and nutritional benefits of this protein source. They recognise that eggs have competitors – other protein sources such as red meat, pork, dairy products, fish and plant-based alternatives.	

Item	Other
<p>On this basis, AEL indicated a reluctance to collaborate with other RDC's (with the exception of dairy we understand) in marketing.</p> <p>It's important to note however that there are many marketing activities that are "pre-competitive", meaning that if one were to collaborate on such activities, there would be no impact on the competitive landscape for your product. Typically, pre-competitive areas would include market analysis and consumer insights. By collaborating, certain costs may be reduced without impacting on competitive positions (because the research will be done anyway, one way or the other).</p>	
Observation	AEL may be investing at a higher level than necessary in some pre-competitive marketing activity due to a reluctance to collaborate with other RDC's.
Theme:	Retailer Relations
<p>AEL does not have a strong history of retailer engagement. Major producers tend to own the commercial relationships and retail policy towards stocking eggs from different production systems creates tensions with the industry body.</p> <p>AEL does however invest resources into understanding consumers attitudes towards eggs and their eating and cooking habits that, where combined with the supermarkets own data, could be a useful contribution to improved category management.</p>	
Observation	A relationship with key retailers based around providing market insights and strategies for execution around business improvement could improve egg sales and consumption without interfering with commercial arrangements.
Theme:	Risk Management and Fraud Control Plan Actions
<p>The AEL Risk Management and Fraud Control Plans have adequately recognised and documented the key risks for the organisation. The idea is that these risks are continually assessed and actions developed to mitigate them. The way that these plans have been written means that the actions are perpetually ongoing; that is, they are references to continually trend behaviour back towards company policies and procedures.</p> <p>This has the impact of having these Plans sit on the shelf as static documents and suppresses creative thinking about mitigation. There is an alternative where actions are specific to the risk, with a nominated responsible person and are time limited.</p>	
Observation	Over time, AEL would be better served with Risk Management and Fraud Control Plans that were dynamic, reviewed twice annually by management, with updated specific actions and re-assessed likelihoods and consequences.
Theme:	Internal Audit
<p>As far as the reviewers could determine, AEL does not have a routine and ongoing program of internal auditing. Differing from a corporations law obligated external audit, internal audits can be much more flexible in their subject matter, depth, duration and cost. The Audit and Risk Committee could be recommending subject areas for investigation to the Board, and external agencies commissioned to undertake the work (considering the internal resources of AEL, conducting such an audit in-house would not seem feasible).</p>	
Observation	A modest internal audit program with perhaps an investigation every couple of years into an Audit and Risk Committee chosen relevant subject would be an improvement in governance for the organisation.
Theme:	Code of Ethics

Item	Other
The AEL Policy Manual contains a comprehensive Code of Ethics.	
Observation	The AEL Code of Ethics could be improved with a more explicit obligation on management to report to the Board any breaches of the code.
Theme:	Annual Operating Plan Project Costs
The AEL Annual Operating Plan is a document broadly describing the planned activities of the organisation for the coming year. Amongst others, it contains an income and expenditure statement which outlines the different sources of funding expected (including the egg promotion and layer chick levies and Commonwealth contribution). Under the operating expenditure part of the statement, there is no discrimination between the source of funding for each Goal, meaning that the reader has no understanding of the proportion of R&D or promotional work that is contained under each. Doing so would improve the understanding of the industry potentially (or at least give a reference for pointing towards) around the two key mandates of AEL being innovation and promotion.	
Observation	The Annual Operating Plan would be improved by adding information about the source of funding for the operational expenditure around each goal (being egg promotion levy, layer chick/ R&D levy plus matching and "other").

9.2. Response to 2016 Performance Review

9.2.1. Recommendations Implemented

Recommendation	Aust Eggs Response	2020 Review Response
<u>Governance</u>		
1.1 Review recently restructured Audit and Risk Committee terms of reference in line with recommended three lines of defence risk model (10.6.1)	Reviewed the Audit & Risk Committee ToR in line with recommended three lines of defence risk model	ToR's have been updated according to recommendation
1.2 Incorporate strategic risk areas into regular Board reporting	Incorporated strategic risk areas into regular Board reporting	"Strategy and Risk" section included in each MD Report for Board meetings
<u>Beneficiaries</u>		
2.1 Focus some future communications to levy payers on education of the role of AECL to better manage expectations	Focussed some future communications to levy payers on education of the role of AEL to better management expectations	A specific brochure was produced for this purpose
<u>Regulatory</u>		
3.1 Actively work with Government. Continue to work on establishing a separate representative egg industry body (EFA).	Continued to work on establishing a separate representative egg industry body (EFA) and reframed its communication strategy	EFA has been established successfully but ongoing support from AEL

Recommendation	Aust Eggs Response	2020 Review Response
When resolved, reframe media communications strategy as per rec 2.1		
3.2 Notwithstanding 3.1, to be effective AECL must at times make public statements and should not refrain from all public comment. To mitigate potential for contention, AECL should obtain clarity as to what constitutes appropriate industry comment as opposed to Agri-political activities. This should be framed within clear guidelines and overseen by the Audit and Risk Committee		AEL has taken a very conservative position with respect to agri-political activity and leaves anything of this nature to EFA
Direction		
4.1 Strengthen the nexus between risk and strategy at Board level by adopting more formal risk appetite statement and a priority assessment matrix that assesses risk in strategic decisions	Strengthened the nexus between risk and strategy at Board level by adopting more formal risk appetite statement and a priority assessment matrix that assesses risk in strategic decisions	Risk Management Plan incorporates risk management statements about different types of risk and ranks risks according to assessment criteria
4.2 Investigate options to complement the ROI model of performance measurement with an R&D measure for justification of investment	Investigated options to complete the ROI model of performance measurement with an R&D measure for justification of investment	BCAs are the only evaluation mechanism used in R&D. PRPs and FRPs have been redesigned to present business cases for investment, this has improved capacity to evaluate industry benefit
4.3 Develop a clear position on the strategy for retained earnings, reserves and re-investment	Developed a clear position on the strategy of retained earnings and reinvestment strategy	Document "Target Reserves Position" included in supplied documents (Board paper in February 2017)
Management		
6.1 Strengthen the alignment of PDs to the AOP with the use of individual scorecards	Strengthened the alignment of PDs to the AOP with the use of individual scorecards	PD's are semi-permanent documents and not updated to each AOP. All mention execution of the AEL Strategic Plan
Monitoring		
7.1 Implement more effective KPI monitoring to measure effectiveness in addition to the traditional activity measures	Implemented more effective KPI monitoring to measure effectiveness in addition to the traditional activity measures	KPIs and targets are the subject of specific recommendations and targets from the 2020 Performance Review
7.2 Develop exception reporting and dashboard reporting for the Board	Developed exception reporting and dashboard reporting for the Board	Agenda item which includes exception and dashboard reporting to June 2020 Board meeting sighted. AEL advises

Recommendation	Aust Eggs Response	2020 Review Response
		this is an agenda item at every meeting.
Renewal		
8.1 Formalise Directors succession plan for the impending retirement of the long term chairman	Formalised Directors succession plan for the impending retirement of the long term chairman	Only sighted succession planning commentary sighted was in the "Board and Chair Diagnostic" and "Board review options report". No formal document under AEL letterhead sighted
8.2 Implement more formal Board renewal processes within best practice nominations committee guidelines	Implemented more formal Board renewal processes with usual nominations committee guidelines	Board Charter adjusted to limit tenure past five continuous terms
8.3 Continue with independent Board assessment tri-annually and annual internal Board reviews using an agreed governance scorecard	Continued with independent Board assessment tri-annually and annual internal Board reviews using an agreed governance scorecard	Reports from both internal (2018) and external (2019) Board assessments have been reviewed and are good quality

9.2.2. Recommendations Not Implemented

Recommendation	Aust Eggs Response	2020 Review Response
Guidelines		
5.1 Investigate implementation of a compliance/risk management software to systemise processes and provide controlled audit trails and reporting	Not approved by AEL Board on the basis that they were deemed unnecessary or inapplicable at this time	MD advised that investigation determined that this software would be ill fitting considering organisation's size
Renewal		
8.4 Pursue development and innovation initiatives to support renewal of established senior management	Not approved by AEL Board on the basis that they were deemed unnecessary or inapplicable at this time	Note that almost 100% turnover in senior management after 2016 review. Recommendation is now more relevant given senior management team has been in place for a few years

10. Appendices

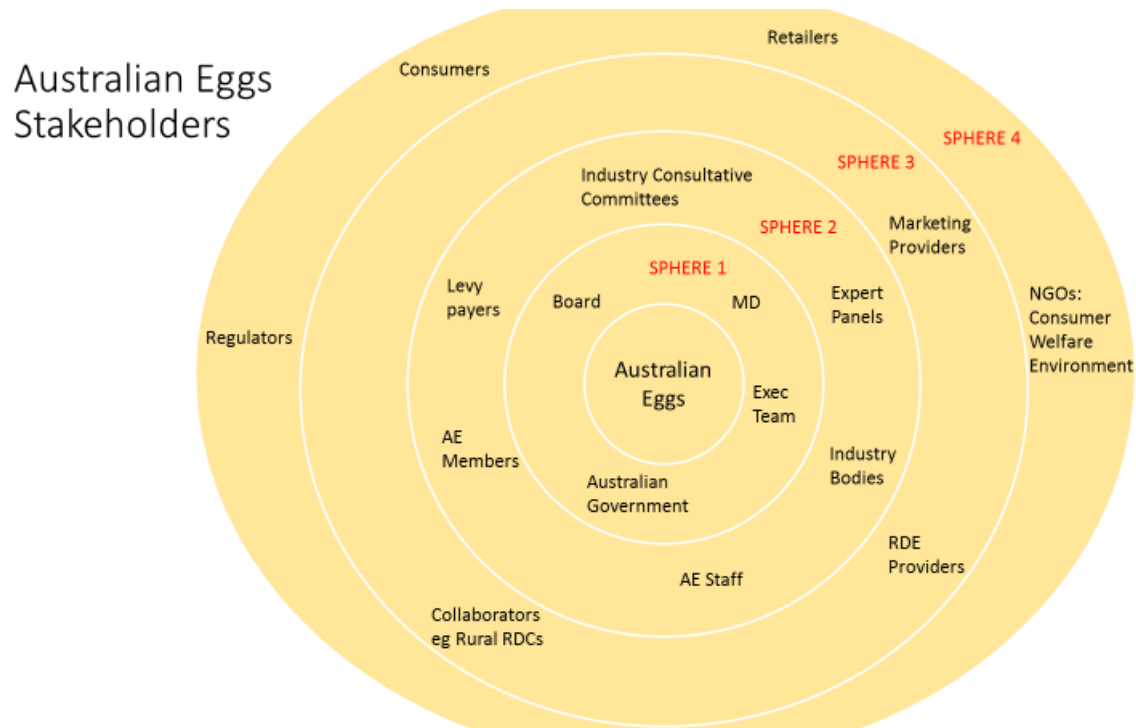
10.1. Stakeholder Interviews

10.1.1. Meeting and Consultation List

Date	Time	Purpose	Participants
1/04	9.30am	Inception Meeting	Rowan McMonnies, CEO Australian Eggs, Carron Elvin, Finance & Corporate Services Manager, Australian Eggs, Anwen Lovett and Andrew Spencer
7/04	2.30pm	Industry Outline Meeting	Rowan McMonnies, CEO Australian Eggs, Carron Elvin, Finance & Corporate Services Manager, Australian Eggs, Anwen Lovett and Andrew Spencer
16/04	3.30pm	Meeting with the Department of Agriculture, Water and the Environment	Christie Renton, Director, Animal Products Section, DAWE, Alice Clark, Policy Officer, Animal Products Section, DAWE, Anwen Lovett and Andrew Spencer
20/04	9.00am	Culture Review Debrief	Rowan McMonnies, MD Australian Eggs, Anwen Lovett
20/04	12.00pm	Marketing Function Debrief	Frances Jewell, Marketing and Communications Manager, Australian Eggs, Anwen Lovett, Andrew Spencer
20/04	3.00pm	Innovation Function Debrief	Gemma Wyburn, Innovation Program Manager, Australian Eggs, Anwen Lovett
21/04	3.30pm	Finance & Corporate Services Function Debrief	Carron Elvin, Finance Manager and Company Secretary, Australian Eggs, Anwen Lovett, Andrew Spencer
27/04	1.30pm	Chair Debrief	Danny Jones, Chair, Australian Eggs, Anwen Lovett, Andrew Spencer
30/04	7.00pm	Director Debrief – Bede Burke	Bede Burke, Director, Australian Eggs, Anwen Lovett, Andrew Spencer
1/05	8.30am	MD Catch-up	Rowan McMonnies, MD Australian Eggs, Anwen Lovett, Andrew Spencer
1/05	2.00pm	Staff Interview	Nicholas Baker, R&D Adoption Coordinator, Anwen Lovett
4/05	3.00pm	Director Debrief – Catherine Cooper	Catherine Cooper, Director, Australian Eggs, Anwen Lovett, Andrew Spencer

Date	Time	Purpose	Participants
5/05	11.00am	State Industry Representative Body Interview	Dion Andary, Commercial Egg Farmers Association South Australia and Tasmania, Anwen Lovett
6/05	10.00am	State Industry Representative Body Interview	John Coward, QUEP, Anwen Lovett
7/05	1.30pm	Farmer perspective	Paul Pace, Anwen Lovett
8/05	9.00am	Egg Farmers of Australia Interview	Melinda Hashimoto, Executive Director, Egg Farmers of Australia, Anwen Lovett, Andrew Spencer
8/05	12.00pm	Farmer perspective/ State Industry Representative Body	Franko Pirovic, Anwen Lovett
8/05	5.00pm	State Industry Representative Body Interview	Ian Wilson, CEPA WA, Anwen Lovett
11/05	3.00pm	Farmer perspective	Phil Szepi, Kinross Farms, Anwen Lovett
13/05	10.00am	RDCs collaboration	Tim Lester, Council of Rural Research and Development Corporations, Anwen Lovett
13/05	1.30pm	AEL Service Provider perspective	Kieren Moffat, CSIRO, Anwen Lovett
13/05	2.00pm	Marketing ICC	Grant Dearen, Pace Farms, Anwen Lovett
13/05	3.00pm	DAWE Second Catch Up	Michael Ryan, Anwen Lovett, Andrew Spencer
14/05	8.30am	Progress Report – MD	Rowan McMonnies, MD Australian Eggs, Anwen Lovett, Andrew Spencer
14/05	4.00pm	Farmer perspective	Roxanne Manhire, Country Range Farming, Anwen Lovett
19/05	10.00am	Farmer perspective	Julie Proctor, CEO Sunny Queen, Anwen Lovett
19/05	3.00pm	State Industry Representative Body Interview	Tony Nesci, VFF Egg Group, Anwen Lovett
21/05	11.30am	AEL Service Provider perspective	Rajé Hiranand, Haussman, Anwen Lovett
4/06	4.00pm	Innovation ICC	Peter Bell, Anwen Lovett

10.1.2. Stakeholder Engagement Plan



10.1.2.1. Sphere 1

Management

People	Purpose	When
Rowan McMonnies (MD)	<ol style="list-style-type: none"> 1. Funding Agreement Compliance 2. Implementation of Strategic and Operational Plans 3. Organisational leadership 4. Servicing industry needs – industry state of play 5. Stakeholder Engagement <ul style="list-style-type: none"> • Industry/levy payer • Australian Government 6. Partnerships and Collaboration 7. Specific questions <ul style="list-style-type: none"> • Outline of the cross RDC collaboration on consumer trust and AEL's role in getting this off the ground • Rowan's contracted dates of employment? 	Ongoing
Carron Elvin (Finance Manager and Company Secretary)	<ol style="list-style-type: none"> 1. Funding Agreement Obligations 2. Audit and Financial Reporting 3. Operational Plan Implementation and Performance 	Ongoing

People	Purpose	When
	<ol style="list-style-type: none"> 4. Company Secretary Functions – Board Meeting Practices and Processes – Calendar, Agendas, Minutes, Policies and Reviews 5. Operational Policies / Guidelines – Procurement, Records, Travel and Accommodation, Human Resources.... 6. Issues and opportunities for improvement 7. Specific questions: <ul style="list-style-type: none"> • Fraud Control Plan states that “Australian Eggs will conduct a comprehensive assessment of the risks of fraud and corruption within its business operations every two years with a view, on each occasion, of developing an effective anti-fraud and anti-corruption treatment program that specifically addresses the risks faced by Australian Eggs” – should ask Carron about this one 	
Gemma Wyburn (Innovation Program Manager)	<ol style="list-style-type: none"> 1. Implementation of Strategic and Operational Plan RD&A priorities 2. Application of industry survey and stakeholder needs in RD&A 3. RD&A Innovation principles and investment cycle – Programs/Projects/Capacity 4. Funding Contract – application RD&A funds 5. Australian Government RDE Priorities – achieving alignment in RD&A portfolio 6. Partnerships and Collaboration (international?) 7. Evaluation of Impact 8. Issues and opportunities for improvement 9. Specific questions: <ul style="list-style-type: none"> • Describe what has/ is happening with the Australian Animal Welfare Standards and Guidelines for Poultry process. Could AEL have done more to have got to a more successful outcome for the industry? What role has AEL played in facilitating a successful completion or contributing to the cessation in the process for the S&G’s? What ongoing impacts is the lack of a new S&G having on the organisation/ industry? • Ask about ESA – how is it administered? Is it recovering costs? Industry coverage? Third party involvement? • “AEL also has no domestic or international commercial R&D partnerships” – is this true? 	20 April
Frances Jewell (Marketing and Communications Manager)	<ol style="list-style-type: none"> 1. Implementation of Strategic and Operational Plan Communication and Marketing Priorities 2. Market/Retailer Engagement connectivity with industry priorities – split of eggs by retail and other channel, difference between pullets and layers 3. Industry Survey application to marketing strategy 	20 April

People	Purpose	When
	4. Funding Contract – application marketing and promotion funds 5. Evaluation of impact 6. Issues and opportunities for improvement 7. Specific questions: <ul style="list-style-type: none"> • What production and/ or price information is fed back to industry as a service to growers? 	

Board Consultation

People	Purpose	When
Danny Jones (Chair)	1. Funding Agreement Oversight - Australian Eggs role 2. Governance – Policies and Committees 3. Strategy Setting	27 April
Catherine Cooper (Independent)	4. Risk Management Framework – Board appetite 5. Stakeholder Engagement Oversight – industry relationship 6. Board performance processes	4 May
Bede Burke (Industry)	7. AGM 8. Issues and opportunities for improvement 9. Specific questions: <ul style="list-style-type: none"> • Audit & Risk Committee membership – appropriate that the Chair of the Board sits on it? (Catherine) 	30 April

Australian Government Consultation - Department

People	Purpose	When
Christie Renton (Director, Animal Products)	1. Compliance with Funding Agreement 2. Communication and AE engagement with Department 3. Response to 2016 Performance Review Recommendations 4. Australian Government Strategic Priorities for RDCs – collaboration	16 April
Laura Johnson (Assistant Director, Animal Products)	5. Issues and opportunities for improvement	
Mike Ryan (Director Agricultural Policy Division)		13 May

10.1.2.2. [Sphere 2](#)

Industry Consultative Committees and Expert Groups

People	Purpose	When
Marketing ICC	1. Clarity of role, function and effectiveness of ICC – ToR	from

- Grant Dearden, Pace Farm Innovation ICC - Peter Bell Sustainability Framework - Ian Wilson, CEPA	2. Fit with AE priorities – ICC input, response and adoption 3. Membership 4. Alignment with industry need 5. Issues and opportunities for improvement	27 April to 15 May
--	---	-----------------------

AEL Staff

People	Purpose	When
Nick Baker R&D Adoption Coordinator Joanne Belford Mar Comms Specialist	1. Strategic priorities of AE – communication and confidence 2. Roles and responsibilities – alignment with strategy and AOP 3. Human Resource Management – objective setting/ appraisal process 4. Issues and opportunities for improvement	11 May

Industry Bodies, Levy Payers and AE Members

People	Purpose	When
Eggs Farmers of Australia – Melinda Hashimoto Queensland United Egg Producers – John Coward NSW FA Egg Cttee Franko Pirovic VFF Egg Group – Tony Nesci Commercial Egg Producers of WA – Ian Wilson Commercial Egg Farmers Association South Australia and Tasmania – Dion Andary	1. Industry needs – what is important to the industry 2. Communication and engagement with AE 3. Clarity of AE industry service provision role 4. Efficiency and Effectiveness of AE from industry perspective 5. Benefit and outcomes to industry of AE 6. Issues and opportunities for improvement	20 April week of from 27 April – 15 May

People	Purpose	When
AE Levy Payers – Julie Proctor CEO Sunny Queen – Phil Szepi CEO – Kinross Farms – Paul Pace Pace Farm – Robert Antonio Mclean Farms – Roxanne Manhire Country Range Farming	<ol style="list-style-type: none"> 1. Industry and business needs – what is important 2. AE Performance 3. Industry outcomes and impact 4. Value for money 5. Effectiveness of communication and engagement 	from 27 April – 15 May
Survey Respondents and ad-hoc submissions	<i>Desktop review of 2018 and 2019 Survey Responses</i> <ol style="list-style-type: none"> 1. AE Performance 2. Industry outcomes 3. Value for money 4. Effectiveness of communication and engagement 	4 May

10.1.2.3. Sphere 3

AE Collaborators, RDE, Marketing and Communication Providers

People	Purpose	When
Rajé Hiranand Hausmann Dr Kieren Moffat CSIRO	<ol style="list-style-type: none"> 1. Clarity, communication and efficiency of working with AE 2. Efficiency of reporting, administration and contracting processes 3. Impact of activity 4. Opportunities for improvement 	11 May
Council of RDCs – Tim Lester, Executive Officer	<ol style="list-style-type: none"> 1. Strategic operating context for RDCs 2. CRRDC view on collaboration 3. Communication and engagement with AE 	13 May

10.1.2.4. Sphere 4

Retailers, Regulators and Consumer NGOs Views

People	Purpose	When
Individual consultation not to be undertaken	Desktop scan of media relevant to the egg industry to provide operating context for AE. Consultation with AE Management.	11 May

10.2. Document Review List

Documents studied for the purposes of this review include:

- Egg Industry Service Provision Act (2002)
- Australian Eggs Limited Constitution
- Funding Contract with the DAWE
- AEL Governance Framework and Governance Policy
- AEL Strategic Plan 2017-2021
- AEL Annual Operating Plan 2019-2020, 2018-2019 & 2017-2018
- AEL Annual Reports 2018-2019, 2017-2018 & 2016-2017 versions
- Australian Eggs Performance Review 2016 version
- AEL Board Performance Review - AEL Board and Chair Diagnostic (2019)
- AEL Risk Management Plan
- AEL Intellectual Property Management Plan and IP Register
- AEL Fraud Control Plan
- AEL Board Charter
- AEL Board papers - Feb 2020, November and December 2019
- AGM Order of Procedure and AGM Minutes from the 2017, 2018 & 2019 meetings
- AEL Directors Register of Interests
- AEL Policy Manual
- AEL Cost Allocation Policy
- AEL Target Reserves Position
- Egg Farmer Survey May 2016 - "Collated Industry Responses"
- Standard Employment Agreement
- Staff objective setting and appraisal documentation
- AEL Organigramme

10.3. Compliance and Governance Tables

10.3.1. Constitution

The following table lists the clauses against which Australian Eggs Ltd has obligations under its Funding Contract with the Australian Government⁶. is included as an amended version of that from

⁶ The SED Partners Performance Review (2016) presented their assessment of AEL compliance with the Funding Contract under this format which has been repeated for this review.

the previous SED Partners Performance Review (2016) Report with the “status” or assessment updated.

Relevant Clause	Requirement or Measure	Assessment
2.1	Objects of the Company – expressed broadly around leadership, managing funds, invest in activities on behalf of the industry and generally act in the best interests of the industry	Broadly compliant and most of the individual issues listed are covered in other parts of the table or this document
2.2	The Company must not make grants, or otherwise provide financial assistance, to another body that represents the Australian Egg Industry	Could arguably see the Company as non-compliant with this clause since AEL have made financial grants to EFA but broad consultation including with the DAWE and no use of levy or matching funding for this purpose has all parties satisfied
2.3	The Company must not engage in Agri-Political Activity	The Board and Management seem to have a very conservative view about meeting this condition and expressed a high level of awareness of this obligation. EFA, state egg representative bodies and large egg farmers all expressed a strong understanding that AEL must not engage in agri-political activity. There are some egg farmers who would still like AEL to engage agri-politically. However, the reviewers found no evidence or sources of concern about AEL engaging in agri-political activity.
2.4	If any director of the company is concerned about the potential of agri-political status of a particular activity, they must consult with the Board and the Minister or his delegate for clarity before acting	This type of consultation with the Minister or their delegate has not been necessary in this review period. General issues about agri-political potential are apparently discussed from time to time in the Funding Contract meetings with the DAWE
5.	No Dividends or Distribution <ul style="list-style-type: none"> All funds to be directed toward the Company objects. 	Compliant as observed
6.	Admission of Members <ul style="list-style-type: none"> Egg farmers are eligible Application process for membership Admission of membership Decisions on membership Initial members Expulsion of members Cessation of membership Membership not Transferable Equitable and other claims. 	AEL report no complaints or evidence of any non-compliant membership administration issues
7.	Rights of Members	Compliant as observed

Relevant Clause	Requirement or Measure	Assessment
	<ul style="list-style-type: none"> Voting rights are determined on the basis of laying hen numbers. Members to receive annual reports, members able to attend/speak at meetings. 	
8. 9.	<p>Associate Members and their Rights</p> <ul style="list-style-type: none"> For persons with a relationship with the Australian Egg industry and at the Board's discretion Do not have voting rights. 	Compliant as observed
10.	<p>General Meetings</p> <ul style="list-style-type: none"> Board responsibility to call meetings, Advanced notice to be given to members. 	Compliant as observed
11.	<p>Proceedings of Meetings</p> <ul style="list-style-type: none"> Purpose is review of financial accounts, elect Board members, appoint auditor Board approval required for resolutions. A quorum is 10 members. Votes are via a show of hands and matters can be referred to a poll of members. 	Compliant as observed
12.	<p>Votes of Members</p> <ul style="list-style-type: none"> Voting rights, appointment of proxies, power of attorney. 	Compliant as observed
13.	<p>Directors</p> <ul style="list-style-type: none"> Minimum of 3, maximum of 7, up to 4 elected directors and 3 specialists including the Managing Director Half the elected directors to retire and stand for re-election each year Aggregate remuneration is capped at \$150k pa for non executive directors. This does not include travel costs/extra services. 	The Board currently operates with 3 elected directors and 3 specialist directors (including the MD). Either two or one of the elected directors have retired each year since the last Performance Review. Board remuneration is compliant with the cap (document sighted). Non-executive directors are remunerated for services "above and beyond expected for a normal director" – Board Chair, Committee member, extra services
14.	<p>Appointment of an Executive Officer</p> <ul style="list-style-type: none"> Is by the Board who may confer or excise powers to the Executive Officer exercisable by the Board. 	Compliant as observed
15.	<p>Proceedings of Directors</p> <ul style="list-style-type: none"> The Board may meet, adjourn or otherwise regulate its meetings at it sees fit, delegate powers to committee, resolutions in writing. 	Compliant as observed
16.	<p>Powers of the Board</p> <ul style="list-style-type: none"> The management and control of the business and affairs of the Company are vested in the Board. Use of seal 	Compliant as observed
17.	<p>Notices</p> <ul style="list-style-type: none"> A notice may be given by the Company to any member. 	Compliant as observed
18.	<p>Winding Up</p> <ul style="list-style-type: none"> Residual assets returned to member 	Not relevant for this review period

Relevant Clause	Requirement or Measure	Assessment
19.	Indemnity of Officers <ul style="list-style-type: none"> Company to indemnify officers 	Compliant as observed

10.3.2. Funding Contract

Relevant Clause	Requirement or Measure	Assessment
Clause 3.4	The company will commence the negotiation of next funding contract at least six months before the expiry of the present funding contract	Future requirement
Clause 4.2	The company must fully cooperate with the Commonwealth in accessing premises, data and documentation required for monitoring compliance of the company	DAWE advised that no matters occurred during the review period which required the Commonwealth to invoke this Clause.
Clause 4.4	The company must keep confidential material confidential	No evidence found which would suggest non-compliance.
Clauses 4.7, 4.8 and 4.9	The company broadly grants the Commonwealth a license over any reports or plans generated under the agreement and the company agrees to pursue the same license from any third parties with an interest in the reports or plans. Where this is not possible, the Commonwealth is to be appropriately informed	Commonwealth has not reported any cases of non-compliance with this clause.
Clause 14.1	The company must operate under a framework of good governance drawing on guides such as the ASX Corporate Governance Principles	Framework has been reviewed and evidence that the company refers to the ASX Corporate Governance Principles. See also part four of this report.
Clause 14.2	This framework (14.1) must include a governance policy committing to effective governance with ongoing improvement and including: <ul style="list-style-type: none"> Board charter Matters reserved for the Board Board delegations of authority Charter of the Audit Committee and Nomination Committee Board appointments, composition, renewal and succession planning Code of conduct Board performance assessment processes 	Governance Policy has been sighted and is built around the ASX Corporate Governance Principles and Recommendations. Policies, procedures and other documentation are existing for all points listed. Board succession plan covered in latest Board appraisal document (and supplementary Board review options report document) by Bandera Capital
Clause 14.3	The company must establish a skills-based Board with collective expertise in: <ul style="list-style-type: none"> Legal, compliance and corporate governance Production and/ or processing in the egg industry Finance and business management Marketing and market development 	Compliant as observed. A Board skills matrix has however not been formalised in a document

Relevant Clause	Requirement or Measure	Assessment
	<ul style="list-style-type: none"> Research and development administration and commercialisation 	
Clause 14.4	The Nomination and Audit Committees must comprise a majority of independent directors	Comments from the Board were that all directors consider themselves independent
Clause 14.5	Members of company committees or panels must disclose potential conflicts of interest	Compliant as observed
Clause 15.1	The company must effectively represent its members and levy payers in carrying out its broad industry services	Industry stakeholders generally report AEL as meeting its service obligations to levy payers
Clause 15.2	The company must facilitate all levy payers becoming members through information and advice	Compliant as observed
Clause 15.3	The company must not engage in agri-political activity, claim to be a representative body or involve itself in political campaigning	Compliant as observed. Note comments against Clause 2.1. of Constitution table
Clause 15.4	The company must retain an appropriate constitution and involve the Commonwealth fully in any planned and actual changes to the constitution	Compliant as observed
Clause 16.1	The company must advise the Commonwealth if its status of effective industry services body is threatened in any way, or threats to implementation of the Strategic Plan or comply with the Funding Contract	No issues raised during the review period.
Clause 17.2	The company will advise the Commonwealth if a conflict of interest arises in the ability of the company to perform its obligations under the agreement	No matters advised to the Commonwealth.
Clause 18.1	The company must complete a Performance Review with Report at least six months before the expiry of the Funding Contract (but not more than 12 months before without agreement)	Compliant as observed
Clause 18.2	The company must agree the Terms of Reference for the Performance Review with the Commonwealth at least six months before it commences	Compliant but note agreement from the DAWE was late (without issue from DAWE)
Clause 18.3	For the Performance Review, the company must engage an independent organisation which has not been involved in reviews or similar in the previous four years for the company	Compliant as observed
Clause 18.4	<p>The Performance Review should take into account the company's:</p> <ul style="list-style-type: none"> Meeting the obligations of this agreement Implementing appropriate governance arrangements Implementing and achieving outcomes of its Strategic Plan 	Included within the review terms of reference

Relevant Clause	Requirement or Measure	Assessment
	<ul style="list-style-type: none"> Delivering benefits and meeting the needs of levy payers, members and other direct stakeholders Consulting with levy payers and representative bodies Other matters the Commonwealth may require 	
Clause 18.5	The draft Performance Review Report should be provided to the Commonwealth at the same time as it is received by the company and the final Report within 14 days of it being provided to the Board	Future requirement
Clause 18.6	An implementation plan in response to the Performance Review Report should be developed within 30 days of the Board's acceptance of the Report and provided to the Commonwealth within 30 days of the Board's acceptance of that plan	Future requirement
Clause 18.7	The Performance Review Report will be taken into account in the renegotiation of the Funding Contract	Future requirement
Clause 18.8	The company must publish the Report on its website within 10 days of it being finalised	Future requirement
Clause 19.3	The company should cooperate with the Commonwealth for any interim review of performance or compliance with explanations and reports within a reasonable time	No interim review requests made by the Commonwealth
Clause 19.4	The company must appropriately respond to any audit request by the Minister at its own expense and provide the resulting report within 14 days of receiving it	No audits requests made since previous review.
Clause 19.5	The company may be requested to take action as a result of any audits or reviews (clause 19.4) by the Minister upon which it must review and comment on any issues or respond (1) within 30 days detailing actions to be undertaken, (2) within 60 days regarding actions not agreed to be implemented and negotiate in good faith and (3) within 90 days outline actions taken and progress of outcomes	No requests to take action..
Clause 19.6	Progress on issues identified under clause 19.5 will be reported in the company's Annual Report	Not relevant for this review period
Clause 20.4	Where the company has been ordered to terminate by the Commonwealth, a plan for cessation must be prepared outlining the return of funds to the Commonwealth and payment of employee entitlements	Not relevant for this review period
Clause 22.2	The company must have the appropriate rights to deal with agreement related assets and liabilities as	Not relevant for this review period

Relevant Clause	Requirement or Measure	Assessment
	required by the Commonwealth in the case of no longer being the declared Industry Services Body	
Clause 22.3	The list of assets and liabilities referred to in clause 22.2 should be provided to the Commonwealth upon request within 10 business days	Not relevant for this review period
Clause 23.1	The Chair or his director nominee must meet with the Commonwealth at six monthly intervals from execution of the agreement to brief the Commonwealth on performance and functional defined issues	Compliant as observed
Clause 23.4	The Board must notify the Commonwealth if any newly issued Guidelines would result in directors working in contradiction of their responsibilities	Not relevant for this review period
Clause 24.5	The company must advise the Commonwealth of estimates of expected levy and matching funding income for the current and forward years if requested	No requests made by the Commonwealth.
Clause 24.8	The company must provide at the end of a financial year an audit report justifying and verifying the amount of matching claim	No such audit report was sighted but the intention to provide was noted in the Funding Contract compliance checklist for the Audit and Risk Committee
Clause 25.1	The company must implement systems that ensure the responsible and appropriate use of the funds	No evidence to consider non-compliant
Clause 25.2	The company must advise the Commonwealth of these systems (25.1) upon request	Not relevant for this review period
Clause 25.3	The company cannot delegate the responsibilities outlined in clause 25.1	No reason to consider non-compliant
Clause 25.4	The company must maintain, implement and regularly review (providing updates to the Commonwealth within 30 days) a Risk Management Plan, a Fraud Control Plan and an Intellectual Property Management Plan	Compliant as observed. All plans referred to have been sighted
Clause 25.5	The systems in 25.1 must take into account the Plans in 25.4	No evidence to consider non-compliant
Clause 25.6	The company must comply with Australian accounting standards in recording the use of the funds separately for promotion, R&D, matching funding and voluntary contributions	Assumed that this obligation is a responsibility that is checked by auditors
Clause 26.1	The company must spend the funds consistent with the Act, the Agreement, any Guidelines and the Strategic Plan	No evidence from stakeholders or documentation indicate any inconsistent use of Funds
Clause 26.2	The funds must be spent consistent with their source; promotion funds on Marketing Activities, R&D funds and Matching funds on R&D Activities	No reason to consider non-compliant. AOP and Annual Reports provide evidence of investment against the source

Relevant Clause	Requirement or Measure	Assessment
Clause 26.3	The company must not spend Funds on representative bodies unless these are clear arms length transactions for service or goods delivery	EFA receives AEL funding from non-Funding Contract financial contributions. DAWE is aware of this arrangement and have not expressed concerns
Clause 26.5	The company must publish any written notice for the return of funds to the Commonwealth in the next Annual Report	Not relevant for this review period
Clause 27.1	The company must acknowledge the contribution of matching funds in any company publication	No reason to consider non-compliant
Clause 28.1	The company must consult with levy payers and members over priorities for company activities and to report on performance	No reason to consider non-compliant – e.g. Strategic Plan consultations are underway. There is an annual levy payer survey.
Clause 28.2	The company must consult with representative bodies at least six monthly regarding priorities for activities and performance reporting	Observed as happening much more frequently. MD reported as being in regular (1 to 2 months) contact with EFA and state bodies
Clause 29.1	The company must make available a nominated list of resources on its website	Compliant as observed
Clause 29.3	The company must when making grants advise all applicants of grant decisions	This is done for project tenders and request for proposals
Clause 30.1	The company must maintain a Commonwealth endorsed Strategic Plan covering a three to five year period updating annually as necessary (with copies to the Commonwealth within 30 days of Board endorsement) and place a copy on its website	Compliant as observed
Clause 30.2	The Strategic Plan (30.1) must include a listed series of information (see actual agreement)	Compliant however no specific targets for KPI's have been set
Clause 30.3	When developing or varying the Strategic Plan, a consultation plan must be made with all key stakeholders	Compliant as observed
Clause 30.4	Provision for feedback (30.3) must be possible through the company website	Compliant as observed
Clause 30.5	Such consultation plan (30.3) must be discuss with representative bodies and agreed with the Commonwealth	Compliant as observed
Clause 31.1	The company must develop an evaluation framework with nominated conditions and content within six months of execution of the agreement	Compliant as observed
Clause 31.2	The company must consult with the Commonwealth in preparing the evaluation framework (31.1) and participate in relevant evaluation projects for all RDC's	Compliant as observed. AEL has adopted CRRDC BCA framework for evaluation of research impact.

Relevant Clause	Requirement or Measure	Assessment
Clause 31.3	The evaluation framework must be included on the company website within 30 days of being adopted	Compliant as advised
Clause 32.1	The company must develop an Annual Operational Plan (AOP) (containing a nominated list of information) and provide it to the Commonwealth before July 1 each year	Compliant but no specific targets within the AOP's
Clause 32.2	Variations to the AOP must be advised to the Commonwealth within 30 days of being adopted	Compliant as advised
Clause 33.1	The company must develop and deliver four copies of an Annual Report (compliant with the <i>Corporations Act</i>) to the Commonwealth by December of each year	Compliant as advised
Clause 33.2	The Annual Report (33.1) must contain and outline a listed series of information declared in the agreement	Compliant as observed
Clause 34.1	The company must provide a Compliance Audit Report (specific contents nominated) to the Commonwealth within five months of the end of the financial year	Compliant as observed
Clause 34.2	The Compliance Audit Report must include a statement outlining that it was prepared for the purposes of the agreement	Compliant as observed
Clause 35.1	The company must provide a Certification Report (specific conditions and contents nominated) to the Minister within five months of the end of the financial year	Compliant as observed

10.3.3. ASX Corporate Governance Principles and Recommendations

10.3.3.1. Lay solid foundations for management and oversight

Rec	Requirement or Measure	Appropriate response from AEL plus Assessment
1.1	A listed entity should have and disclose a board charter setting out: <ul style="list-style-type: none"> a) the respective roles and responsibilities of its board and management and b) those matters expressly reserved to the board and those delegated to management. 	Appropriate Board Charter has been reviewed and is in place
1.2	A listed entity should:	AEL Constitution provides for the appointment and election of directors and relevant conditions. The process around specialist directors

Rec	Requirement or Measure	Appropriate response from AEL plus Assessment
	<ul style="list-style-type: none"> a) undertake appropriate checks before appointing a director or senior executive or putting someone forward for election as a director and b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. 	<p>appears comprehensive however appointment of elected directors is left to the electoral process.</p> <p>Constitution allows for recommendations to members around candidate suitability which could be further explored. Relevant process for recruitment of senior executives is in place.</p>
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Employment contracts in place with employees. Directors do not have a signed document of appointment
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Covered adequately in the Board Charter
1.5	<p>A listed entity should:</p> <ul style="list-style-type: none"> a) have and disclose a diversity policy; b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and c) disclose in relation to each reporting period: <ul style="list-style-type: none"> 1. the measurable objectives set for that period to achieve gender diversity; 2. the entity's progress towards achieving those objectives; and 3. either: <ul style="list-style-type: none"> A. the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or B. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality 	<p>AEL being a relatively small organisation with ten employees should have a pragmatic approach to ensuring the right mix of skills, experience, backgrounds, approaches and thinking. Two of five NED's and six of ten employees being female would indicate a good gender mix is presently in place. Nevertheless, diversity goes beyond gender balance and a simple diversity policy would not be out of place</p>

Rec	Requirement or Measure	Appropriate response from AEL plus Assessment
	Indicators", as defined in and published under that Act.	
1.6	<p>A listed entity should:</p> <ul style="list-style-type: none"> a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors and b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period. 	Policy on Board appraisals is in place and outlined in the Annual Reports with three yearly cycle of external appraisals and internal appraisals in between
1.7	<p>A listed entity should:</p> <ul style="list-style-type: none"> a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period and b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period. 	CEO evaluation performed by the Chair on behalf of the Board annually. Senior managers evaluations performed by the CEO with assumed exception reporting to the Board annually.

10.3.3.2. Structure the board to be effective and add value

Rec	Requirement or Measure	Appropriate response from AEL plus Assessment
2.1	<p>The board of a listed entity should:</p> <ul style="list-style-type: none"> a) have a nomination committee which: <ul style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, <p>and disclose:</p> <ul style="list-style-type: none"> (3) the charter of the committee (4) the members of the committee and 	Nominations Committee is in place. Meets only when required and no ongoing membership or Chair. No mention of the Nominations Committee meeting in the 2019 nor 2018 nor 2017 financial years in the Annual Reports.

Rec	Requirement or Measure	Appropriate response from AEL plus Assessment
	<p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings or</p> <p>b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills that the board currently has or is looking to achieve in its membership.	Skills Matrix not sighted
2.3	<p>A listed entity should disclose:</p> <p>a) the names of the directors considered by the board to be independent directors</p> <p>b) if a director has an interest, position or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position or relationship in question and an explanation of why the board is of that opinion and</p> <p>c) the length of service of each director.</p>	<p>All directors are considered to be independent. A register of interests of directors is kept up to date and tabled at each board meeting.</p> <p>Information relating to the terms of each director since 2015-16 has been provided upon our request.</p>
2.4	A majority of the board of a listed entity should be independent directors.	All directors are considered to be independent
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	All directors are considered to be independent. The Chair and the Managing Director are not the same person
2.6	A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.	The skeleton of a generic induction process is outlined in the Board Charter. No professional development section in the Policy Manual

10.3.3.3. Instil a culture of acting lawfully, ethically and responsibly

Rec	Requirement or Measure	Appropriate response from AEL plus Assessment
3.1	A listed entity should articulate and disclose its values.	No articulation of values found
3.2	A listed entity should: <ul style="list-style-type: none"> a) have and disclose a code of conduct for its directors, senior executives and employees and b) ensure that the board or a committee of the board is informed of any material breaches of that code. 	Code of Ethics for directors and employees included within the Policy Manual – mandatory compliance. Non-compliance requires reporting but not specified to Board
3.3	A listed entity should: <ul style="list-style-type: none"> a) have and disclose a whistle-blower policy and b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy. 	Policy is included within the Code of Ethics in the Policy Manual. See above
3.4	A listed entity should: <ul style="list-style-type: none"> a) have and disclose an anti-bribery and corruption policy and b) ensure that the board or a committee of the board is informed of any material breaches of that policy. 	Covered in the Code of Ethics – see above

10.3.3.4. Safeguard the integrity of corporate reports

Rec	Requirement or Measure	Appropriate response from AEL plus Assessment
4.1	The board of a listed entity should: <ul style="list-style-type: none"> a) have an audit committee which: <ul style="list-style-type: none"> (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: <ul style="list-style-type: none"> (3) the charter of the committee; 	Audit and Risk Committee exists with known members and credentials. Meeting attendance and frequency information contained within the Annual Reports. Charter in place

Rec	Requirement or Measure	Appropriate response from AEL plus Assessment
	<p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	No management letter has been sighted
4.3	A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.	In the reviewers' opinion does not apply in the case of AEL as an unlisted not-for-profit

10.3.3.5. Make timely and balanced disclosure

Rec	Requirement or Measure	Appropriate response from AEL plus Assessment
5.1	A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.	A recommendation for listed entities and doesn't apply in the reviewers' opinion in the case of AEL
5.2	A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.	A recommendation for listed entities and doesn't apply in the reviewers' opinion in the case of AEL
5.3	A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.	A recommendation for listed entities and doesn't apply in the reviewers' opinion in the case of AEL

10.3.3.6. Respect the rights of security holders

Rec	Requirement or Measure	Appropriate response from AEL plus Assessment
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Where investors could be seen to reflect members in the case of AEL, this is done
6.2	A listed entity should have an investor relations program that facilitates effective two-way communication with investors.	Covered through the stakeholder engagement activities of AEL
6.3	A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.	There are clear procedures around general meetings. Ad hoc processes existing which enable less formal member/ farmer meetings
6.4	A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.	Covered by very clear procedures outlined in the Constitution of AEL
6.5	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Where security holders are analogous to AEL members, email correspondence is possible

10.3.3.7. Recognise and manage risk

Rec	Requirement or Measure	Appropriate response from AEL plus Assessment
7.1	<p>The board of a listed entity should:</p> <p>a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors and</p> <p>(2) is chaired by an independent director,</p> <p>and disclose</p> <p>(3) the charter of the committee</p> <p>(4) the members of the committee and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings or</p>	In place – see comments about Audit and Risk Committee above

Rec	Requirement or Measure	Appropriate response from AEL plus Assessment
	<p>b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	
7.2	<p>The board or a committee of the board should:</p> <p>a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board and</p> <p>b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>This is a Board agenda calendar item which is presumably made known to membership</p>
7.3	<p>A listed entity should disclose:</p> <p>a) if it has an internal audit function, how the function is structured and what role it performs or</p> <p>b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes.</p>	<p>No formal internal audit function at AEL. Continuous improvement covered by general operational management, evaluations and appraisals</p>
7.4	<p>A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.</p>	<p>AEL marketing and communications functions have a strong consumer/ social engagement focus. AEL Sustainability Framework assists in managing environmental and social risk</p>

10.3.3.8. Remunerate fairly and responsibly

Rec	Requirement or Measure	Appropriate response from AEL plus Assessment
8.1	<p>The board of a listed entity should:</p> <p>a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors and</p> <p>(2) is chaired by an independent director</p>	<p>No remuneration committee is in place and no role understood for the Nominations Committee. Process unclear but this is not unusual in a small organisation</p>

Rec	Requirement or Measure	Appropriate response from AEL plus Assessment
	<p>and disclose:</p> <p>(3) the charter of the committee</p> <p>(4) the members of the committee and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings or</p> <p>b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Board and senior management remuneration (short term and post employment) is declared in Annual Report
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme and</p> <p>b) disclose that policy or a summary of it.</p>	Not applicable

10.3.4. AICD Not For Profit Governance Principles

10.3.4.1. Purpose and strategy

“The organisation has a clear purpose and a strategy which aligns its activities to its purpose”

Number	Guideline	Assessment
1.1	The organisation’s purpose is clear, recorded in its governing documents and understood by the board	Purpose is expressed as the Vision in the Strategic Plan as “Proactively support egg farmers to increase egg consumption and ensure industry sustainability”

Number	Guideline	Assessment
1.2	The board approves a strategy to carry out the organisation's purpose	Strategic Plan 2017-2021 is approved by the Board and DAWE
1.3	Decisions by the board further the organisation's purpose and strategy	Review of Board minutes and director and management interviews would indicate that this is the case
1.4	The board regularly devotes time to consider strategy	Observations would indicate that this is the case. The Board has a strategy session at its November meeting each year
1.5	The board periodically reviews the purpose and strategy	Observations would indicate that this is the case. The Board reviews the Strategic Plan each April meeting

10.3.4.2. Roles and responsibilities

"There is clarity about the roles, responsibilities and relationships of the board"

Number	Guideline	Assessment
2.1	Directors' roles are clear and understood by the board	Covered in the Board Charter which appears to be well understood when directors are interviewed
2.2	Directors understand and meet their duties under the law	Review of Board minutes and director interviews would indicate that this is the case
2.3	Directors meet any eligibility requirements relevant to their position	The Constitutional processes outlined around director appointment and election manage this requirement
2.4	Delegations of the board's authority are recorded and periodically reviewed	Simple delegation limits and rules are in existence and documented in the Policy Manual
2.5	The role of the board is clearly delineated from the role of management	This is outlined in the Board Charter

10.3.4.3. Board composition

“The board’s structure and composition enable it to fulfil its role effectively”

Number	Guideline	Assessment
3.1	Directors are appointed based on merit, through a transparent process, and in alignment with the purpose and strategy	Specialist directors are appointed through a comprehensive recruitment process. Elected directors are appointed through the Constitutional processes without intervention from the Board or Nominations Committee
3.2	Tenure of directors is limited to encourage renewal and staggered to retain corporate knowledge	Tenure limitations have relatively recently been introduced within the Board Charter but consultation with egg industry membership on this issue suggests the potential need for Constitutional change which has not happened
3.3	The board reflects a mix of personal attributes which enable it to fulfil its role effectively	A formal skills matrix for the Board has not been supplied. Specialist Directors described themselves to be on the Board with specific functions – e.g. Governance Director
3.4	The board assesses and records its members’ skills and experience, and this is disclosed to stakeholders	See above
3.5	The board undertakes succession planning to address current and future skills needs in alignment with the purpose and the strategy	This appears to have been a well discussed subject by the Board which has resulted in some renewal since 2015-16. More is planned in this domain but a written succession plan has not been sighted

10.3.4.4. Board effectiveness

“The board is run effectively and its performance is periodically evaluated”

Number	Guideline	Assessment
4.1	Board meetings are chaired effectively and provide opportunity for all directors to contribute	Our advice is that this is the case and the Board performance assessment would also indicate this
4.2	Directors seek and are provided with the information they need to fulfil their responsibilities	Our observations would indicate that this is the case. Director interviews indicated a high level of diligence to their responsibilities
4.3	Directors are appropriately inducted and undertake ongoing education to fulfil their responsibilities	There is a skeleton of an induction plan within the Board Charter but little evidence of assessing the need for or providing ongoing director education. It was reported that half the Board are graduates of AICD. Those Directors are all specialist directors.
4.4	The board’s performance, as well as the performance of its chair and other directors, is periodically evaluated	There exists a strong Board assessment schedule, with an independent external appraisal every three years
4.5	The relationship between the board and management is effective	Our observations would indicate that there is a positive working relationship between the Board and MD. There may be ongoing opportunities to find a more effective and optimal level of management authority

10.3.4.5. Risk management

“Board decision making is informed by an understanding of risk and how it is managed”

Number	Guideline	Assessment
5.1	The board oversees a risk management framework that aligns to the purpose and strategy	The Risk Management Plan is reviewed within the annual Board calendar and seems to adequately record the relevant

Number	Guideline	Assessment
		risks and mediation plans and efforts
5.2	Directors seek and are provided with information about risk and how it is managed	A risk management plan exists; risk is covered at Audit and Risk Committee meetings where the full Board is in attendance
5.3	The board periodically reviews the risk management framework	See above

10.3.4.6. Performance

“The organisation uses its resources appropriately and evaluates its performance”

Number	Guideline	Assessment
6.1	The board oversees appropriate use of the organisation’s resources	Managed through Board regular and exception reporting, financial reports and approved authorities
6.2	The board approves an annual budget for the organisation	Done through the process of approval of the AOP
6.3	The board receives and considers measures which evaluate performance against the strategy	The strategy and AOP identify key performance indicators and measures but specific targets are not set against each KPI
6.4	The board oversees the performance of the CEO	This is formally delegated to the Chair and reported through to the Board
6.5	The board monitors the solvency of the organisation	Our observations would indicate that this is the case through financial reports tabled at each Board meeting and annually audited financials

10.3.4.7. Accountability and transparency

“The board demonstrates accountability by providing information to stakeholders about the organisation and its performance”

Number	Guideline	Assessment
7.1	The organisation’s governing documents and policies relevant to its governance are available to stakeholders	Governing documents were supplied to this review and are available on the AEL website
7.2	The board oversees appropriate reporting to stakeholders about the organisation’s performance and financial position	The Annual Report provides relevant information for the key organisational stakeholders. It measures KPI trends but does not report achievements against targets
7.3	Transactions between related parties, if any, are disclosed to stakeholders	Related Party Disclosures are recorded in the Annual Reports
7.4	Directors’ remuneration and other benefits, if any, are disclosed to stakeholders	Remuneration of Key Personnel is recorded in the Annual Reports
7.5	Members have the opportunity to ask questions about how the organisation is run and to hold the board to account for their decisions	This opportunity is provided at each AGM as well as through less formal means

10.3.4.8. Stakeholder engagement

“There is meaningful engagement of stakeholders and their interests are understood and considered by the board”

Number	Guideline	Assessment
8.1	The board understands who the organisation’s stakeholders are, their needs and their expectations	Our observations would indicate that this is the case – specifically active consultation efforts are in place around major industry initiatives and strategies
8.2	The board oversees a framework for the meaningful engagement of stakeholders	Effective Engagement is one of the Goals for the organisation recorded within the Strategic Plan
8.3	Stakeholders are considered in relevant board decision making	Board appears to operate with a strong awareness of the needs of the levy payers to the company

Number	Guideline	Assessment
8.4	There is a process for gathering and responding to complaints and feedback from stakeholders	Our observations would indicate that this is the case, however a formal policy or process for members (as opposed to employees) has not been sighted
8.5	The board oversees a framework for how the organisation works with and protects vulnerable people	Covered in the Code of Ethics within the Policy Manual

10.3.4.9. Conduct and compliance

“The expectations of behaviour for the people involved in the organisation are clear and understood”

Number	Guideline	Assessment
9.1	The board articulates its expectations of conduct, and the consequences for misconduct, for the people involved with the organisation	Covered in the Code of Ethics within the Policy Manual
9.2	The board oversees compliance with relevant laws, regulations and internal policies	Covered in the Code of Ethics within the Policy Manual and the Board Charter. Our observations would indicate that this is the case
9.3	Conflicts of interest are identified, disclosed and managed	Director Register of Interests tabled and updated at each Board meeting. When necessary, directors with a relevant interest conflict leave the meeting
9.4	There is a process for investigating misconduct and relevant instances are brought to the attention of the board	Covered in the Code of Ethics within the Policy Manual but specific Board reporting may need to be more clearly stated

10.3.4.10. Culture

“The board models and works to instil a culture that supports the organisation’s purpose and strategy”

Number	Guideline	Assessment
10.1	The board defines and models a desired culture that aligns to the purpose and strategy	No Values have been found for the organisation in the official

Number	Guideline	Assessment
		documents. Some positions are elaborated in the Code of Ethics
10.2	The board oversees a strategy to develop and maintain the desired culture	Not sighted but the MD has led a review of culture culminating in a presentation to staff in late 2019 which included statements of Values and Behaviours. COVID-19 has raised challenges to further progress.
10.3	The board oversees mechanisms to monitor and evaluate organisational culture	Would normally be managed through a People and Culture Committee or similar – none existing
10.4	The organisation's values are clear, periodically reviewed and communicated to stakeholders	No Values have been found for the organisation in the official documents. Some positions are elaborated in the Code of Ethics
10.5	The board oversees a framework for the reward and recognition of workers	Formal framework not sighted and operational issues delegated to the MD

10.4. Acronyms

ACCC – Australian Competition and Consumer Commission

AECL – Australian Egg Corporation Limited

AEL – Australian Eggs Limited

AGM – Annual General Meeting

AHA – Animal Health Australia

AI – Artificial insemination

AICD – Australian Institute of Company Directors

AOP – Annual Operational Plan

APSS - Australian Poultry Science Symposium

ASX – Australian Securities Exchange

BCA – Benefit Cost Analysis

CEO – Chief Executive Officer

CPI – Consumer price index

CRRDC – Council of Rural Research and Development Corporations

DAWE – Department of Agriculture, Water and the Environment

EFA – Egg Farmers of Australia

EISPA – Egg Industry Service Provision Act (2002)

ESA – Egg Standards Australia

FRP – Full Research Proposal

HCP – Healthcare professionals

HR – Human resources

ICC – Industry Consultative Committee

IP – Intellectual Property

IRB – Industry representative body

ISB – Industry services body

KPI – Key Performance Indicator

MD – Managing Director

NED – Non Executive Director

PD – Position description

PhD – Doctorate of Philosophy

PIX – Poultry Information Exchange

PRP – Project Proposal

RDC – Research and Development Corporation

SE – Salmonella enteritidis

UNE – University of New England

USYD – University of Sydney

10.5. Project Brief/ Terms of Reference



Project Brief

Independent Performance Review

Project description

Consultant services to conduct a review of Australian Eggs' performance and preparation of a report to the Australian Eggs Board (**Project**).

Australian Eggs background

Australian Eggs is a producer-owned public non-listed company and was registered with the Australian Securities and Investments Commission on 18 November 2002. It integrates Marketing and Research, Development & Extension (**RD&E**) for the benefit of all stakeholders. Stakeholders are defined, in this instance, as any person who contributes financially to Australian Eggs.

Australian Eggs is mainly funded through statutory levies collected under the Egg Industry Service Provision Act 2002 and Australian Government matching funds for the purposes of approved RD&E. A compulsory levy of 32.5 cents per chick purchased is levied on egg producers for Marketing purposes while a 13.5 cent levy per chick purchased is levied on egg producers for RD&E purposes. The Commonwealth Act, the Statutory Funding Agreement with the Australian Government and the organisation's Constitution provide the legal framework for all Australian Eggs operations.

All Australian Eggs operations are undertaken in line with an approved Australian Eggs Strategic Plan and an Annual Operating Plan which responds to the suite of Australian Eggs strategies contained in the Australian Eggs Strategic Plan in order to achieve the desired outcomes for the egg industry. In achieving the desired outcomes, Australian Eggs uses external service providers to assist fulfil the ideals and requirements of the Australian Eggs Strategic Plan.

For more information please refer to www.australianeggs.org.au

Project background

Australian Eggs is principally funded through a Funding Contract with the Department of Agriculture, Water and the Environment commencing 3 March 2017 and expiring on 3 March 2021 (**Funding Contract**). The Funding Contract sets out a range of requirements to ensure the effective good governance of Australian Eggs. Clause 18 of the Funding Contract establishes a requirement that Australian Eggs conduct a performance review prior to renegotiating any subsequent Funding

CONFIDENTIAL - © COPYRIGHT AUSTRALIAN EGGS LIMITED

Contract. The performance review must be conducted by an independent organisation and the performance review report must be in a form that can be made publicly available by Australian Eggs.

Project scope

The terms of reference of the Project are the requirements of clause 18.4 of the Funding Contract to assess Australian Eggs' performance in:

- meeting its obligations under the Funding Contract and the Egg Industry Service Provision Act 2002;
- implementing governance arrangements and practices for ensuring proper use and management of funds;
- meeting the planned outcomes and targets of its Strategic Plan and Annual Operating Plans;
- delivering benefits to members, Levy Payers, industry and the broader community and meeting the needs of members, Levy Payers and the Industry; and
- consulting with Levy Payers and their representative bodies.

Project outputs

The following Project outputs are required throughout the duration of the Project:

- a written draft report with recommendations for consideration;
- presentation of the draft report and recommendations for consideration to the Australian Eggs Board.
- a revised written report encompassing the deliberations of the Australian Eggs Board; and
- contributing to extension materials capturing the outcome of the Project to be made available to Australian Eggs stakeholders and publicly.

Consultant's proposal

The proposal in response to this Project brief (**Proposal**) must address:

- Methodology
 - Demonstration of an understanding of the Project description and background.
 - A description of the proposed methodology that addresses the Project scope and delivers the Project outcome, expected outputs and the associated timetable.
- Costing and payment:
 - A costing including allocation of the consultant's time, material and other costs.
 - Outline of when Project payments are due.
- Consultant's qualifications:
 - A statement of the names, roles, qualifications and experience of all consultants allocated or involved in the Project.
 - Current references, which would demonstrate the experience of the consultants nominated for the Project.
 - Contact details for all consultants nominated for involvement in the Project.
 - A clearly identified Project leader, the main contact for correspondence.

CONFIDENTIAL - © COPYRIGHT AUSTRALIAN EGGS LIMITED

Resources

The following resources will be made available by Australian Eggs to the appointed consultant but are not limited to:

- Egg Industry Service Provision Act 2002.
- Funding Contract.
- Australian Eggs Constitution.
- Australian Eggs Strategic Plan.
- Australian Eggs Annual Operating Plans covering the period in review.
- Australian Eggs Annual Reports covering the period in review.
- Australian Eggs Risk Management Plan.
- Australian Eggs Fraud Control Plan.
- Australian Eggs Intellectual Property Management Plan.
- Australian Eggs Performance Review Report 2016.

Project timetable

The following timeline provides a list of indicative milestones to be achieved by Australian Eggs and the successful proposer during the management, execution and successful fulfilment of the Project.

<i>Due Date</i>	<i>Milestone</i>
6 March 2020	Project brief dispatched to four prospective consultants
20 March 2020	Project proposals to be received by Australian Eggs
27 March 2020	Successful consultant advised and Project commences
15 May 2020	Preliminary findings submitted to Australian Eggs for feedback
5 June 2020	Draft report submitted to Australian Eggs and DAWE
21 June 2020	Presentation of draft Report to Australian Eggs Board
17 July 2020	Final report submitted to Australian Eggs
6 August 2020	Final report provided to DAWE

Project management responsibilities

The following Australian Eggs contact will be responsible for the successful completion of this Project and provide a contact for the successful consultant:

Rowan McMonnies
 Managing Director
 Australian Eggs Limited
 Suite 602, Level 6
 132 Arthur Street
 North Sydney, NSW, 2060
 Tel: 02 9409 6906 / 0404832445

CONFIDENTIAL - © COPYRIGHT AUSTRALIAN EGGS LIMITED

E-mail: rowan.mcmonnies@australianeggs.org.au

Criteria for selection

Australian Eggs will undertake the selection of the consultant based on any criteria it chooses to use, which typically will include the following:

- the degree of understanding of the Project demonstrated in the Proposal;
- demonstrated ability to make recommendations for improvement that add value to Australian Eggs' operations, particularly in respect to the application of performance improvements and governance in Australian Eggs' operating context;
- the suitability of the method indicated for undertaking the Project;
- the qualifications and relevant experience of the consultant;
- independence of the consultant; and
- cost effectiveness.

General conditions of contract

In submitting a Proposal, the consultant agrees that:

- This Project brief is the confidential information of Australian Eggs and the consultant must not disclose it, or use it except to submit a Proposal to Australian Eggs.
- The Proposal will remain the consultant's property, but Australian Eggs is licensed to copy and communicate it for the purpose of assessment, and to include it in a Consultancy Agreement as defined below.
- No contract will arise with Australian Eggs unless and until the Proposal is accepted and Australian Eggs requests a formal written agreement with the consultant to carry out the Project (**Consultancy Agreement**).
- Under the Consultancy Agreement:
 - The consultant must comply with its Proposal, including any timelines, fees and methodologies in its Proposal, and the consultant must deliver any outcomes and outputs identified in its Proposal.
 - The copyright of all documentation and intellectual property developed, as a result of the Project, to be vested in Australian Eggs.
 - The Project is undertaken in an impartial, objective and professional manner with no real or perceived conflicts of interest.
 - The Consultant must have insurance cover for property damage, public risk, public liability, professional indemnity and accident or injuries to employees or any other person associated with the Project.
- The Consultant will have identified any areas of potential conflict of interest at the time of its Proposal and will promptly notify Australian Eggs during the course of the Project should potential conflicts arise.
- The Consultancy Agreement may be terminated or the work content reduced, with a fair and reasonable monetary adjustment determined by Australian Eggs, subject to prior written notice.
- Any resource material provided by Australian Eggs for this Project, which has been developed by another Consultancy Agreement, will only be used for work done for Australian Eggs.

CONFIDENTIAL - © COPYRIGHT AUSTRALIAN EGGS LIMITED

- The consultant will adhere to the agreed terms in the Consultancy Agreement.
- The consultant is fully responsible for its costs of preparing its Proposal.

Lodgement of Proposal

To respond to this Project brief, please submit a Project Proposal including acknowledgement of all terms and conditions by 27 March 2020 to:

Rowan McMonnies
Managing Director
Australian Eggs Limited
Suite 602, Level 6
132 Arthur Street
North Sydney, NSW, 2060
Tel: 0404832445
E-mail: rowan.mcmonnies@australianeggs.org.au

CONFIDENTIAL - © COPYRIGHT AUSTRALIAN EGGS LIMITED



Anwen Lovett Consulting

16 Glencoe Road
Murrumbateman NSW 2582

Phone: 0418 284 169
Email: anwen.lovett@gmail.com