



Corporate Governance Statement 2010

Our corporate governance framework reflects our efforts to ensure that our values underpin the way in which we operate and behave. This framework has been established to ensure that we remain accountable to our stakeholders and that stakeholder interests are protected.

In developing and implementing our corporate governance practices we have taken into account the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations (2nd edition)*. Documents and policies relevant to our corporate governance framework are found in the corporate governance section of our website www.mla.com.au.

The Board

Composition

The Board currently comprises 10 directors, with the Managing Director the only executive director. Until November 2009 there were 11 directors; however the Board resolved to reduce the number of directors by one, effective from the 2009 annual general meeting. The Board is a skills-based board with directors appointed for a maximum three-year term, after which time a director may reapply for a position on the Board in the same way as other candidates. The Board has the appropriate range of skills, knowledge and experience necessary to govern the Company, and they provide input into the selection process for directors through the Selection Committee.

The Chairman of the Board was appointed in 2005 and is an independent director.

Roles and responsibilities

The roles and responsibilities of the Board are formalised in the Board Charter, which is available in the corporate governance section of our website. The Board strives to build sustainable value for MLA's members and the red meat industry and to achieve the company's mission of delivering world class services and solutions in partnership with industry and government. The Board's responsibilities include:

- providing input into and approving management strategies, budgets, programs and policies
- appointing and removing the Managing Director
- assessing performance against strategies to monitor both the performance of management as well as the continuing suitability of strategies
- overseeing the Company and reviewing operating information
- approving and monitoring significant capital expenditure and significant commitments under agreed programs
- ensuring the Company operates with an appropriate corporate governance structure
- ensuring the Company operates in accordance with its objects and the Industry Memorandum of Understanding
- ensuring the Company meets its obligations under the MLA/Commonwealth Deed of Agreement

Directors may, with the Chairman's approval, obtain independent professional advice on matters arising in the course of their Board and committee duties. Directors have unlimited access to company records and information.

Board meetings

The Board met 11 times during the year. While meeting agendas are formulated monthly, the Board also has an annual agenda which sets items to be considered and reviewed throughout the year. These items include monthly reviews of the Company's financial position and management reports, a detailed review of each of the Company's strategic imperatives and 'Health Checks'. Health Checks are detailed reviews of allocated topics and include:

- State of the industry (industry dynamics and challenges)
- State of the nation (industry outlook and forecasts)
- Consumer trends
- Human resources
- R&D programs

The annual agenda also sets key review dates for items which must come before the Board under the categories of performance, compliance and governance.

The Board continually strives to ensure its meetings are conducted efficiently to enable sufficient discussion and contribution from all directors. During the year, the Board updated its monthly agenda framework. Each month the Board now undertakes a review of 'critical issues'. These issues are then categorised into key MLA and Industry Issues. The Board also has a general strategic discussion each month, on a key topic identified by the Board or management. In addition, the Board participated in a strategic planning session with management.

Management attends and provides input into issues arising in Board meetings relevant to their portfolios. Directors regularly meet with management and have regular exposure to other employees through presentations given at Board meetings and attendance by directors at industry meetings, forums and workshops.

During the year, the Board endorsed the *MLA Board Operating Principles* which set out a series of guidelines for Board behaviour, measurement of Board performance and Board meeting guidelines. A review of the meeting against these principles is provided by a Director at the conclusion of each Board meeting. The Principles are also regularly reviewed by the Board to ensure that it is meeting the guidelines.

Board evaluation

In addition to its own reviews at Board meetings, the Board evaluates its performance on a regular basis with a formal performance review undertaken annually. This year's performance review was again facilitated by a Board review specialist, with the review focussing on the effectiveness of the Board as a whole and the performance of individual directors. As part of the review, each director completed a survey and was then interviewed. Observations from the review were reported to, and discussed, by the Board.

Board training

The Board as a whole last undertook formal governance training in April 2009 and plans to participate in further training in the coming year.

A comprehensive induction program was conducted for our new directors at the beginning of 2010. The induction program was also attended by existing directors. As part of the induction program the general managers provided an overview of each business unit as well as the operations of the Company as a whole.

Independence

The Board considers each director's independence. An independent director is considered to be a non-executive director who is not a member of management and who is free of any

business or other relationship that materially interferes with – or could reasonably be perceived to materially interfere with the independent exercise of their judgement.

After considering the relationships between the Company and each of the directors and reviewing financial transactions between the company and the directors, the Board determined that all non-executive directors are independent. The Board will assess independence annually, or more regularly if a director's circumstances change.

Conflicts of Interest

Each director provides information about their business and other interests to the Board at the time of their appointment. This information is regularly updated and the Company maintains a standing notice of director interests which it distributes with Board papers each month.

In accordance with the Corporations Act, a director with a material personal interest in a matter is prevented from voting on the matter at a Board meeting or being present while the matter is discussed, unless the Board resolves otherwise.

Board committees

There were three Board committees that met during the year:

- Audit Committee
- Membership Committee
- Remuneration Committee

All Board committees are comprised solely of non-executive directors, with management attending committee meetings by invitation only.

A program of committee meetings is developed at the beginning of each year and committees also meet when required. The Chair of each committee provides a verbal update of each committee meeting to the Board and minutes of all committee meetings are provided in the Board papers.

The role of each committee is set out in the committee charters, which are regularly reviewed.

Audit & Risk Committee

During the year, the name of the Audit Committee changed to Audit and Risk Committee to better reflect its responsibilities in the area of risks.

The Audit & Risk Committee oversees the Company's risk program and has oversight responsibility of the Company's financial reporting, internal control structure, risk management and the internal and external audit functions. In keeping with community expectations, the chair of the committee is not the Chairman of the Board. The Audit & Risk Committee is required to meet at least three times a year and meets separately with the external auditor at least once each year.

The Audit & Risk Committee is responsible for making recommendations to the Board for the approval of:

- the annual audit plan
- annual financial statements
- the external auditor's report on the annual financial statements
- the external auditor's report on the Company's compliance with the Commonwealth Deed of Agreement

The Audit & Risk Committee is also responsible for making recommendations to the Board about the appointment of the Company's auditors.

The Audit & Risk Committee reviews the adequacy and effectiveness of internal controls, including the Company's policies and procedures, to assess, monitor and manage business risk and legal and ethical compliance programs. This review includes monitoring the implementation of the Company's Risk Management Plan, Fraud Control Plan and Intellectual Property Plan.

It also reviews the Company's foreign exchange and treasury management and oversees the Company's risk management program. During the year the Audit & Risk Committee commenced a review of its Charter which will be finalised in the coming year.

Remuneration Committee

The Remuneration Committee oversees remuneration practices across the Company. The Committee reviews the policies and systems in place for managing remuneration to ensure they are appropriate and consistent with company objectives. The responsibilities of the Remuneration Committee include the review of:

- processes and guidelines for annual staff remuneration reviews and making recommendations to the Board accordingly
- the remuneration package of the Managing Director and making recommendations to the Board in this regard
- remuneration packages for the general managers and other executives nominated by the Committee, in consultation with the Managing Director
- any bonus or special incentive plans and making recommendations to the Board in this regard
- company policies relevant to any human resource issues and activities that impact on remuneration and compensation.

Membership Committee

The Membership Committee was established in August 1998 for the purpose of considering applications for membership of the Company and reviewing processes and systems for the recruitment of members and the management of the members register. Following many years of active membership drives and a membership of more than 47,000, the Board determined in February 2010 to dissolve the Membership Committee, with membership matters to be dealt with by the full Board as required.

Selection Committee

The role of the Selection Committee is to report to members of the Company on the suitability of candidates for re-election or election to the office of director at general meetings. The Selection Committee consists of:

- three persons elected by members of the Company
- three persons appointed by Peak Councils
- three directors

The Company's constitution sets out the requirements for the proceedings of the Selection Committee and the qualifications and skills of candidates in nominated fields which the Selection Committee must consider.

Reporting framework

The Company is party to a Deed of Agreement with the Commonwealth of Australia through its Department of Agriculture, Fisheries and Forestry (Deed). The Deed sets out the requirements for the Company's expenditure of levy funds and matching funds and provides a framework under which the Company must report to the Department. Key reporting obligations include:

- Corporate Plan (known as the Strategic Plan): a 3–5 year strategic plan which sets out the Company’s objectives, performance indicators and resource allocations.
- Annual Operating Plan: linked to the Strategic Plan, the Annual Operating Plan covers intended operations of the Company for the current year and R&D and marketing programs and activities to be undertaken.
- Risk Management Plan: specifies measures to manage risk.
- Fraud Control Plan: sets out measures to minimise the risk of fraud within the Company.
- Intellectual Property Plan: specifies procedures for the management, adoption and commercialisation of intellectual property.

These plans are regularly reviewed and updated.

In accordance with the Deed, the Company engaged Arche Consulting Pty Ltd to conduct a Performance Review (Review), which was completed in June 2010.

The Review took into account, among other things, the performance of MLA in meeting its obligations under the Deed, the implementation of Annual Operating and Corporate Plans and the effectiveness of the Company in meeting the targets and budgets set out in those plans. The Review also considered the delivery to the industry of the benefits foreshadowed in the plans. The Company is currently working through the Review recommendations and is developing an implementation plan.

The Report delivered as part of the Review was provided to the Minister and is available on our website.

Financial and risk management

The Company’s risk management policies and assessments are documented in the Risk Management Plan (the Plan). The Plan outlines the process followed to identify risks and categorises risks as ‘strategic risks’ or ‘operational risks’. Individual risks have been identified, assessed, categorised and entered into a Business Risk Register, which forms part of the Plan. The Audit Committee receives reports once a year on compliance with the Plan and conducts an annual review of the Plan.

Other key risk management activities undertaken through the year included:

- external review of internal fraud controls
- review of year end processes for the Japan Office
- introduction of an R&D Aggregation Policy and Guidelines

The Audit Committee has received a written declaration from the Managing Director and Chief Financial Officer that the financial reports represent a true and fair view, in all material respects, of the Company’s financial condition and operating results and are in accordance with relevant accounting standards.

Code of business conduct and ethics

The Board has implemented a Code of business conduct and ethics (the Code), which embodies the Company’s values and sets out the principles which must be met to ensure that the Company meets its commitments to all stakeholders. Key principles outlined in the Code are:

- Acting with openness, integrity and fairness
- Protecting our business and using company resources appropriately
- Protecting confidential information
- Acting responsibly towards individuals
- Acting responsibly in relation to safety, health and the environment
- Avoiding conflicts of interest

- Integrity in financial reporting
- Acting responsibly to members, stakeholders and the community
- Complying with the law

The Code also establishes a reporting framework to enable employees to report any breach of the Code. All employees are financial Report 47 required to confirm that they have read and understood the Code each year. A copy of the Code is provided to all new employees on commencement and is a feature of the formal induction training which is provided at least twice a year.

Remuneration and performance arrangements

The total limit for directors' remuneration (excluding the Managing Director) is \$750,000. This limit was determined by members at the 2008 annual general meeting. The Remuneration Committee reviews directors' fees on a regular basis and the Board determined in June 2010 that an increase of 3 per cent will take effect from 1 July 2010, taking the total per annum costs to \$458,628. This was the first increase in directors' fees since July 2004.

The remuneration arrangements for each member of the senior management team, including the Managing Director, comprise both fixed and performance-based remuneration.

The remuneration packages for the senior management team are reviewed each year and include a performance based component to ensure the remuneration structure:

- aligns management effort with organisational objectives
- attracts, retains and motivates quality management personnel

Communicating with members

We implement a member communications strategy that seeks to:

- create awareness of MLA and its activities amongst MLA members
- demonstrate the relevance and value of the Company and its programs
- proactively engage members to take advantage of the opportunities created by the Company in partnership with industry and government

In implementing this strategy we employ a variety of communications tactics including radio and print media, magazines and publications, the corporate website, events and our *feedbackTV* DVDs.

The success of these efforts is measured through member surveys, media and website monitoring, publication orders and increases in membership.

MLA employs a policy of ensuring all members have the opportunity to participate in our annual general meeting (AGM) by rotating its location around the nation. The 2009 AGM was held in Darwin, NT and was preceded by Orange, NSW (2008), Rockhampton, QLD (2007), Adelaide, SA (2006), and Melbourne, VIC (2005).

Events play an important role in giving members information and the direct opportunity to contribute to the direction of the company. In 2009-10 we collaborated with a range of industry organisations to participate in 49 producer events across the company. These events attracted 3,275 attendees (13 times more than in 2008-09) with the same budget.

For the third year, our 2008-09 annual report was made available through our corporate website as well as in hard copy for members who requested it. Our hard copy *Annual report 2008-09* met the criteria to achieve the highest level of reporting standards with a Gold Award in the 2010 Australasian Reporting Awards, while our online Annual report was a finalist for the Electronic (online) Reporting Award. This independent and rigorous assessment of our annual reporting provides valuable feedback that is incorporated into future annual reports.

MLA's website www.mla.com.au provides information on on-farm tools and resources, post-farm research programs, domestic and international marketing activities, market information and links to websites for key industry systems such as Meat Standards Australia, the National Livestock Identification System and Livestock Production Assurance.

The site is consistently ranked in the Top 10 by website monitoring company *Hitwise* and maintained 29,500 unique visitors a month during 2009-10.

Our flagship magazine *feedback*, and DVD program *feedbackTV* continue to demonstrate the breadth of research and marketing activities that the company undertakes on behalf of industry.