Independent performance review: Final report

October 2016

Sugar Research Australia

HARRISON BUSINESS STRATEGIES

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8.2 Levy-payer communication ................................................................. 36
8.3 Liaison with government .................................................................. 37
8.4 Collaboration with other RDCs ......................................................... 38
9. Delivery of benefits .......................................................................... 38
  9.1 Company key performance indicators ............................................ 38
  9.2 Program and project benefits .......................................................... 39
  9.3 Grower perceptions of value ............................................................. 40
  9.4 Performance report ....................................................................... 41
  9.5 Community benefits ..................................................................... 41
10. Key findings .................................................................................. 42
  10.1 Overall ........................................................................................ 42
  10.2 Transitional issues ...................................................................... 42
  10.3 The Board and governance .......................................................... 42
  10.4 Planning and reporting ................................................................ 43
  10.5 RD&E management and delivery .................................................. 43
  10.6 Liaison with stakeholders ............................................................. 44
  10.7 Delivery of benefits .................................................................... 44
11. Recommendations ........................................................................ 45

Appendix 1: Documents reviewed ....................................................... 47
  Statutory ............................................................................................ 47
  Governance ....................................................................................... 47
  Corporate .......................................................................................... 48
  Strategic planning process ............................................................... 49
  Research investment ........................................................................ 49
  Adoption .......................................................................................... 50
  Monitoring and evaluation .............................................................. 50
  Reports and communications .......................................................... 51
  Submissions ..................................................................................... 51

Appendix 2: People consulted ............................................................... 52

Appendix 3: Summary of responses to the terms of reference ............ 54

Appendix 4: Obligations of SRA under the SFA: summary table of performance .... 56
Executive summary

Background
This report presents the outcomes of an independent performance review of Sugar Research Australia (SRA). The review was a requirement of SRA under the company’s statutory funding agreement (SFA) with the Commonwealth Government. This review was the first for SRA, which was established in 2013, and covered the three years to June 2016.

The review was comprised principally of an extensive document review and consultations with stakeholders: SRA grower and miller members; industry peak body personnel; SRA management, staff and Research Funding Panel (RFP) members, Commonwealth and Queensland Government officers; and research providers. Over 40 individuals were consulted face-to-face or by telephone. The review was widely promoted throughout the industry and submissions invited. Interim findings were discussed with the SRA Executive Team and Board and the draft report provided to the Board at the same time as it was submitted to the Department of Agriculture and Water Resources (DAWR) (Cth). Any errors of fact were corrected and the report finalised.

SRA was established as a result of the merger of the Sugar Research and Development Corporation (SRDC) and BSES Limited. SRA is an unlisted public company limited by guarantee, subject to the provisions of Sugar Research and Development Services Act 2013 (Cth) as well as the Corporations Act 2001 (Cth). SRA is unique among industry-owned R&D Corporations (RDCs) in being both a research funder and provider. This, and the fact of SRA’s establishment at the start of the review period, were elements for particular attention by the review.

SRA is funded primarily through the statutory Sugarcane Levy of 70c per tonne of cane, towards which growers and millers each contribute 35c. The Commonwealth matches the levy expenditure on eligible research, development and extension (RD&E) activities undertaken by SRA to a cap of 0.5% of the gross value of sugar cane production. The Queensland Government also provides significant grant support to SRA. SRA’s annual revenue increased from $32.8m to $41.1m over the review period.

Over the three years, the area of sugarcane harvested increased slightly and sugar production and exports similarly increased. The price of cane (and raw sugar) dropped between 2009/10 and 2014/15 but improved slightly in 2015/16. Significant issues for the sugar industry included the health of the Great Barrier Reef and the role played by nutrient runoff; human health; legislative reform with respect to sugar marketing arrangements; and increasing competition for cane-growing land and water.

Findings
The review found that SRA is a very well-run company. No instances of non-compliance with SFA obligations were identified. The company has the foundations in place to be a high-performing RDC.

There were some cultural issues in the transition from SRDC and BSES Ltd to SRA. This is not surprising. A strong focus on establishing governance, reporting structures and clear direction by the Board and senior management has seen considerable improvement in performance in this respect. Systems and
processes are being improved and best practice strategies are in place to develop the desired culture. Compliance with the SFA is systematic and thorough and a holistic approach to risk management is notable. SRA’s documentation is of a high quality and in fact exceeded anything provided to the team in previous reviews of this nature.

There is a strong sense that SRA has a competent, experienced Board which is providing clarity of direction and clear expectations for the organisation. The SRA management team impressed as being capable, unified, open and committed to the organisation.

Some relatively minor opportunities for improvement to governance were identified, namely the development of a Board diversity policy; addition of a peer assessment element to individual Director performance evaluation; consideration of Board succession; closer alignment of the organisation’s values with the Code of Conduct for Staff; and the addition of an organisational KPI for employee engagement. A recommendation is also made in regard to continuing cultural improvement.

Planning and reporting has been comprehensive and inclusive. Strategic and annual operating plans (AOPs) and annual reports are of a high standard and there is a clear line of sight between the three related documents. SRA’s internal reporting functions and those to stakeholders are highly regarded, notably the ‘traffic light’ system for Board reports against AOPs and SRA’s Performance Report 2014/15 to stakeholders.

There is rigorous structural and procedural enforcement of a ‘Chinese wall’ between research provider and funder functions within SRA, to an extent that may actually hinder R&D management and process efficiency, and SRA is aware of this. There is an annual call for projects and a very thorough project assessment process. Again, a continued move towards greater flexibility in this area is likely to improve outcomes. There was some commentary to this review about a lack of feedback from the Research Funding Panel (RFP) to the Production and Milling Research Advisory Committees (PRAC and MRAC) and the Queensland Department of Agriculture and Fisheries (DAF) about ultimate funding decisions, the absence of a cane producer on the RFP, an insufficient voice for DAF in project selection and high transaction costs to service providers.

There are opportunities for SRA to develop a more active program- rather than project-based approach to its portfolio and to start to undertake portfolio analysis. RD&E management documents (proposal templates and so on) are well-designed, intellectual property (IP) management is appropriate and cross-RDC benchmarking indicates that SRA operates efficiently.

SRA is, appropriately, placing considerable emphasis on adoption of R&D outcomes. Adoption was originally excluded from SRA’s remit and this is acknowledged by industry as a mistake. The challenge is for SRA not to become a ‘gap filler’, providing adoption services only where they do not currently exist.

SRA is making efforts to realise greater value from its Delegates, through steps such as increased meeting frequency and greater role of the Delegates in agenda-setting. These changes are commendable. Suggestions are made by this review about strengthening the role of the Delegates even further by reviewing and adopting (if appropriate) elements of models from other RDCs.
SRA has a clear Communications Strategy and uses a series of communications vehicles. These appear professional and appropriate and grower surveys indicate that they are well-received. However, the review heard comment that SRA farms may not always present a positive image of the company, and SRA might consider incorporating more appropriate service standards for the research farms into the Asset Management Plan, as well as including farms in the Communications Strategy. SRA has a proactive relationship with DAWR and is exemplary in its compliance reporting. It is an active participant in the Council of Rural R&D Corporations (CRRDC) and collaborates across a wide range of cross-RDC initiatives.

SRA recognises the challenge and importance of demonstrating value to levy payers and other stakeholders. It has well-developed processes of measuring performance and seeking to assess value to levy-payers, from company-level key performance indicators (KPIs) down to program- and project-level benefit/cost analyses. Comprehensive grower surveys of practices and perceptions, as well as knowledge of SRA functions and views on performance, were carried out in 2015 and 2016.

Independent analyses demonstrate that SRA has delivered value to investors. The grower surveys have returned positive results with improvements observed in some indicators, notably overall satisfaction with SRA, between 2015 and 2016. Community benefits from SRA activities can also be identified. SRA is continuously seeking to improve the way it reports value to stakeholders, which includes working with other RDCs. It has also demonstrated a willingness to expose itself to external independent review.

Recommendations

The recommendations made by this review are as follows:

**Recommendation 1:**

*SRA should continue its focus on improving the culture of the organisation, which may include the implementation of site-specific strategies to effect change.*

**Recommendation 2:**

*In the next phase of developing a renewed strategic plan (and in related plans and any reporting), SRA should focus on using more commercial language, simplifying the expression of objectives and strategies (KFAs and IAs) and including more objectivity in high-level key performance indicators.*

**Recommendation 3:**

*SRA should, where appropriate, further expand the number of joint projects between SRA Technology and external providers. The challenges of doing so are recognised.*

**Recommendation 4:**

*SRA should continue its move towards a more flexible approach to project selection which may include some commissioning of major projects / programs, and should continue the practice of more targeted priorities for open calls (and identify opportunities to reduce transaction costs).*
Recommendation 5:

Without compromising the independence of the RFP, there should be more transparent feedback about project funding decisions from the RFP to the RACs and DAF.

Recommendation 6:

SRA should further engage with the milling investors to develop pre-competitive R&D or adoption / training priorities.

Recommendation 7:

SRA should consider the adoption of a more active program- rather than project-based approach for the management of the RD&E portfolio, based on revised KFAs. Programs may be most effectively coordinated by part-time external specialists.

Recommendation 8:

SRA should now make portfolio analysis a regular part of its RD&E management to ensure an appropriate mix of long term / short-term research, risk /return profile, large and small projects etc.

Recommendation 9:

As a matter of priority, SRA should seek to facilitate the development of a robust long-term industry adoption strategy, and identify SRA’s role within it. In doing so, SRA should consider:

- Resource allocation in an equitable manner; and
- How the strategy will build rapport, capability and availability of external advisors.

Recommendation 10:

SRA should consider the development of program-oriented adoption (‘marketing’) plans.

Recommendation 11:

SRA should consider rationalising and aligning the function and structure of RACs and Delegates.

One option would be to allocate Delegates into program advisory groups, one of which would be MRAC, with PRAC split into several production programs.

Recommendation 12:

Depending on what if any changes are made to its advisory structures, SRA should consider options for compensating or providing non-financial incentive to Delegates and PRAC / MRAC members to better recognise and encourage their contributions.

Recommendation 13:

SRA should continue to seek ways to report RD&E outcomes (ex post) in ways that are relevant and meaningful to stakeholders, especially producers and millers (e.g. case studies, time-series tracking).
Abbreviations

ACFA  Australian Cane Farmers Association
AOP   Annual operating plan
ASA   Australian Sugar Industry Alliance
ASX   Australian Stock Exchange
ASMC  Australian Sugar Milling Council
BCA   Benefit/cost analysis
BCR   Benefit/cost ratio
BSES  Bureau of Sugar Experimental Stations
CEO   Chief Executive Officer
CRRDC Council of Rural Research & Development Corporations
DAF   Department of Agriculture and Fisheries (Qld)
DAWR  Department of Agriculture and Water Resources (Cth)
FRP   Full Research Proposal
IA    Impact Area
IP    Intellectual property
KFA   Key Focus Area
KPI   Key performance indicator
LRS   Levies Revenue Service (of DAWR)
MRAC  Milling Research Advisory Committee
PRAC  Production Research Advisory Committee
PRP   Preliminary Research Proposal
RFP   Research Funding Panel
RFU   Research Funding Unit
RD&E  Research, development & extension
RDC   Research & development corporation
SFA   Statutory funding agreement
SP    Strategic plan
SRA   Sugar Research Australia
SRDC  Sugar Research and Development Corporation
SRL   Sugar Research Limited
YCS   Yellow Canopy Syndrome
1. Introduction

1.1 Purpose of the review

Sugar Research Australia (SRA) is required, under its statutory funding agreement (SFA) with the Commonwealth Government, to commission three-yearly independent corporate performance reviews. This is one of several mechanisms, including annual reporting under the Corporations Act 2001 (Cth) and six-monthly meetings with the Commonwealth, by which the company’s performance is monitored.

This review is the first for SRA, which was established in 2013.

From the SFA, the specific terms of reference for the review were:

1. **Sugar Research Australia Limited (SRA) will appoint an independent party to conduct a review of SRA’s performance and prepare a report on the findings of the review (the Performance Review Report).**

2. **SRA will ensure ongoing consultation with the Commonwealth Department of Agriculture and Water Resources during the review process.**

3. **The review will:**

   i. **Assess performance from SRA’s unique position as both an investor in and provider of research, development and extension to the Australian sugar industry.**

   ii. **Assess how the transition from the previous governance arrangements of Sugar Research and Development Corporation and BSES Limited affected SRA’s performance.**

   iii. **Assess SRA’s performance against its Strategic and Operational Plans, taking into account:**

      a) **performance of SRA in meeting its obligations under its Statutory Funding Agreement 2013-17 with the Commonwealth;**

      b) **development, implementation and efficiency in delivery of its Strategic, Annual Operational, Risk Management, Fraud Control, Intellectual Property and Asset Management plans and the company’s effectiveness in meeting the priorities, targets and budgets as set out in these plans;**

      c) **structure and operations of the company, to ensure good practice and systems of corporate governance;**

      d) **the effectiveness of the arrangements for engagement, consultation, and communication with, and feedback to, stakeholders (including levy payers, members, delegates, industry representative bodies, State and Commonwealth Governments), including the opportunities for levy payers and other contributors to influence the investment of levies; and**

      e) **SRA’s efforts in cross-RDC collaboration.**

   iv. **Assess the delivery of benefits to the Australian sugar industry and community in general, including value for money, return on investment and cost benefit analyses, where appropriate.**
v. Identify recommendations for improvement to SRA’s performance in delivering its Strategic and Annual Operational Plans.

The two elements of the performance review unique to SRA (compared with other industry-owned R&D Corporations (RDCs)) were SRA’s role as both a research funder and provider; and the fact that SRA was established at the start of the review period, from the merger of the former Sugar Research and Development Corporation (SRDC) and BSES Limited.

1.2 Review methodology

The following approach was taken to the review. Note that the desktop review, consultation and reporting stages were iterative.

1. Inception meeting: an inception meeting was held with the SRA Executive Manager Investor Relations shortly after the project start. The meeting addressed the scope of the project, SRA input requirements (including access to documentation, personnel, stakeholders to be interviewed), output and reporting requirements and finalisation of timeframes.

2. Establishment of communication channels: a simple dedicated website for the review was established with domain name www.sraperformancereview.org. The site comprised a single page explaining the background to the review and detailing the terms of reference. The site also provided an email address (submissions@sraperformancereview.org) by which any stakeholders could provide a submission to the review or seek further information. The purpose of the site was to provide a communication channel with stakeholders that was clearly independent of SRA.

The website and the review itself were publicised via articles in communication vehicles (email newsletters, also the CaneConnection magazine) of SRA, CANEGROWERS Australia (including the Australian Canegrower magazine), the Australian Cane Farmers Association (ACFA) and the Australian Sugar Milling Council (ASMC).

3. Desktop review: a large number (over 200) of relevant documents were made available to the consultants via a secure portal and were progressively reviewed. During the document review, SRA’s fulfilment of its various SFA obligations was checked and strengths, weaknesses and other observations noted for discussion during the consultation stage.

A list of the documents reviewed is provided in Appendix 1.

4. Consultation: a list of interviewees for the review was drawn up in consultation with SRA. The list included individuals from among the SRA Executive Management Team, the Board, the Research Funding Panel, sugarcane growers and millers, officers of the Commonwealth Department of Agriculture and Water Resources (DAWR) and the Queensland Department of Agriculture and Fisheries (DAF), the Council of Rural R&D Corporations and service providers to SRA.
The majority of the SRA and DAWR and some of the other interviews were conducted face-to-face, the remainder by telephone, following a semi-structured questionnaire. The consultants also had the opportunity to attend a meeting of the SRA Delegates in Mackay early in the review.

5. **Executive Team workshop**: the interim findings of the review were presented to a workshop of the SRA Executive Team by 22 July. The workshop provided an opportunity to clarify areas of uncertainty arising from the desktop review and consultations, and to test interim findings and recommendations.

6. **Board presentation**: interim findings were discussed with the Board at its meeting of 19 August.

7. **Draft report**: this draft report was prepared for the review of SRA Board and management, and government.

8. **Final report**: the review report will be finalised after feedback has been received. An executive summary and presentation pack including communiques and Powerpoint presentation will also be provided to SRA.

2. **Overview of SRA**

2.1 **Formation and objectives**

SRA was established in 2013. Upon its formation it acquired the assets, functions and services previously provided by SRDC and BSES Limited (formerly the Bureau of Sugar Experiment Stations). SRA also assumed the research coordination activities of SRL (Sugar Research Limited).

SRA is one of the 15 RDCs that collectively service a broad range of agricultural industries. SRDC was a ‘statutory’ RDC – owned by the Commonwealth and established under legislation – whilst SRA is an industry-owned, not-for-profit company subject to Corporations Law (see section 2.2). The RDCs have a common forum in the Council of Rural Research and Development Corporations (CRRDC). SRA is unique among the RDCs in being a provider of RD&E as well as investing in RD&E services on behalf of industry. This aspect of the SRA model has been a specific consideration of this review.

SRA articulates its vision as ‘Delivering valued solutions for a growing Australian sugar industry’ and its mission as ‘Undertaking targeted research, development and adoption programs for the sugar industry’. The more specific company objects are set out in rule 5 of the constitution.

2.2 **Legal framework**

SRA is an unlisted public company limited by guarantee established under and subject to the provisions of the *Corporations Act 2001* (Cth). It was incorporated on 8 May 2013.
The *Sugar Research and Development Services Act 2013* (Cth) ‘provides for a company: (a) to receive (under a contract) Commonwealth funding for research and development for the Australian sugar industry; and (b) to be declared as the industry services body for the Australian sugar industry’ (section 3). The Statutory Funding Agreement 2013-17 (SFA) between SRA and the Commonwealth was executed on 5 August 2013, providing the basis for the *Sugar Research and Development Services (Industry Services Body) Declaration 2013* (dated 5 August 2013), establishing SRA as the industry services body defined in the Act.

The Act, SFA and Declaration enable the Commonwealth to make ‘R&D payments’ and ‘matching payments’ to the company to be invested in ‘research and development activities for the benefit of the Australian sugar industry’ and, in the case of matching payments, ‘for the benefit of...the Australian community generally’. Payments may also be spent on administration expenses ‘incurred by the Commonwealth in relation to the collection and recovery of R&D amounts, the administration of the contract and the payment of refunds related to R&D amounts’ (subsection 6(2) of the Act).

### 2.3 Funding

SRA’s revenue from operating activities is shown in Table 1 and explained below.

<table>
<thead>
<tr>
<th></th>
<th>FY 14 ($,000)</th>
<th>FY 15 ($,000)</th>
<th>FY 16 ($,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry contribution</td>
<td>19,542</td>
<td>22,679</td>
<td>24,333</td>
</tr>
<tr>
<td>Commonwealth matching contribution</td>
<td>6,692</td>
<td>6,064</td>
<td>6,635</td>
</tr>
<tr>
<td>Queensland Government income</td>
<td>4,031</td>
<td>4,501</td>
<td>4,732</td>
</tr>
<tr>
<td>Commonwealth government grant income</td>
<td>-</td>
<td>2,229</td>
<td>1,790</td>
</tr>
<tr>
<td>Collaboration income</td>
<td>1,971</td>
<td>2,092</td>
<td>3,056</td>
</tr>
<tr>
<td>Sale of cane</td>
<td>519</td>
<td>589</td>
<td>567</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>32,755</strong></td>
<td><strong>38,154</strong></td>
<td><strong>41,113</strong></td>
</tr>
</tbody>
</table>

SRA is funded primarily through the statutory Sugarcane Levy of 70c per tonne of cane, towards which growers and millers each contribute 35c. The Commonwealth matches the levy expenditure on eligible research, development and extension (RD&E) activities undertaken by SRA, definition and examples of which are provided in the SFA. These matching payments are restricted to a cap of 0.5% of the gross value of sugar cane production or 50% of the amount spent by SRA on eligible activities in a given financial year (determined at the following 31 October), whichever is the lesser amount. 70c/tonne represents significantly more than 0.5% of gross value, so Commonwealth matching payments are of the order of $6-7m per annum, around a third of the levy revenue.
The industry levy is collected through the Australian tax system. The Levies Revenue Service (LRS) of the Department of Agriculture and Water Resources (DAWR) coordinates the remittance of levy and matching funds to SRA.

The Queensland Government provides grant support to SRA, predominantly through the Department of Agriculture and Fisheries (DAF) (approximately $4.4m per annum over the last three years\(^1\)). SRA also has funding under a Commonwealth ‘Rural R&D for Profit’ project of $3.1m over 2015-18 as well as income from collaborative projects with third parties.

3. Operating environment

As noted in Section 0 of this report, this performance review of SRA is focused on the timeframe of 1 July 2013 to 30 June 2016. In such performance reviews, it is often useful to undertake a brief review of the company’s operating environment over the period as this can have some impact on stakeholders’ perceptions of its performance.

3.1 Industry profile

Australia produces approximately 2% of the world’s sugar and is a significant industry within Australia, generating revenue of over $2 billion per annum and an export value of $1.77 billion in 2015/16. Australia is the world’s third largest exporter of raw sugar behind Brazil and Thailand, exporting approximately 80% of production.

SRA’s Strategic Plan summarises the industry as follows:

- Australia’s sugar industry is located predominantly along the eastern coastline, spreading over more than 2,000 kilometres from northern New South Wales to far north Queensland.
- Approximately 95% of Australia’s cane production is in Queensland and the remainder in New South Wales.
- The industry consists of approximately 4,000 cane farming businesses, supplying 24 mills owned by 8 milling companies.
- The industry controls $7.4 billion in land and $4.5 billion in infrastructure assets. Approximately 75% of Australian sugar milling capacity is foreign-owned.

Many milling companies are also substantial cane producers in their own right as they have sought to increase vertical integration and improve cane supply by acquiring land.

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\(^1\) The Queensland Government investment will reduce to $2.85m in 2016/17
3.2 Trends in prices, production, exports

Over the period of this review, the Australian sugar industry key statistics have been quite mixed in the face of variable seasonal conditions and supply/demand forces. As Table 2, Figure 1 and Figure 2 show:

- Area harvested increased slightly with cane production growing largely on the basis of improved yields;
- Sugar production and exports similarly increased over the period; and
- The price of cane (and raw sugar) progressively dropped over the period 2009/10 to 2014/15 but improved slightly in 2015/16.

Table 2. Key statistics for Australian sugar 2013/14-2015/16 (sources: ASMC and ABARES 2016)

<table>
<thead>
<tr>
<th></th>
<th>2013/14</th>
<th>2014/15</th>
<th>2015/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area harvested ('000 Ha)²</td>
<td>371</td>
<td>377</td>
<td>381</td>
</tr>
<tr>
<td>Cane production (MT)²</td>
<td>30.5</td>
<td>32.4</td>
<td>34.8</td>
</tr>
<tr>
<td>Sugar produced MT²</td>
<td>4.4</td>
<td>4.6</td>
<td>4.9</td>
</tr>
<tr>
<td>Sugar exported MT²</td>
<td>3.1</td>
<td>3.6</td>
<td>3.8</td>
</tr>
<tr>
<td>Cane price (est)³</td>
<td>43</td>
<td>36</td>
<td>38</td>
</tr>
<tr>
<td>Sugar price USc/lb³</td>
<td>17.1</td>
<td>13.5</td>
<td>14.0</td>
</tr>
<tr>
<td>Value exports ($Am)³</td>
<td>1,436</td>
<td>1,675</td>
<td>1,766</td>
</tr>
</tbody>
</table>

Figure 1. Australian sugar production, exports and returns to cane growers (source: ABARES 2016³)


³ ABARES 2016, Agricultural Commodities, March
3.3 External issues

There are a number of issues that are largely beyond SRA’s influence, and yet may have a significant effect on the positioning and perception of the industry. These include:

- **Reef health**: The continued focus on the health of the Great Barrier Reef and the potential negative impact of sediment and fertiliser run-off from agricultural systems. The Great Barrier Reef Water Science Taskforce recently released its final report on ‘Clean water for a healthy reef’ which mentioned the sugarcane industry.

- **Human health**: The continuing swell of negative publicity regarding sugar consumption and the associated trends in consumer dietary preferences. While it is still unclear, there would be some likelihood of an impact on Australia’s sugar industry were the Australian Government, or those of overseas customer countries, to introduce legislation or taxation regimes to limit the consumption of food containing added sugars.

- **Legislative reform**: The divisive debate that surrounded the passage of the *Sugar Industry (Real Choice in Marketing) Amendment Act*, introduced by Katter’s Australian Party (KAP) in Queensland, in 2015. The Act is intended to provide growers with greater choice in the marketing of their sugar.

- **Increasing competition for cane-producing country** and for limited irrigation water supplies.

3.4 Trade

Over the review period there has been considerable focus by the Australian government, with the support of industry, to secure new trade agreements for Australian exports, especially for agriculture and particularly into markets within the region. In February 2016 industry welcomed the signing of the Trans-Pacific Partnership (TPP) Agreement between 12 countries. It is hoped the TPP will result in
improved access for Australian agricultural produce into important regional markets, particularly the United States and Japan.

From a competitive point of view, it is forecast that Australia faces a threat of competition for the Asian market from Thailand, with continuing growth in Thai exports expected into Indonesia, Japan, South Korea and China.

### 3.5 Supply/demand projections

Future predictions of demand and supply for the Australian sugar industry may also impact on industry perceptions, even though they fall outside the period of the review.

As it is generally expected that domestic consumption will be limited by slow population growth and a more health-conscious consumer base, many predict that the future growth of the Australian sugar industry will be dependent on the industry’s ability to successfully compete in the world sugar export market and to value-add through diversification of its product base.

In its recent ‘Outlook’ forecasts, ABARES concluded that over the period to 2020/21:

- Strong sugar demand will support world prices. ABARES forecasts that the world indicator price for sugar will rise slightly in 2017/18, before easing towards 2020/21;
- Higher prices over the period are largely based on an expectation that world sugar consumption will continue to exceed production and world stocks will reduce;
- Production is expected to increase in all major sugar producing countries – Brazil, India, Thailand, the European Union, Russian Federation, USA and Mexico; and
- The average mill-gate return to Australian cane growers is projected to increase to an average around $44 a tonne (in 2015/16 dollars).

In a similar vein, Rabobank forecasts that by 2020/21, Asia and Africa will be the driving forces behind significant global growth in sugar consumption, with annual global sugar consumption projected to grow from 166 million tonnes to 203 million tonnes. Australian production is also expected to grow.

### 4. Transition to SRA

A specific component of this review (terms of reference 3(ii)) was to assess how the transition from the previous governance arrangements of Sugar Research and Development Corporation and BSES Limited affected SRA’s performance.

As noted in section 2.1, SRA upon its formation assumed the assets, functions and services previously provided by SRDC and BSES Limited.

Feedback received during the conduct of this review (especially from management) indicated that the transition to the new SRA was ‘difficult at best’. This is to be expected as the formation of SRA involved
the merging of two very different cultures\(^4\) into a totally different operating model (industry owned company, *Corporations Act*, new Board and management, industry expectations, contestable funding and the requirement to prepare competitive proposals, reporting and accountability change, removal from extension and less contact with growers, redundancies and loss of work colleagues to name a few).

Despite these challenges, the Board’s initial focus on setting up strict governance and reporting structures, and senior management providing a strong direction and a focus on development and learning, has seen a reported vast improvement over the last two years. This is perhaps more evident in head office where the new company could be more closely managed.

While no doubt more still needs to be done, especially in the regions (section 5.8), the considerable progress achieved to date should be recognised.

### 5. The Board and governance

#### 5.1 Setting the direction

The SRA Board has focussed on and overseen the establishment of the corporate governance framework which is enabling SRA to comply with all statutory requirements and contemporary corporate governance principles. It is evident that the Board has provided the necessary leadership and clarity of direction to set SRA on the path for success.

Policies, charters and codes of conduct are in place to guide directors and officers in making decisions in the interests of all stakeholder groups, in an ethical and proper way without being influenced by improper considerations. The critical strategic and operational plans are in place and are working (see section 6). Board-endorsed governance policies including Delegations, Codes of Conduct, Declaration of Interests, Risk, Fraud Control, Asset Management, Financial, and Human Resources have been deployed to guide decision making and there is a systematic approach to ensuring that all policies and plans are regularly reviewed and updated. There are separate Codes of Conduct for office holders and staff.

A comprehensive Delegations and Authorities Policy is in place, incorporating delegations, rules of delegation, definitions, roles and a schedule of the current financial delegations. The policy was reviewed in March 2016 and will be reviewed again in April 2017.

The organisation-wide implementation of a holistic approach to risk management is notable. A comprehensive risk management system has been deployed across the organisation and is driving desired risk management behaviours at all levels. Compliance management is a feature and all key corporate and operational risk areas are covered by policies and appropriate plans, e.g. Asset Management, Fraud Control, and Intellectual Property.

\(^4\) No staff came across from SRDC
While SRA is not a listed entity, adoption of the ASX Corporate Governance Principles and Recommendations (3rd Edition) recommendation on diversity policy would strengthen governance and potentially enhance SRA’s corporate image and reputation.

There was clear evidence that the Board functions effectively and has a positive relationship with the CEO and good relationships with members of the Executive Team. There is a clear division of function between Board and management. The Delegations Schedule clearly demonstrates that responsibility for the day-to-day operations of the company rests with the CEO and there is no evidence of the Board or management intruding into the other’s role.

5.2 The structure of the Board

The Board comprises seven directors including the Chair and has four committees:

- Audit and Risk;
- Remuneration and Appointments;
- Research Funding Panel (RFP); and
- Director Selection.

There are charters for the Board and each of the committees and each charter provides for a review in specific terms. There is also evidence that these reviews are being undertaken in accordance with the charters.

Annually, the Board is required to establish or update a Board composition matrix outlining the skills and experience required by directors in order to ensure that the Board as a whole has a balance of appropriate skills and experiences. There is a requirement that the updated skills and experience required be published on the SRA website. This requirement is being met.

The ASX Corporate Governance Principles and Recommendations (3rd Edition) recommends that boards have nomination committees which advise on board succession planning. Succession is not an explicit function of the Director Selection Committee, however it may now be appropriate for that committee to give consideration to succession issues.

5.3 Review of Board performance

There is an externally facilitated process for regularly evaluating the performance of the Board and the Chair. The data for the review is provided by all Board members and members of the Executive Team. The process includes a self-assessment for directors. It is an example of good practice and evidence of the Board’s commitment to a high standard of performance. Feedback indicated that the process works well and is effective in identifying and delivering improvement opportunities.

There is a similar formal process for reviewing the performance of the RFP. This process has provided useful feedback for the panel and the Board and opportunities for improvement that have been
identified have been acted upon. The Board review process includes some feedback on the overall effectiveness of committees. The Audit and Risk and the Remuneration and Appointments Committees are self-reviewed annually and reviewed by the Board every two and three years respectively.

Individual director performance evaluation could be strengthened by adding a peer assessment element which would provide feedback to each director on how their colleagues see their performance.

5.4 Compliance with the SFA obligations

As indicated above, there is a systematic approach to meeting the SFA reporting and communication requirements. Included in the Annual Calendar of Compliance, managed by the Company Secretary, are the reporting requirements under the SFA and this systematic approach, coupled with the Annual Board Reporting Calendar, ensures that the organisation meets its SFA review and reporting obligations. Regular telephone and face-to-face meetings between SRA (Executive Manager Investor Relations) and officers of DAWR facilitate information sharing, and the identification and rapid resolution of current or emerging issues.

Within five months of the end of the financial year SRA is required to provide the Commonwealth with a report providing an audit opinion on whether SRA has complied with its SFA obligations and a certification report from the Board as to compliance. These requirements have duly been met.

The CEO plays a significant role in overseeing compliance with the SFA obligations and acts to ensure compliance with the requirements concerning non-involvement in agri-political activity.

5.5 Reporting

As discussed in detail in section 6, the process for reporting progress against the Annual Operational Plan (AOP) is a strength. There is a strong focus on outcomes driven by a clear expectation from the Board. SRA is conscious of the need to further improve the outcomes focus and measurability of performance indicators. There is bi-monthly compliance reporting and a ‘traffic light’ approach is used for reporting performance against the plan. Line-of-sight plans, plan implementation and reporting against key indicators and targets are serving to improve accountability across the organisation. The improvement in reporting was particularly commented on by directors and stakeholder representatives.

An annual Board Reporting Calendar is in place to ensure the Board meets its review and reporting obligations.
5.6 Financial management

The necessary policies, plans and compliance processes are in place to prevent fraud and error and ensure that SRA’s finances are applied in accordance with conditions of the SFA. There is clear alignment between the strategic plan and the budget, and there is evidence of the Board’s leadership in overseeing the finances, in improving reporting and closely monitoring performance against budget. The regular financial report to the Board is an example of good practice in financial reporting, providing concise, clear, useful information for decision making.

Internal and external audit functions are provided on a contractual basis and are overseen by the Audit and Risk Committee of the Board and undertaken as required.

5.7 Board communication with stakeholder groups

The Board makes a significant contribution to improving communication with stakeholder groups. Regular feedback meetings are held with growers and millers in the regions to receive feedback directly and enhance stakeholder engagement. There was positive feedback from representatives of those groups about this approach. This process is in addition to regular meetings in the regions with those groups by the CEO and senior staff. Members of the Board and senior management regularly attend peak body meetings as well. Feedback indicated that the appointment of an Executive Manager Investor Relations is greatly helping build stakeholder relationships.

5.8 Establishing the organisation culture

The organisation has adopted a best practice approach to establishing the desired culture for SRA. The process reflects a sound understanding by management of what is required to change an organisation’s culture and establish the workplace behaviours which are needed for success. The organisation’s values (Innovation, Investor Satisfaction, Accountability and Teamwork) have been developed with a depth and breadth of employee input and there was evidence of the early stages of the values being reflected in the work being done.

Feedback from a recent staff survey indicated that there has been a breaking down of old silos with more openness and a greater sharing of knowledge and information generally. This feedback also identified a number of opportunities for improvement on which management has initiated prompt action. The relatively low response rate (66%) to the survey was indicative of only a moderate, if not low, level of staff engagement with what management is trying to achieve. Site-specific strategies (e.g. use of capability analyses to evaluate whether certain sections and individuals have the capabilities required to achieve the desired outcomes, restructuring or tighter performance management) could assist in enhancing cultural change.

In discussions on the progress of culture change, the CEO outlined strategies planned to effect further change. These are to be commended as, while there have been significant efforts to create a levy-payer-focused culture within SRA, it is apparent that this remains a work in progress.
**Recommendation 1:**

SRA should continue its focus on improving the culture of the organisation, which may include the implementation of site-specific strategies to effect change.

There is also an opportunity to more closely align the organisation’s values with the Code of Conduct for Staff, describing the role of the values and the organisation’s expectations about how they are to be embraced and demonstrated in undertaking the work of SRA. Further, the addition of a key performance indicator (KPI) for employee engagement would enable the Board and management to more readily review trends in employee engagement and culture change over time.

### 6. Planning and reporting

#### 6.1 Introduction

With both BSES Limited and SRDC being officially wound up and SRA being declared in August 2013, all planning and reporting functions were effectively established *de novo* in 2013. This provided SRA with a unique opportunity to undertake planning and reporting functions unencumbered from past approaches, whilst at the same time recognising that it also had to deal with a completely new way of operating and the loss of some corporate memory.

#### 6.2 Strategic plans

The company’s requirements in relation to strategic and operational plans are covered by sections 11.1 to 11.7 of the SFA. Section 11.1 (and 11.7) deal with the timeframe, review process and Minister’s endorsement of the plan, while Section 11.5 relates to the plan’s confidentiality. Section 11.2 describes the coverage of the plan with Sections 11.3 and 11.4 outlining the consultation required in the development of the plan. Section 11.6 refers to an Interim Strategic Plan given the ‘start-up’ nature of SRA at the time.

This review and discussions with SRA management and representatives of DAWR have confirmed that all obligations listed within the SFA in relation to strategic plans have been met.

One of the early tasks of SRA was to establish a comprehensive Consultation Plan for the development of SRA’s 2013/14 – 2017/18 Strategic Plan. The Consultation Plan was developed and executed, and was comprehensive in nature as it engaged levy payers, government and organisations that represent the full diversity of those who have a stake in SRA’s work.

SRA released an Interim Strategic Plan in August 2013. This plan had four broad ‘strategic imperatives’ incorporating 17 ‘focus areas’ (which would evolve in the plan proper to a somewhat different set of eight ‘key focus areas’ (KFAs) organised under five ‘strategic outcomes’). The interim plan also included 5-10-year aspirational outcomes against the four strategic initiatives.
SRA released its first strategic plan in April 2014 along with an easy to read summary and a ‘one-page’ brochure. The Strategic Plan 2013/14 – 2017/18:

- Is comprehensive and very well prepared;
- Establishes SRA’s vision, purpose and the manner in which SRA seeks to operate;
- Provides a useful review of the operating environment both domestically and internationally;
- Identifies both the Australian sugar industry and SRA’s key strengths, weaknesses, opportunities and threats;
- Is clear on SRA’s relationship with other stakeholders;
- Provides commentary on the outcomes (KPIs) that SRA’s RD&E is seeking to contribute to:
  1. Build towards achieving 36 million tonnes per annum of sugarcane by 2017;
  2. Maintain average rate of yield improvement per hectare per annum by region;
  3. Improve environmental sustainability;
  4. Improve industry reputation and community acceptance; and
  5. Target an average return on investment of SRA’s industry funds.
- Refers extensively to its 8 KFAs, the rationale and objectives of each, deliverables and key performance measures;
- Contains detailed investment, income and expenditure forecasts (note: some of these forecasts were ‘brave’ especially at an early developmental stage for the new plan);
- Provides an overview of the company’s approach to monitoring and evaluation; and
- Provides comprehensive coverage of how SRA’s plan is aligned to industry and government priorities, specifically:
  - Strategic Research Priorities, Australian Government, 2013;
  - National Sugarcane Industry RD&E Strategy, 2010;
  - National Primary Industries RD&E Framework and Guidelines, Department of Agriculture, 2009;
  - Rural Research and Development Priorities, Department of Agriculture, 2007;
  - Queensland’s Agriculture Strategy, Department of Agriculture, Fisheries and Forestry, 2013; and

SRA also established a plan for a review of the Strategic Plan in 2015. This included surveys seeking industry views on the KFAs in the plan, as well as seeking input from Delegates into RD&E priorities. This review introduced some fundamental changes to the Strategic Plan as it identified that within the KFAs there were a number of priority areas that required significant focus and investment in the short-to medium-term. These Impact Areas (IAs) were:
Yellow Canopy Syndrome (YCS);
Plant breeding (both conventional and genetically-modified);
Adoption; and
Maximising productivity along the value chain.

It is evident that SRA has been very comprehensive in seeking member / stakeholder / levy payer views into its strategic planning and review process and this is acknowledged by industry.

SRA’s inaugural Strategic Plan (and updated plan) is an impressive document and may be even further improved by closer examination of a few key areas when the new plan is being prepared. These areas are clearly in mind with SRA’s Board and senior management and include:

- Reducing the length of the document (in the current Strategic Plan, coverage of strategic and operational imperatives commences on page 32);
- Focusing on using more commercial (rather than scientific) language wherever possible;
- Potentially reducing / realigning the number of KFAs / IAs;
- Simplifying the expression of objectives and strategies (in KFAs and / or IAs); and
- Including more objectivity in high-level KPIs.

This review also noted that planning is well advanced for the development of SRA’s next strategic plan.

**Recommendation 2:**

In the next phase of developing a renewed strategic plan (and in related plans and any reporting), SRA should focus on using more commercial language, simplifying the expression of objectives and strategies (KFAs and IAs) and including more objectivity in high-level key performance indicators.

Several interviewees for this review noted the absence of a long-term industry vision or plan. In particular, there is a question as to whether the ‘industry’ should describe itself as being about ‘sugar’ or ‘sugarcane’. A broader industry vision would undoubtedly improve the effectiveness of SRA’s strategic planning and delivery, but the development of such a plan is outside SRA’s remit.

### 6.3 Annual operational plans

The company’s requirements in relation to annual operational plans (AOPs) are covered by sections 11.8 to 11.11 of the SFA. Section 11.8 refers to the fact that SRA must, prior to 1 July each year, provide to the Commonwealth an AOP to implement the Strategic Plan and sets out the various required
components of the plan. Sections 11.9, 11.10 and 11.11 deal with variations to the plan, confidentiality and the interim AOP respectively.

This review and discussions with SRA management and representatives of DAWR have confirmed that all obligations listed within the SFA in relation to annual operational plans have been met.

SRA produced its first (interim) AOP in October 2013. The interim plan was based on the 17 ‘Strategic Imperatives’ as listed in the Interim Strategic Plan. By necessity it included a listing of numerous projects it had inherited from its precursor organisations. Subsequent AOPs have focussed on KFAs as delineated in the final Strategic Plan.

Coverage within each AOP has been substantial and has included context and strategic intent, KFAs and relevant projects within each as well as clear investment levels across the portfolio alignment to Industry and Government Priorities. In particular, the AOPs clearly detail for each KFA:

- Objectives;
- Deliverables for the financial year;
- Outcomes;
- Measures; and
- Specific projects.

The process for Board reporting of progress against the AOP is a strength. There is bi-monthly compliance reporting and a traffic light approach used for reporting performance against the plan to the Board.

It is also noteworthy that the 2015/16 and 2016/17 AOPs have referred to the focus on the four IAs that SRA had decided to pursue. The 2016/17 AOP has also refined the titles for these IAs (changing ‘Adoption’ to ‘Extension and adoption’; ‘Maximising productivity along the value chain’ to ‘Harvesting efficiency’).

The implementation of AOPs has been found to be rigorous and comprehensive. The outcomes from their implementation is reported in annual reports.

Similar to the findings of the examination of SRA’s Strategic Plan, the organisation’s AOPs are very good documents and opportunities exist to enhance them further by considering the minor improvements as suggested for the Strategic Plan (section 6.2).

6.4 Annual reports

The company’s requirements in relation to annual reports are covered by sections 12.6 to 12.9 of the SFA.

Section 12.6 states that the organisation must prepare its annual reports in accordance with the Corporations Act (2001) and the SFA, 12.7 the number of copies required and timing, and 12.8 that
additional information can be prepared if desired by the RDC (SRA). Section 12.9 provides a detailed listing of what each annual report should include.

This review and discussions with SRA management and representatives of DAWR have confirmed that all obligations listed within the SFA in relation to annual reports have been met.

The two annual reports prepared to date are comprehensive in their coverage and include:

- Investment overview;
- Research highlights;
- Extension highlights;
- Communications;
- Response to Impact Areas;
- People;
- Research collaborations; and
- Members and Delegates.

A most impressive aspect of the annual reports is that there is a clear line of sight between strategic plans, annual operational plans and annual reports. This needs to be continued and indeed built upon in future annual reports.

One area that warrants some attention to potentially improve future annual reports relates to the provision of a summary of key achievements against targets at an organisational level and at KFA level at the front of the report. Currently the annual reports are very wordy and qualitative and would benefit from more quantitative information, a focus that SRA is now pursuing.

In that regard, special mention is made of the SRA Performance Report 2014–15. This is an impressive document and one that is referred to by other RDCs and DAWR as an example of excellent reporting. Members of the sugar industry are also appreciative of the approach SRA is taking. Elements of the performance report could also be included, where appropriate, in future annual reports.

7. RD&E management and delivery

7.1 Research ‘funder’ versus ‘provider’

As described in section 2, SRA operates both as a research funder and research provider. These are functions separated in the organisational structure between the Research Funding Unit (RFU), reporting to the Research Funding Panel (RFP – see section 7.2), and the Technology and Strategic Initiatives divisions, reporting to the CEO.

The organisational structure was revamped somewhat before the most recent (2016/17) AOP. The former ‘Research’ division was renamed ‘Technology’ and aligned to KFAs 1-5 and 7 of the Strategic Plan as well as, subsequently, the four IAs. ‘Development’ was renamed ‘Strategic Initiatives’ and made
responsible for driving strategic alliances, including collaborations with other research bodies, championing YCS research, mentoring young scientists and managing SRA’s internal contestable research project proposals process. The RFU currently has carriage of KFAs 6 and 8 as SRA does not have any internal investments in these areas.

SRA has both contestable and non-contestable R&D funding streams. Rule 22.3(e) stipulates that ‘The Board should use best endeavours to ensure that, on average over the four years between Performance Reviews, approximately half of the Company’s income is allocated to the contestable funding pool’. The 2016/17 AOP allocates approximately $19.7m of its $40m R&D budget towards external and internal contestable R&D (in equal proportions) with the remainder budgeted for ‘internal core’ activities (including plant breeding and biosecurity), industrial contract research and R&D management.

A ‘Chinese wall’ has been established between the ‘funder’ and ‘provider’ sides of the company. Rule 22.3(i) of the Constitution requires the RFP ‘To work with the Board to ensure separation of Company research staff and SRA Research Funding Unit staff responsible for the contestable research funding process, including monitoring and evaluation management, so that internally and externally provided projects are selected and managed objectively and without bias’. This review notes that this separation is rigorously enforced. The major structural element of the ‘wall’ is the RFP itself and the RFU’s reporting line to the RFP rather than the CEO. A number of processes are also in place, such as the requirement to document all meetings between Technology and RFU staff.

The review did not find any substantial evidence of mistrust of SRA’s handling of the potential funder/provider conflict of interest. While there was the occasional observation about the number of proposals that SRA Technology were successful in, most comment was to the effect that the ‘Chinese wall’ may be so rigid that it may hinder R&D management and process efficiency to some extent. This may entail two primary components:

- The time and effort taken to ensure that the funder and provider sides of the company are, and are seen to be, totally separate are not insignificant; and
- Some opportunities to make greater use of internal SRA researchers in collaborative projects are missed (and vice-versa).

**Recommendation 3:**

*SRA should, where appropriate, further expand the number of joint projects between SRA Technology and external providers. The challenges of doing so are recognised.*

7.2 R&D procurement, project selection processes and structures

SRA has an annual call process for Preliminary Research Proposals (PRPs) in August each year. The call is based on a prior analysis of the SRA research investment portfolio and progress against Strategic
Plan objectives. In 2015, SRA also commissioned some projects directly in the newly-identified IAs of YCS, plant breeding, adoption and minimising harvesting losses.

An annual call for projects against a relatively broad listing of priorities (such as the SRA KFAs) provides the greatest opportunity for new ideas to be submitted. It also facilitates management to some extent because all associated activities can be scheduled well in advance. On the negative side, an annual open call creates considerable transaction costs for both the funder and potential service providers because of the large number of proposals produced and the ratio of proposals submitted to proposals approved respectively (see below). Balancing the open call with more targeted calls or commissions (some possibly out-of-cycle), as SRA has started to do, may help SRA to better meet its strategic objectives and reduce the resourcing required for the assessment process.

**Recommendation 4:**

*SRA should continue its move towards a more flexible approach to project selection which may include some commissioning of major projects / programs, and should continue the practice of more targeted priorities for open calls (and identify opportunities to reduce transaction costs).*

The PRPs received are reviewed by Production Research Advisory and Milling Research Advisory Committees (PRAC and MRAC respectively) and DAF, a co-investor in SRA RD&E (see section 2.3). The primary purpose of the PRAC and MRAC review is to provide an assessment of the potential industry benefits of proposed research investments.

The review understands that MRAC is a carryover from the SRDC model and that PRAC was established to provide equivalent input from the production side. Neither committee is constituted under SRA. MRAC members are appointed by the Australian Sugar Milling Council (ASMC) and PRAC members by CANEGROWERS.

PRAC and MRAC provide recommendations on each of the respective production or milling PRPs. DAF is provided with a list of all PRPs received and assigns a green, amber or red rating to each based on the relative alignment of the project against the State Government research priorities. The recommendations of all groups are collated by the RFU and provided to the RFP as additional information during their considerations of all proposals.

The RFP is established under rule 22.3 of the SRA Constitution as a board committee with ‘the authority to identify a portfolio of projects for funding each year against SRA Research Funding Panel processes and criteria for merit, consistent with the strategic plan, Industry Priorities and framework, financial, timing and other guidance provided’. A comprehensive charter is in place. The RFP comprises an independent chair, one of the SRA directors and three other independent members who are experts in sugar industry research, agricultural research, sugarcane production and/or milling.
The RFP prepares a recommended shortlist of PRPs for Board consideration and, after approval, invites Full Research Proposals (FRPs) from the successful agencies. In some cases, it may ask agencies to collaborate on an FRP. Completed FRPs are sent for external peer review and to DAF which again assigns green / amber / red ratings to the FRPs against State Government research priorities. The RFP considers all review information and develops a recommended list of projects for SRA investment for Board consideration in April. Successful FRPs are contracted with a prospective starting date in July of that year.

In 2015/16:
- 63 PRPs were submitted;
- 27 FRPs were invited; and
- 15 FRPs were recommended for funding.

The SRA project call and assessment process is undoubtedly very thorough, especially with respect to scientific or technical aspects. It is unusual (if not unique) among RDCs that all full project proposals are subject to peer review.

The performance of the RFP was evaluated in March 2015 by an external consultancy. Contributors to the evaluation were panel members, staff of the RFU and the Company Secretary. The evaluation found that the overall performance of the RFP was in the middle range (7.14/10) but a number of areas of concern about the operation of the panel were identified. The board has since made a number of changes and a new chair is now in place.

The SRA call and assessment process is generally well regarded by industry and the research community. However, this review heard commentary about:
- A lack of communication back to the PRAC, MRAC and DAF from the RFP about its ultimate project decisions, leaving these groups feeling that their advice has (in some cases) been ignored in the final selection of projects. It is to be expected that the RFP's decisions will not always be aligned with those of the PRAC or MRAC – otherwise, the RFP would be superfluous to the process. The RFP takes account of the preliminary advice as well as other opinions and its own evaluation criteria, which are predominantly technical feasibility, value in terms of building capability, and cost relative to both benefits and alternative investment opportunities (in contrast to the mainly commercial focus of the advisory committees). However, there should be transparent feedback from the RFP to the PRAC, MRAC and DAF as to how each group's advice has been handled. Where the RFP's decisions depart from those of the advisory groups then those departures should be clearly explained.

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5 Effective Governance 2015
**Recommendation 5:**

*Without compromising the independence of the RFP, there should be more transparent feedback about project funding decisions from the RFP to the RACs and DAF.*

In the case of MRAC, one contributing factor to this situation is the lack of a milling research strategy. There is clearly some frustration among millers and within SRA about the lack of such a strategy and the difficulties of developing one, given the multinational nature of sugar millers, the differing resources and priorities of each and the fact that many milling issues are often ‘competitive’ in nature. The need to define opportunities in the ‘pre-competitive’ sphere is generally agreed but even this concept is not straightforward.

**Recommendation 6:**

*SRA should further engage with the milling investors to develop pre-competitive R&D or adoption / training priorities.*

- **The absence of a cane producer member of the RFP.** SRA argues that at least one member of the RFP has extensive sugarcane production skills and that the RFP is and should be skills-based rather than representational. These are reasonable arguments. However, the lack of a ‘bona fide’ grower on the RFP would seem to present a perception problem for SRA and it is highly unlikely that a suitably skilled grower could not be found to fill such a role – without such an appointment needing to be a political one.

- **DAF’s voice in funding decisions relating to its contributions.** A new four-year funding agreement between SRA and DAF is currently under negotiation. This new agreement will reportedly see DAF become a more active investor in SRA projects. DAF will also reserve the right to withdraw part of its funding for investment in preferred projects where these projects have not been supported by the RFP.

- **Transaction costs for research providers participating in the open call** given a success rate for PRPs of around 25% (2015/16). There is always a tension for research funders between minimising the costs to service providers of participating in project calls and maintaining a suitable level of competitiveness between them, and providers would always prefer to minimise the former, so this is not surprising. However, it is in the interests of all parties to continually strive to keep these costs to a minimum. Opportunities to do so will no doubt continue to be an important focus for SRA, advisory structures and research providers.
7.3 Portfolio organisation and management

The annual call process and the RD&E portfolio itself are organised around KFAs. There is not a strong sense of a ‘program’ approach, in which a coordinated group of projects is developed in response to a particular opportunity or challenge. An annual call process in which priorities are only loosely defined will tend to lead to a collection of individual projects rather than a series of coherent programs.

Programs have the advantage of being oriented towards a particular outcome or series of outcomes. They also have an internal logic – for example, there may be several competing projects addressing a major problem requiring an urgent solution. Programs typically have some sort of plan and expert oversight in the form of a program advisory group and sometimes a dedicated part-time coordinator external to the company where the expertise or time is not available internally.

A good example of a program structure in an RDC is that of Australian Pork Limited (APL). APL has a similar body to SRA’s RFP (the Research and Development Advisory Committee, RDAC), but with a series of Specialist Groups underneath it comprising growers, researchers, advisors, relevant APL management and others. These groups develop business plans for their programs that are approved by the APL Board through the RDAC. Budget is allocated accordingly.

SRA has started to adopt a program approach through the recognition of IAs. The review understands that a well-structured program plan has been adopted to address YCS.

**Recommendation 7:**

*SRA should consider the adoption of a more active program- rather than project-based approach for the management of the RD&E portfolio, based on revised KFAs. Programs may be most effectively coordinated by part-time external specialists.*

The review also noted that portfolio analysis is not an explicit feature of SRA’s project selection or management. This is perhaps unsurprising given that SRA has only been in operation for three years. Ideally, active or potential projects should be assigned parameters such as expected economic benefit, chance of success (technical and commercial), time horizon to delivery, market segment(s) addressed and any others considered relevant, and decisions taken on how these parameters should be balanced across the portfolio.
**Recommendation 8:**

SRA should now make portfolio analysis a regular part of its RD&E management to ensure an appropriate mix of long term / short-term research, risk / return profile, large and small projects etc.

7.4 Documentation

The SRA PRP form is of a suitable length and similar in scope to those adopted by other RDCs. FRPs are completed online via SRA’s SugarNet system. SRA provides both PRP and RFP informative application kits to prospective research providers.

The research project agreement template also appears to be consistent with those of other RDCs. The template usefully provides guidance notes to the drafter and a range of text options for various clauses, notably in relation to IP, to facilitate drafting.

None of the research providers interviewed for this review noted any particular concerns about SRA’s administrative processes in relation to proposals (other than transaction costs in relation to unsuccessful proposals), contracting or project management.

7.5 Intellectual property management

SRA has a mature approach to the management of IP. By and large it seeks (appropriately) to ensure that levy payers are free to use IP developed through SRA’s R&D. Where IP is owned jointly, SRA seeks to ensure that prior approval for future use is sought, without necessarily restricting its use or focussing only on royalty streams.

7.6 Adoption

The review understands that the sugar industry determined, in developing a model to assume the functions delivered by SRDC and BSES Limited, that the new industry services body would not be a deliverer of extension (or ‘adoption’) activities. Indeed, rule 6(c) of the SRA constitution stipulates that SRA ‘is not to operate in areas where commercial providers are active or could reasonably develop. In considering such activities, the Company should apply recognised tests for market failure.’ Regional productivity services boards, funded jointly by growers and mills, were instead expected to be the primary deliverers of extension services to cane growers. SRA would act in the capacity of a ‘wholesaler’ rather than ‘retailer’ of information.

Many of the stakeholders interviewed for this review believed that the decision to remove adoption from the remit of the new industry services body (now SRA) was a mistake. Productivity services boards vary in their level of activity and effectiveness and in some regions they do not exist. Furthermore,
there is a view among some of the leading players that lack of adoption of existing technologies is a serious problem for the industry. The CEO of one major milling company expressed the view that all sugar R&D could cease for a number of years, while adoption ‘caught up’, without any great detriment to the industry.

SRA has recognised the importance of increasing technology adoption by the industry, making it one of four IAs for increased resourcing ($1m allocated for ‘to be developed projects’ across the four in the 2015/16 AOP). There are 11 people in the SRA Adoption Team, each of whose role has recently been shifted to being 50% discipline-based and 50% regional-based. A draft adoption strategy has also been developed.

The means by which commercial players (growers and millers) in an industry access innovations is a matter for the whole of industry to consider and shape. There is a mature realisation among industry players that the design of the SRA model was sub-optimal in its treatment of adoption. SRA is not at blame for the situation but it will be expected to play a role in fixing it. There is a danger, though, that SRA may become a ‘gap-filler’ – that is, that its Adoption Officers will be expected to make up for shortfalls in regions not otherwise well served by productivity services boards or private providers. This would be inequitable to those paying separate levies or consultancy fees to obtain advice.

**Recommendation 9:**

As a matter of priority, SRA should seek to facilitate the development of a robust long-term industry adoption strategy, and identify SRA’s role within it. In doing so, SRA should consider:

- Resource allocation in an equitable manner; and
- How the strategy will build rapport, capability and availability of external advisors.

Regardless of any new industry adoption strategy, SRA could improve the effectiveness with which its R&D outcomes are extended through the development of program-orientated adoption plans. Innovations differ in characteristics that will affect their uptake: for example, a smartphone app may be readily adopted (especially by younger farmers) whilst a new integrated pest management approach may require a radical change to current production systems, making rapid uptake less likely. Considerations of the fit of a particular innovation with existing systems, the benefits it will deliver, target audience segments, barriers to and facilitators of adoption and so on should be explicitly recognised and written into an adoption plan specific to the innovation or group of innovations. This may require market research and other ‘marketing’ approaches.

The idea of adoption plans links with the commentary above about a program approach to the RD&E portfolio.
**Recommendation 10:**

*SRA should consider the development of program-oriented adoption (‘marketing’) plans.*

### 7.7 Monitoring and evaluation

SRA has a comprehensive monitoring and evaluation framework\(^6\). It also has a database, ‘Activ’, that allows the collection and reporting of events, meetings, marketing communications activities and grower group activities as well as any associated evaluation data (see sections 6 and 9 for further detail).

### 7.8 Efficiency

SRA participated in a comparison of overhead costs between the RDCs facilitated by the CRRDC in 2015\(^7\). The analysis of SRA’s operations was complicated by its unique research provider function, which had to be separated from its ‘RDC’ function. Results are summarised in Table 3.

#### Table 3. Comparison of SRA’s overhead costs with those of other RDCs (source: Grant Thornton 2015)

<table>
<thead>
<tr>
<th></th>
<th>SRA</th>
<th>RDC average</th>
<th>Rank*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overhead costs as % of total expenditure</td>
<td>10%</td>
<td>13%</td>
<td>3=</td>
</tr>
<tr>
<td>Total overhead cost per non-project employee</td>
<td>$431,708</td>
<td>$308,200</td>
<td>15</td>
</tr>
<tr>
<td>Overhead cost/member</td>
<td>$366</td>
<td>$5,593</td>
<td>2</td>
</tr>
</tbody>
</table>

* Of 15 RDCs that participated, 12 in the case of overhead cost/member. Higher rankings indicate ‘superior’ performance (lower numbers)

The cross-RDC comparison must be interpreted with caution, as Grant Thornton notes: ‘Each RDC is distinct and unique in their operations due to several factors... (including) the size, structure, nature of activities, geographical region(s) of operation (including the existence of overseas locations if any), nature of members and the proportion of outsourced functions in existence at each individual RDC’.

Notwithstanding this caveat, the Grant Thornton report provides some assurance that SRA is operating cost-effectively. The high figure for ‘total overhead cost per non-project employee’ reflects the very low number of non-project SRA R&D staff – the lowest across the RDCs.

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\(^6\) Coutts 2014

\(^7\) Grant Thornton 2015
8. Liaison with stakeholders

8.1 Delegates

Rule 13 of the SRA constitution establishes a group of ‘Delegates’. Delegates are elected representatives of ‘Group G’ (growing business) and ‘Group M’ (mill company) members. They play a small but important role in the company. The Director Selection Committee comprises two Group G and two Group M Delegates elected from among their respective groups. Delegates are also presented with the findings of each performance review and the board response to it, following which the Delegates may recommend a change to the Sugarcane Levy through a Sugar Poll (levy poll). A meeting of Delegates is to be convened at least once per year.

The review team had the opportunity to attend a meeting of the Delegates in Mackay in April 2016. Observations of the conduct of the meeting and discussions with some of the Delegates suggested that many did not have a good understanding of their role. Also, the format of the meeting, while allowing some time for questions and comments, was largely a ‘stand-and-deliver’ exercise by SRA management. This limited the opportunity for genuine two-way engagement between SRA and its membership through the Delegates.

SRA is aware that it does not realise as much value from the Delegates as it could. The Board meeting of December 2015 approved a management proposal to strengthen the relationship between SRA and the Delegates through measures such as increasing the number of meetings to two per year and strengthening the interaction between Adoption Officers and Delegates at a regional level. A number of positive developments were noted at the April 2016 meeting, including:

✧ Topics for discussion were sought by Adoption Officers from Delegates in February, and a series of responses to the issues raised were provided as part of the meeting papers as well as being taken into consideration in the meeting agenda.

✧ The papers also include (among other things) a statement of the role of Delegates, a summary of the Strategic Plan, a summary of the 2014/15 Performance Report and a summary of current funded projects.

✧ All of the SRA Executive Team and most of the Directors were present, demonstrating the importance placed on the Delegates by the company.

✧ SRA funded the Delegates to attend the Annual Conference of the Australian Society of Sugar Cane Technologists immediately following the Delegates’ meeting.

These measures are improving the quality of SRA’s engagement with Delegates and are to be commended. However, the company might consider additional measures to realise greater value from this group. The roles of the Delegates as specified in the Constitution (Director Selection Committee, Sugarcane Levy) are undoubtedly important but there is a great untapped opportunity to have the Delegates provide input to SRA’s RD&E decision-making. The Delegates provide coverage of growing and milling across all regions and the cost to run the network is already part of SRA’s recurrent budget.
SRA may wish to review geographically- or production-system-based consultative models of other RDCs such as Grains Research & Development Corporation (GRDC) and Meat & Livestock Australia (MLA). The latter has recently established a series of regional panels. Another model of interest is the Zone Advisory Committee (ZAC) network of the former Australian Wool Research & Promotion Organisation (AWRAP), predecessor to Australian Wool Innovation (AWI). The three ZACs had collective input to the company’s strategic plan through 2-3-day workshop sessions. Individual ZAC members played a further important role as members of program advisory groups (see section 7.3).

The review acknowledges that the sugar industry is unique and that simply adopting another industry’s model may not be appropriate. For example, Delegates are elected by Members, not appointed by SRA on the basis of skill as they are in most other models. Another consideration is that Delegates are not permitted to be remunerated under the Constitution.

Recommendation 11:

SRA should consider rationalising and aligning the function and structure of RACs and Delegates.

One option would be to allocate Delegates into program advisory groups, one of which would be MRAC, with PRAC split into several production programs.

Recommendation 12:

Depending on what if any changes are made to its advisory structures, SRA should consider options for compensating or providing non-financial incentive to Delegates and PRAC / MRAC members to better recognise and encourage their contributions.

8.2 Levy-payer communication

SRA has a Communications Strategy that clearly identifies the company’s communication objectives, audiences and key messages, and sets out an action plan to deliver these messages.

In addition to the annual report and performance report, the company uses a number of publications to raise awareness of its activities and RD&E outcomes:

- A fortnightly ‘eNewsletter’ distributed to members and other subscribers. The newsletter is short, 3-6 pages, and contains updates on a range of SRA research and other activities as well as a listing of upcoming events. There are links to more detailed information.
- ‘CaneConnection’, a quarterly publication of around 32 pages providing technical advice and research updates to canegrowers.
‘CaneClips’, short videos on a range of technical and research topics, emailed to subscribers each week and available on the web site.

‘MillingMatters’, a 12-16 page magazine targeted at SRA’s milling investors, providing updates on milling research activity. There have been four editions of MillingMatters, two in 2014 and one each in 2015 and 2016.

These publications all appear to be professionally produced and pitched at the right level for the audience. The SRA grower surveys of 2015 and 2016 showed respondents rating all of SRA’s ‘products and services’ (publications, as well as updates, field days and so on) at around 3.5-3.8 out of 5, with no discernible differences in response by size of enterprise or region. A significant increase in rating was observed for MillingMatters between 2015 and 2016. The 2016 survey showed that respondents had (on average) read, accessed or visited between four and five SRA information products and services over the past two years. The most frequently accessed products were CaneConnection (74% of respondents), factsheets (73%) and the eNewsletter (66%).

These are very good results by the standards of most agricultural industries. The robust design of the survey provides confidence that they give an accurate picture, notwithstanding some inevitable favourable bias due to less engaged people declining to participate.

Special note is made here of the image of SRA conveyed to the industry through its research farms. Some comment was made to this review to the effect that certain SRA farms do not present a good image to the industry because of poor maintenance (e.g. outdated signage) or management practices that appear out of kilter with recognised best practice.

The difficulties for research farms in relation to the latter point are acknowledged. Research farms are managed for scientific experimentation and so are not commercially optimised. However, the way SRA manages and is seen to manage its farms can impact on the company’s image. There is an Asset Management Policy and Plan that includes service standards for the farms, but these standards do not quite specify a level of maintenance and presentation consistent with a desired image of SRA to the industry.

SRA might consider incorporating more appropriate service standards for the research farms into the Asset Management Plan to ensure that a suitable image of SRA is presented. Measures to manage the image of SRA through the research farms may also need to be included in the Communications Strategy.

8.3 Liaison with government

SRA meets with officers of DAWR every six months as required under the SFA. DAWR is provided with a presentation clearly setting out SRA’s progress against its strategic and operational plans and providing an update on matters such as budget, governance, membership and Delegates.
DAWR officers interviewed for this review indicated that SRA’s compliance reporting is exemplary. Notably, SRA takes a proactive posture in raising issues for discussion with the Department. DAWR was especially complimentary about SRA’s performance report.

### 8.4 Collaboration with other RDCs

SRA is reportedly an active participant in and contributor to the Council of Rural Research & Development Corporations (CRRDC). The CEO and Chair are highly engaged at Council level while the Executive Manager Investor Relations and Chief Financial Officer are active in working groups on evaluation and business management.

There is evidence of SRA management seeking ideas for business improvement from other industries and RDCs, notably cotton, which has some similarities to sugar as an industry. Likewise, other RDCs have reportedly looked positively towards SRA for ideas. SRA’s Performance Report format is one example.

### 9. Delivery of benefits

#### 9.1 Company key performance indicators

Any organisation without a share price has trouble identifying its value to stakeholders. Commodity prices are often seen as a surrogate for share price by levy payers to RDCs despite organisations such as SRA having limited ability to impact prices in a globally-traded, environmentally-exposed product. SRA recognises this challenge and is establishing and refining processes to better demonstrate value to levy-payers and other stakeholders.

The SRA AOP 2016/17 introduced key performance indicators at an organisational level with commentary that they would be used to measure and report on performance against strategic and operational objectives (Table 4).

#### Table 4. SRA key performance indicators 2016/17

<table>
<thead>
<tr>
<th>Key performance indicator</th>
<th>SRA target</th>
<th>Performance review evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alignment of RD&amp;E investment portfolio with investor priorities</td>
<td>Endorsement of Strategic Plan and Annual Operational Plans by Commonwealth Government; executed funding agreement with the Queensland Department of Agriculture and Fisheries (DAF); and endorsement of Strategic Plan by industry representative bodies</td>
<td>Achieved</td>
</tr>
<tr>
<td>Economic returns from RD&amp;E investments</td>
<td>Aggregated benefit/cost ratio of 4:1, as measured through annual independent evaluations of a selection of projects/programs in SRA’s RD&amp;E portfolio</td>
<td>Virtually achieved – average benefit/cost ratio (BCR) of 3.90 and 2.94 across two analyses of SRA projects</td>
</tr>
</tbody>
</table>
### Key performance indicator

<table>
<thead>
<tr>
<th>SRA performance rating</th>
<th>Increase from 66% ‘high’ to 70% ‘high’, as measured in the SRA Grower survey</th>
<th>Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance with statutory obligations and requirements</td>
<td>100% compliance</td>
<td>Achieved, as confirmed by this review</td>
</tr>
</tbody>
</table>

As discussed in greater detail below, SRA has been largely successful in meeting all four KPIs. Only the aggregate BCR of 4:1 has not quite been achieved (although it is noted that BCRs are not in themselves precise measures).

#### 9.2 Program and project benefits

SRA has a comprehensive process in place to evaluate performance of the organisation and its specific programs / projects. This review was provided with over 20 documents that provided such insights. Key documents that were influential to the review were those by Agtrans Research (2016) and Chudleigh P, Hibbard M and Hardaker T (2015).

The main findings in relation to ex post evaluation of programs / projects from these reports were:

1. **Agtrans Research (2016)**

   This review focussed on projects where Queensland Government had made an investment. It covered projects where SRA and its predecessors had invested over $16 million into projects over the period 2012/13 to 2015/16.

   A cost-benefit analysis was undertaken on a discrete set of project investments (10) made by DAF under its current MOU with SRA. Benefit / cost ratios for individual projects varied from 0 (Biomass project) to 28.14 (Harvesting project) and averaged 3.90 across the portfolio of projects examined.

   The review concluded... ‘When the investment costs for DAF and benefits assigned to DAF were aggregated across the ten projects, the overall performance criteria were positive. The DAF investment of just over $10 million (present value terms) produced benefits of just under $40 million, a BCR of just under 4 to 1 and an internal rate of return of over 17% per annum’.


   This review undertook a cost-benefit analysis of six RD&E projects (all part funded by DAF) that were completed either in the year ended June 2014 or June 2015.

   Similar to the outcomes found in the projects reviewed by Agtrans, the benefit / cost ratio ranged from 0.65 (Biomass) to 6.76 (YCS) at an average of 2.94.
In addition to these reports examining the return on investment on specific R&D projects, SRA has also commissioned a range of reviews on specific subjects including:

- Molecular breeding;
- Genetic improvement of water use efficiency and nitrogen use efficiency in sugar cane;
- Precision agriculture; and
- Plant breeding programs.

While these analyses demonstrate the value that SRA’s RD&E portfolio is delivering, this value is not always evident to levy-payers. Processes such as benefit / cost analysis are quite obscure to most people. This is evidenced by comments from industry participants consulted during the course of this review, along with the results of surveys such as that undertaken with SRA Delegates who should be more aware than the average levy-payer of SRA’s research. Delegates rated their awareness of the contributions made to date by SRA in terms of the benefits or potential benefits to their sector as 4.8/10 (grower Delegates) and 5.7/10 (mill Delegates).

**Recommendation 13:**

*SRA should continue to seek ways to report RD&E outcomes (ex post) in ways that are relevant and meaningful to stakeholders, especially producers and millers (e.g. case studies, time-series tracking).*

### 9.3 Grower perceptions of value

SRA has commissioned comprehensive grower surveys in both 2015 and 2016 to ascertain a range of grower practices and perceptions (e.g. barriers to change) and to identify growers’ knowledge of SRA functions and their view on performance. The 2016 survey report also provides a comparison between the results of the two years’ surveys.

These surveys provide valuable information to help shape SRA’s RD&E portfolio along with their communication processes. Key findings from the 2016 survey pertinent to this performance review are:

- Compared to 2015, growers are significantly more likely to rate SRA’s performance as fairly high to very high (74% up from 66%). Only 6% of growers rated SRA performance as ‘not high at all’;
- Reasons for rating SRA highly are typically linked to variety research and the belief the organisation is doing the best it can for the industry, while lower ratings are linked to dissatisfaction with new varieties available;
- Not surprisingly, 70% of grower respondents believe that SRA’s key role lies in developing new varieties (first mention unprompted);
SRA’s information products and services continue to be rated highly by respondents (approximately 3.8 out of 5); 80% are comfortable or extremely comfortable with paying the levy (up from 2015 but not significantly different); and Confidence in the industry’s future has risen significantly since 2015, from 50% of respondents ‘fairly’ to ‘very confident’ to 65%.

These results are strong and would indicate that the majority of growers see value in SRA.

9.4 Performance report

In 2015, SRA released its Performance Review 2014/15. As noted earlier in this report, this is an impressive document and one that is referred to by other RDCs and DAWR as an example of good reporting. It provides an easy-to-read summary of key performance measures including results from:

- Progress with research projects across the portfolio;
- Investment allocations across KFAs;
- Progress against AOP measures;
- Economic analyses;
- Grower surveys; and
- A series of useful ‘benchmarking graphs’ covering yield, varieties, production, disease ratings and so on.

9.5 Community benefits

As an industry-owned organisation, SRA is very focussed on delivering benefits to its stakeholders. However, many of its actions also benefit the broader community. For example, SRA is:

- A significant contributor to national innovation agenda and to the national research capability;
- A provider of employment opportunities in regional Queensland and regional NSW, as well as in Brisbane;
- A contributor to enhancing the sustainability of agriculture in Australia and helping to meet the growing demand for food in the world;
- Through the Best Management Practice (BMP) process, contributing to environmental sustainability by providing opportunities to reduce demand for fertilisers, improve productivity and helping to protect the Great Barrier Reef; and
- Providing economic, environmental and social benefits to the wider community by contributing to productivity improvement through improving production, processing, handling and storage of sugar and its derivatives.
In relation to BMP a particular case in point relates to actions in the use of nitrogen fertiliser and the ‘SIX EASY STEPS™’ program. The SIX EASY STEPS™ program is ‘an integrated nutrient management tool that enables the adoption of best practice nutrient management on-farm’. This program seeks to optimise productivity and profitability for sugarcane growers in a way that does not adversely affect soil fertility or cause off-farm impacts, especially in relation to water run-off and reef health.

10. Key findings

10.1 Overall

This review has found that SRA is a very well-run company. The focus of SRA in its first three years has (appropriately) been on establishing governance structures. No instances of non-compliance with SFA obligations were identified. The company has the foundations in place to be a high-performing RDC.

10.2 Transitional issues

The transition from SRDC and BSES Ltd to SRA was not without problems, as might be expected when two very different cultures are brought together. However, a strong focus on establishing governance and reporting structures by the Board and senior management has seen considerable improvement in performance – certainly from the perspective of stakeholders – over the last two years.

10.3 The Board and governance

The governance framework is in place and working. Systems and processes are being improved and best practice strategies are in place to develop the desired culture. Compliance with the SFA is systematic and thorough and the organisation-wide implementation of a holistic approach to risk management is notable.

SRA’s documentation is of a high quality and up to date. In fact, the review team was of the view that it exceeded anything provided in previous reviews of this nature. There was a systematic approach to work with an emphasis on ‘closing the loop’ through effective review, reporting and continuous improvement.

There is a strong sense that SRA has a competent, experienced Board which is providing clarity of direction and clear expectations for the organisation. The SRA management team impressed as being capable, unified, open and committed to the organisation.

Several opportunities for improvement were identified, but these are relatively minor tweaks to existing structures and processes:

- Consideration could be given to developing a diversity policy as recommended in the ASX Corporate Governance Principles and Recommendations (3rd Edition);
Individual Director performance evaluation could be strengthened by adding a peer assessment element to the existing process;

It may be appropriate for the Director Selection Committee to give consideration to Board succession;

There is an opportunity to more closely align the organisation’s values with the Code of Conduct for Staff; and

The addition of an organisational KPI for employee engagement would enable the Board and management to more readily monitor employee engagement and culture change over time.

A recommendation is also made in regard to continuing cultural improvement.

10.4 Planning and reporting

SRA’s planning and reporting has been comprehensive and inclusive. Strategic Plans, AOPs and Annual Reports are of a high standard and are recognised as such by government and industry. Notably, there is a clear line of sight between the three related documents.

SRA’s internal reporting functions and those to government and stakeholders are of high quality and highly regarded. Special mention is made of the ‘traffic light’ system for Board reports against AOPs and SRA’s Performance Report 2014/15.

All obligations under the SFA with respect to plans and reports have been met.

The already strong nature of SRA’s plans and reports could be further strengthened through simplification and greater objectivity in planning and reporting.

10.5 RD&E management and delivery

SRA is unique among RDCs in having a research ‘provider’ function in addition to its ‘funder’ role. There is rigorous structural and procedural enforcement of a ‘Chinese wall’ between the two functions within the company. This degree of rigour may actually hinder R&D management and process efficiency to some extent, and SRA is aware of this.

There is an annual call for projects and a very thorough project assessment process. Again, a continued move towards greater flexibility in this area is likely to improve outcomes. There was some commentary to this review about a lack of feedback from the RFP to PRAC, MRAC and DAF about ultimate funding decisions, the absence of a cane producer on the RFP, an insufficient voice for DAF in project selection and high transaction costs to service providers.

There is an opportunity for SRA to develop a more active program- rather than project-based approach to its portfolio. Portfolio analysis could now become part of its R&D management too. RD&E management documents (proposal templates and so on) are well-designed, IP management is appropriate and cross-RDC benchmarking indicates that SRA operates efficiently.
An area of focus for SRA is, appropriately, adoption. Adoption was excluded from SRA’s remit when the organisation was designed and this is generally acknowledged by industry as a mistake. The challenge is for SRA not to become a ‘gap filler’, providing adoption services only where they do not currently exist.

10.6 Liaison with stakeholders

SRA is making efforts to realise greater value from its Delegates, through steps such as increased meeting frequency and greater role of the Delegates in agenda-setting. These changes are commendable, although suggestions are made by this review about strengthening the role of the Delegates even further by reviewing and adopting (if appropriate) elements of models from other RDCs.

SRA has a clear Communications Strategy and uses a series of communications vehicles. These appear professional and appropriate and grower surveys indicate that they are well-received.

The review received comment that SRA farms may not always present a positive image of the company. SRA might consider incorporating more appropriate service standards for the research farms into the Asset Management Plan, as well as including farms in the Communications Strategy.

SRA has a proactive relationship with DAWR and is exemplary in its compliance reporting. It is an active collaborator and participant in the CRRDC.

10.7 Delivery of benefits

SRA recognises the challenge and importance of demonstrating value to levy payers and other stakeholders. It has well-developed processes of measuring performance and seeking to assess value to levy-payers, starting with company-level KPIs and drilling down to program- and project-level benefit/cost analyses. Comprehensive grower surveys of practices and perceptions (e.g. barriers to change), as well as knowledge of SRA functions and views on performance, have been carried out in 2015 and 2016.

Independent analyses demonstrate that SRA has delivered value to investors (some stakeholders do not necessarily see it that way, but this is a situation certainly not unique to SRA). The grower surveys have returned positive results with improvements observed in some indicators, notably overall satisfaction with SRA, between 2015 and 2016. Community benefits from SRA activities can also be identified.

SRA is continuously seeking to improve the way it reports value to stakeholders, which includes working with other RDCs. It has also demonstrated a willingness to expose itself to external independent review.
11. Recommendations

The recommendations made by this review are as follows:

**Recommendation 1:**

SRA should continue its focus on improving the culture of the organisation, which may include the implementation of site-specific strategies to effect change.

**Recommendation 2:**

In the next phase of developing a renewed strategic plan (and in related plans and any reporting), SRA should focus on using more commercial language, simplifying the expression of objectives and strategies (KFAs and IAs) and including more objectivity in high-level key performance indicators.

**Recommendation 3:**

SRA should, where appropriate, further expand the number of joint projects between SRA Technology and external providers. The challenges of doing so are recognised.

**Recommendation 4:**

SRA should continue its move towards a more flexible approach to project selection which may include some commissioning of major projects / programs, and should continue the practice of more targeted priorities for open calls (and identify opportunities to reduce transaction costs).

**Recommendation 5:**

Without compromising the independence of the RFP, there should be more transparent feedback about project funding decisions from the RFP to the RACs and DAF.

**Recommendation 6:**

SRA should further engage with the milling investors to develop pre-competitive R&D or adoption / training priorities.

**Recommendation 7:**

SRA should consider the adoption of a more active program- rather than project-based approach for the management of the RD&E portfolio, based on revised KFAs. Programs may be most effectively coordinated by part-time external specialists.

**Recommendation 8:**

SRA should now make portfolio analysis a regular part of its RD&E management to ensure an appropriate mix of long term / short-term research, risk /return profile, large and small projects etc.

**Recommendation 9:**

As a matter of priority, SRA should seek to facilitate the development of a robust long-term industry adoption strategy, and identify SRA’s role within it. In doing so, SRA should consider:

- Resource allocation in an equitable manner; and
How the strategy will build rapport, capability and availability of external advisors.

**Recommendation 10:**

SRA should consider the development of program-oriented adoption (‘marketing’) plans.

**Recommendation 11:**

SRA should consider rationalising and aligning the function and structure of RACs and Delegates.

One option would be to allocate Delegates into program advisory groups, one of which would be MRAC, with PRAC split into several production programs.

**Recommendation 12:**

Depending on what if any changes are made to its advisory structures, SRA should consider options for compensating or providing non-financial incentive to Delegates and PRAC / MRAC members to better recognise and encourage their contributions.

**Recommendation 13:**

SRA should continue to seek ways to report RD&E outcomes (ex post) in ways that are relevant and meaningful to stakeholders, especially producers and millers (e.g. case studies, time-series tracking).
Appendix 1: Documents reviewed

- Effective Governance 2015, Sugar Research Australia Research Funding Panel – Committee and Committee Chair Review: Findings Report, March
- Grant Thornton 2015, Report of Factual Findings To the Council of Rural Research & Development Corporations

Statutory
- Statutory funding agreement 2013-17
- Sugar Research and Development Services Act 2013
- Sugar Research and Development Services (Industry Services Body) Declaration 2013
- SFA compliance audit reports 2014, 2015
- Board certification reports 2014, 2015
- SFA presentations to Department of Agriculture October 2013, May and December 2014, June and December 2015

Governance
- Constitution, May 2013
- Board reporting calendar 2016
- Delegations and authorities (March 2016)
- Board charter (June 2015)
- Audit and risk committee charter (August 2013)
- Research funding panel charter (June 2015)
- Director selection committee charter (September 2013)
- Remuneration and appointments committee charter (December 2013)
- Statement of the role of Delegates (undated)
- Code of conduct for office holders (September 2013)
- Code of conduct for staff (October 2013)
- Director induction policy (October 2015)
- Board governance policy (November 2013)
- Board and committee induction checklist (undated)
- Director induction manual index (undated)
- Delegations and authorities (March 2016)
- Risk management plan (February 2014)
- Corporate risk register (2013, 2016)
- Fraud control policy (December 2013, under review)
Fraud control plan (undated, under review)
Intellectual property policy (June 2014)
Intellectual property management plan (June 2014)
Asset management policy (February 2015)
Asset management plan 2014/15-2018/19 (plus Appendix 4)
Compliance policy (March 2016)
External audit plans 2013/14, 2014/15, 2015/16
Memorandum of understanding 2014-2017 between Australian Sugar Industry Alliance Ltd and SRA (March 2014)
Contract risk checklist and legal sign-off (undated)
Delegate meeting agendas May 2014, April 2015, April 2016
Delegate meeting feedback, April 2015
Central Delegate liaison summary 2015
Summary of regional Delegate activity second-half 2015
Board paper on role of Delegates, December 2015
Policy framework progress, June 2016

Corporate
Organisation charts 2013-15 and 2016
Board reporting calendar 2016
Interim strategic plan and summary 2013: full plan and summary
Strategic plan 2013/14-2017/18: full plan, summary and brochure
Strategic plan 2015 update
Interim annual operational plan 2013/14
Annual operational plans 2014/15, 2015/16, 2016/17
Operational objectives 2015/16
Annual reports 2013/14, 2014/15
Performance report 2014/15: full report and executive summary
Project portfolio by KFA Feb 2016
Corporate calendar 2016
Compliance calendar 2016
Planning and reporting framework
Strategic planning process

- Development of 2013/14-2017/18 strategic plan 2013
  - Consultation plan for the development of strategic plan, September 2013
  - Media release re strategic planning forums, November 2013
  - Industry consultation letters re strategic planning (grower and milling company versions), November 2013
  - Invitation to regional strategic planning forums in November 2013, undated
  - Presentation to regional forums during November 2013, undated
  - Summary of regional forums output 2013
  - Survey questionnaire on strategic plan development 2013, undated
  - Summary of strategic plan development survey results 2013, December 2013
  - Invitation to research forum, November 2013
  - Presentation to research forum, December 2013
  - Letter seeking nominations to young participants’ forum, November 2013
  - Workbook for young participants’ forum, December 2013
  - Consolidated feedback from regional forums, young participants’ forum and researcher forum and individual meetings, December 2013 – report and presentation

- Mid-term review of the strategic plan 2015
  - Consultation plan for the mid-term review of the 2013/14-2017/18 strategic plan, April 2015
  - Survey questionnaire on strategic plan review 2015, undated
  - Summary of strategic plan review survey results 2015, undated

- Industry reference group forum agenda and program, March 2016

- Burdekin priority-setting workshop notes, September 2015

Research investment

- R&D application process (flow chart)
- Research project call advertisements in ‘The Australian’ 2013, 2014 and 2015
- Preliminary research project proposal application kit 2015
- Preliminary research project proposal form
- Full research project proposal application kit 2015/16, 2016/17
- Full research project proposal intellectual property register template
- Full research project proposal milestone budget calculator template
- Research project agreement template (with and without subcontracting clauses) 2015
- Scholarship progress report template
Final research proposal assessments and recommendations, January 2014
- Board paper on revised process for determining SRA’s 2015/16 investment, May 2015
- Board paper on RFP recommendations for investment 2015/16, April 2015
- Final research proposal assessments and recommendations (2015/16 funding) – amended, and summary for Delegates
- Contracting progress 2015/16
- National sugarcane RD&E strategy capability audit working papers, November 2015
- National sugarcane RD&E strategy environmental scan, January 2016
- Agendas for National sugarcane RD&E strategy working group, June, November and December 2015, February 2016

Adoption
- Discussion paper on adoption, undated
- Board paper on increasing adoption in the Australian sugar industry, plus attachment discussion paper, April 2016

Monitoring and evaluation
- Monitoring and evaluation framework, November 2014
- Survey for Delegate input to M&E framework – questionnaire and results, 2014
- Spidnet data examples – breeding, pests and diseases, undated
- Activ (activity database) data examples, undated
- Cognology (performance management system) data examples, undated
- Internal reviews
  - Review of SRA finance and project management and reporting systems, August 2014
  - Vulnerability testing, November 2014
  - Internal audit of the SRA procure to pay cycle, March 2015
  - Research funding process and controls review, June 2015
  - Internal audit letter for procurement data analytics, December 2015
  - Payroll, fixed asset and month end process and controls review, February 2016
  - Board and chair review findings report, confidential analysis and draft recommendations, February 2015
  - RFP committee and committee chair review findings report and confidential discussion paper, March 2015
  - External audit interim and final board reports, June and August 2015
- External reviews
Review of the Herbert region plant breeding program – panel report, management response, board paper and presentation, March 2015

Review of molecular breeding and marker discovery for sugarcane germplasm enhancement, June 2015

Review of precision agriculture in sugarcane in Australia, September 2015

Economic assessment of SRA investment in six RD&E projects, June and December 2015

Australian sugarcane farm businesses financial performance 2013-14, December 2015

Evaluation of the Queensland Government RD&E investment in sugarcane via the 2012/13 MOU between BSES and DAFF (DAF15093), March 2016

Profit-based measures to capture, evaluate and prioritise genetic improvement of water use efficiency and nitrogen use efficiency in sugarcane – report and appendices, February 2016

Grower survey report 2015, topline results 2016

**Reports and communications**

- Communications Strategy 2015/16
- Emails to and other correspondence to Delegates 2014, 2015 and 2016
- eNewsletters – 2014, 2015, 2016 editions
- CaneConnection (quarterly) – 2014, 2015, 2016 editions
- KFA report, January 2015
- KFA traffic light reports, July-August, August-September and October-November 2015
- Strategic plan progress report, August 2015
- Output report by KFA Gantt chart 2015/16
- Board management reports for Investor Relations, Operations February 2016; RFU October, December 2015, February 2016
- Board finance report, February 2016
- Audit and risk committee finance report and headcount trend report, March 2016
- Portfolio position against KFA, report, March 2016
- Dynamics portal (budget monitoring and management staff intranet) screenshots, undated

**Submissions**

- SRA submission to Senate levies enquiry, October 2014
- SRA submission on Agricultural Competitiveness Green Paper, December 2014
## Appendix 2: People consulted

<table>
<thead>
<tr>
<th>Name</th>
<th>Title and Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peter Allsopp</td>
<td>Executive Manager Technology, SRA</td>
</tr>
<tr>
<td>Stephen Annells</td>
<td>Executive Manager Operations, SRA</td>
</tr>
<tr>
<td>Burn Ashburner</td>
<td>Senior Manager Industry, Canegrowers</td>
</tr>
<tr>
<td>Manfred Até</td>
<td>Chief Financial Officer, SRA</td>
</tr>
<tr>
<td>Craig Baillie</td>
<td>Associate Professor/Director, National Centre for Engineering in Agriculture, University of Southern Queensland</td>
</tr>
<tr>
<td>Mike Barry</td>
<td>CEO, MSF Sugar</td>
</tr>
<tr>
<td>Graham Bonnett</td>
<td>Research Director, CSIRO – Integrated Agricultural Systems</td>
</tr>
<tr>
<td>Frikkie Botha</td>
<td>Executive Manager Strategic Initiatives, SRA</td>
</tr>
<tr>
<td>Ross Broadfoot</td>
<td>Professor, Science and Engineering Faculty, Queensland University of Technology</td>
</tr>
<tr>
<td>Tony Bugeja</td>
<td>Sugarcane grower, Mackay</td>
</tr>
<tr>
<td>Jeffrey Cantamessa</td>
<td>Sugarcane grower, Herbert</td>
</tr>
<tr>
<td>Leigh Clement</td>
<td>Executive Manager Investor Relations, SRA</td>
</tr>
<tr>
<td>Chris Connors</td>
<td>Chief Executive Officer, NSW Sugar Milling Cooperative/Sunshine Sugar</td>
</tr>
<tr>
<td>Jim Crane</td>
<td>Senior Executive Officer, Australian Sugar Milling Council</td>
</tr>
<tr>
<td>Trevor Crook</td>
<td>General Manager Agriculture, MSF Sugar</td>
</tr>
<tr>
<td>Ian Davies</td>
<td>General Manager Agriculture, Wilmar</td>
</tr>
<tr>
<td>Michael Deguara</td>
<td>Sugarcane grower, Mackay</td>
</tr>
<tr>
<td>Neil Fisher</td>
<td>Chief Executive Officer, SRA</td>
</tr>
<tr>
<td>Fran Freeman</td>
<td>First Assistant Secretary, Agricultural Policy Division, Department of Agriculture and Water Resources</td>
</tr>
<tr>
<td>Helen Garnett</td>
<td>Director, SRA</td>
</tr>
<tr>
<td>Mike Gilmour</td>
<td>Director, SRA</td>
</tr>
<tr>
<td>Wayne Hall</td>
<td>Executive Director Agri-Science, Department of Agriculture and Fisheries (Qld)</td>
</tr>
<tr>
<td>Ian Johnsson</td>
<td>Director, SRA</td>
</tr>
<tr>
<td>Tim Lester</td>
<td>Operations Manager, Council of Rural Research &amp; Development Corporations</td>
</tr>
<tr>
<td>Meagan McKenzie</td>
<td>Director R&amp;D Policy and Partnerships, Department of Agriculture and Fisheries (Qld)</td>
</tr>
<tr>
<td>Dominic Nolan</td>
<td>Chief Executive Officer, Australian Sugar Milling Council</td>
</tr>
<tr>
<td>James Ogden-Brown</td>
<td>Adoption Group Leader, SRA</td>
</tr>
<tr>
<td>Michael O’Shea</td>
<td>General Manager RFU, SRA</td>
</tr>
<tr>
<td>Tom Parnell</td>
<td>Director Crops Policy, Department of Agriculture and Water Resources</td>
</tr>
<tr>
<td>Brad Pfeffer</td>
<td>Executive Manager Communications, SRA</td>
</tr>
<tr>
<td>John Pollock</td>
<td>Chair, Research Funding Panel</td>
</tr>
<tr>
<td>John Pratt</td>
<td>Australian Sugar Industry Alliance</td>
</tr>
<tr>
<td>Name</td>
<td>Title/Position</td>
</tr>
<tr>
<td>-------------------</td>
<td>-------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Robert Quirk</td>
<td>Sugarcane grower, Tweed</td>
</tr>
<tr>
<td>Guy Roth</td>
<td>Director, SRA</td>
</tr>
<tr>
<td>Michael Ryan</td>
<td>RDC Governance, Department of Agriculture and Water Resources</td>
</tr>
<tr>
<td>Stephen Ryan</td>
<td>General Manager, Australian Cane Farmers Association</td>
</tr>
<tr>
<td>Ian Sampson</td>
<td>Director, SRA</td>
</tr>
<tr>
<td>Michael Shannon</td>
<td>Company Secretary / Legal Counsel, SRA</td>
</tr>
<tr>
<td>Sally Standen</td>
<td>Assistant Secretary, Agricultural Policy Division, Department of Agriculture and Water Resources</td>
</tr>
<tr>
<td>Andrew Stewart</td>
<td>PP Rural Pty Ltd, Proserpine</td>
</tr>
<tr>
<td>Ron Swindells</td>
<td>Chairman, SRA</td>
</tr>
<tr>
<td>Ross Williams</td>
<td>Sugarcane grower, Mackay</td>
</tr>
</tbody>
</table>
## Appendix 3: Summary of responses to the terms of reference

<table>
<thead>
<tr>
<th>Terms of Reference</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall assessment of SRA as investor in, and provider of, research, development</td>
<td>The separation between purchaser and provider is rigorously enforced, perhaps to the detriment of the R&amp;D process and opportunities may exist to make minor modifications to the R&amp;D process e.g. a stronger program focus, commissioning of projects, collaborative use of in-house research capability across projects, to enhance outcomes and perceptions. The overall adoption model has not worked, changes have been made but further attention is needed.</td>
</tr>
<tr>
<td>and extension</td>
<td></td>
</tr>
<tr>
<td>Assess how transition affected performance</td>
<td>Transition remains a work in progress. There is evidence of cultural change in the organisation with room for improvement in some areas. While there has been a strong focus on governance, all key plans are in place and delivering outcomes close to expectations.</td>
</tr>
<tr>
<td>Overall performance against the Strategic and Operational plans</td>
<td>The strategic and operational plans are being effectively deployed, with results on or very close to target. There is a systematic approach to review and measurement of performance and evidence of improvements being made.</td>
</tr>
<tr>
<td>Performance in meeting terms of SFA</td>
<td>Terms of SFA have been fully met (see Appendix 4). There is a systematic approach to ensuring compliance with the terms of the SFA and there is evidence of effective communications between the parties.</td>
</tr>
<tr>
<td>Assess performance on development, implementation and efficiency in delivery of</td>
<td>There are sound processes for the development, deployment and review of all key plans. Compliance reporting ensures that plans, reports etc. that have to be done are done. There is regular reporting against target to management and the Board. SRA is effective in meeting priorities, targets and budgets. Performance is on target for most objectives and goals in all key plans and any not on target are very close to target.</td>
</tr>
<tr>
<td>SRA’s:</td>
<td></td>
</tr>
<tr>
<td>✦ Strategic,</td>
<td></td>
</tr>
<tr>
<td>✦ Operational,</td>
<td></td>
</tr>
<tr>
<td>✦ Risk,</td>
<td></td>
</tr>
<tr>
<td>✦ Fraud,</td>
<td></td>
</tr>
<tr>
<td>✦ IP,</td>
<td></td>
</tr>
<tr>
<td>✦ Asset management plans and;</td>
<td></td>
</tr>
<tr>
<td>✦ SRA's effectiveness in meeting the priorities, targets and budgets set out in</td>
<td></td>
</tr>
<tr>
<td>these plans</td>
<td></td>
</tr>
<tr>
<td>The structure and operations to ensure good practice and good corporate governance</td>
<td>There is a planned, holistic, best practice approach to setting direction, managing implementation of strategy and ensuring good corporate governance. There was evidence of effective and efficient operations, full compliance with governance</td>
</tr>
<tr>
<td>Terms of Reference</td>
<td>Comments</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>policy and standardised review and reporting processes to ensure delivery of desired outcomes and identify opportunities for improvement.</td>
<td>SRA is learning from its experiences and is continually seeking to improve its engagement, consultation and communications processes. Feedback from levy payers, members and delegates was generally positive and indicated an improving trend. Industry representative bodies see communication, consultation and engagement as effective and continuing to improve. Further opportunities for improvement exist. Relationships with the State and Federal Governments are good with evidence of a planned approach to maintaining this situation. There is a systematic approach to enabling industry representatives and other contributors to provide input to investment direction and projects.</td>
</tr>
<tr>
<td>Effectiveness of arrangements for engagement, consultation and communication with and feedback to stakeholders:</td>
<td>A review of available evidence for the delivery or otherwise of benefits by the company, including interviews, survey results and the review of data from independent reviews, demonstrates SRA is overall providing positive value to the industry. As an industry owned organisation, SRA is very focussed on delivering benefits to its stakeholders. However, many of its actions also benefit the broader community.</td>
</tr>
<tr>
<td>☑ Levy payers, Members, Delegates, Industry representative bodies, State and Federal Governments -</td>
<td>The review identified a number of opportunities for improvement and these have been listed in the detailed report.</td>
</tr>
<tr>
<td>☑ Including opportunities for levy payers and other contributors to influence the investment of levies</td>
<td>SRA is a very active and engaged participant in the CRRDC.</td>
</tr>
<tr>
<td>Efforts in cross-RDC collaboration</td>
<td></td>
</tr>
<tr>
<td>Assess delivery of benefits to the industry and community</td>
<td></td>
</tr>
<tr>
<td>Incl. value for money, ROI and cost benefit analysis where appropriate</td>
<td></td>
</tr>
<tr>
<td>Identify recommendations for improvements to performance in delivering the strategic and operational plans</td>
<td></td>
</tr>
</tbody>
</table>
### Appendix 4: Obligations of SRA under the SFA: summary table of performance

<table>
<thead>
<tr>
<th>Obligation</th>
<th>SFA clause</th>
<th>SRA compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Legislation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comply with the <em>Sugar Research and Development Services Act 2013</em> (Cth) and the requirements of the <em>Corporations Act 2001</em> (Cth)</td>
<td>3.1</td>
<td>Achieved</td>
</tr>
<tr>
<td><strong>RDC corporate governance and board performance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implement framework of good corporate governance practice drawing on e.g. <em>ASX Principles and Recommendations</em></td>
<td>4.1</td>
<td>Achieved</td>
</tr>
<tr>
<td>Report on steps consistent with 4.1 at 6-monthly meetings</td>
<td>4.2, 15.1(d)</td>
<td>Achieved</td>
</tr>
<tr>
<td>Establish a skills-based board</td>
<td>4.3, 1 (defn)</td>
<td>Achieved</td>
</tr>
<tr>
<td>Consult with and advise Cth re changes to constitution</td>
<td>4.4</td>
<td>Achieved</td>
</tr>
<tr>
<td>Do all things necessary to ensure it effectively represents and reflects interests of members</td>
<td>4.5</td>
<td>Achieved</td>
</tr>
<tr>
<td>Use reasonable endeavours to ensure non-member levy payers are advised of entitlement and process to become members</td>
<td>4.6</td>
<td>Achieved</td>
</tr>
<tr>
<td>Use reasonable endeavours to ensure that information on strategic plan, funding priorities, key activities and key funded RD&amp;E or industry service activities – certain types of information (e.g. commercial-in-confidence) to be not included</td>
<td>4.7, 4.8</td>
<td>Achieved</td>
</tr>
<tr>
<td><strong>Payment of funds</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pay any invoice from the Cth in relation to levy collection, recovery or administration</td>
<td>5.3</td>
<td>Achieved</td>
</tr>
<tr>
<td><strong>Application of the funds</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spend the funds in accordance with Act, SFA; consistent with strategic plan and guidelines; operate in a manner that is efficient, effective economically, ethically sound</td>
<td>6.1</td>
<td>Achieved</td>
</tr>
<tr>
<td>Funds from DAF and other sources must also be invested as above</td>
<td>6.2</td>
<td>Achieved</td>
</tr>
<tr>
<td>Spend R&amp;D and matching payments only for RD&amp;E activities related to industry, for benefit of industry and (in the case of matching) of the community generally</td>
<td>6.3</td>
<td>Achieved</td>
</tr>
<tr>
<td>Determine appropriate balanced portfolio of R&amp;D activities through strategic plan and AOP and explain approach taken</td>
<td>6.4</td>
<td>Achieved</td>
</tr>
<tr>
<td>Obligation</td>
<td>SFA clause</td>
<td>SRA compliance</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------</td>
<td>------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Contribute to implementation of relevant RD&amp;E Framework strategies</td>
<td>6.5</td>
<td>Achieved</td>
</tr>
<tr>
<td>Apply transferred assets and liabilities and transferred funds in same manner as R&amp;D and matching payments and other specific purposes</td>
<td>6.6-6.7, 7.8</td>
<td>Achieved</td>
</tr>
<tr>
<td>Not engage in or spend funds on agri-political activity; not spend funds on payments to industry representative bodies</td>
<td>6.9-6.10, 6.11-12</td>
<td>Achieved</td>
</tr>
<tr>
<td>Management of the funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Establish appropriate accounting systems, procedures and controls (including for transferred assets and liabilities and transferred funds) and notify Cth of these on request</td>
<td>7.1-7.3, 7.6-7.8</td>
<td>Achieved</td>
</tr>
<tr>
<td>Keep detailed accounts</td>
<td>7.4</td>
<td>Achieved</td>
</tr>
<tr>
<td>Implement any additional systems, processes and controls necessary for SFA compliance</td>
<td>7.5</td>
<td>Achieved</td>
</tr>
<tr>
<td>Suspension or termination of agreement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cth may issue notice to terminate agreement or rectify breaches, SRA must remedy latter, SRA must prepare cessation plan if terminated</td>
<td>8.1-8.6</td>
<td>Not required</td>
</tr>
<tr>
<td>Repayment of funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repay funds to the Cth if required e.g. due to inappropriate expenditure</td>
<td>9.1-9.4</td>
<td>Not required</td>
</tr>
<tr>
<td>Extension of research &amp; development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Include in strategic plan how to address extension, technology transfer and commercialisation</td>
<td>10.1(a), 11.2(j)</td>
<td>Achieved</td>
</tr>
<tr>
<td>Demonstrate pathways to extension and adoption are incorporated into planning and approval processes</td>
<td>10.1(b), 11.2(k)</td>
<td>Achieved</td>
</tr>
<tr>
<td>Report on extension activities</td>
<td>10.1(c)</td>
<td>Achieved</td>
</tr>
<tr>
<td>Plans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintain 3-5-year strategic plan, review every year and update if needed</td>
<td>11.1(a)</td>
<td>Achieved</td>
</tr>
<tr>
<td>Work with Cth to ensure strategic plan reflects Program Framework and Rural R&amp;D Policy Statement</td>
<td>11.1(b)</td>
<td>Achieved</td>
</tr>
<tr>
<td>Obtain Minister’s endorsement of any new or amended strategic plan</td>
<td>11.1(c)</td>
<td>Achieved</td>
</tr>
<tr>
<td>Obligation</td>
<td>SFA clause</td>
<td>SRA compliance</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------</td>
<td>------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Provide Cth with copy of new or amended strategic plan within 30 days of Board approval</td>
<td>11.1(d)</td>
<td>Achieved</td>
</tr>
<tr>
<td>Publish new or amended strategic plan on website within 30 days of Board approval</td>
<td>11.1(e)</td>
<td>Achieved</td>
</tr>
<tr>
<td>Strategic plan to be prepared in accordance with good practice and cover vision/mission; assessment of operating environment including SWOT and future trends and implications; collaboration with other RDCs; consultation with industry and extent to which industry priorities are reflected in the plan; key investment priorities and outcomes; programs to be adopted; key deliverables; performance indicators; alignment between activities and Guidelines and National Sugarcane Industry RD&amp;E Strategy; research extension and adoption pathways; how extension, technology transfer and commercialisation are addressed and incorporated into planning/approval; estimates of income and expenditure including for each program; and explanatory statement of approach to ensuring balanced portfolio of R&amp;D</td>
<td>11.2</td>
<td>Achieved</td>
</tr>
<tr>
<td>In developing strategic plan, develop and gain Minister’s approval for a consultation plan that includes consultations with the Cth, levy payers, industry representative bodies, other RDCs and other stakeholders; publish on web site</td>
<td>11.3-11.4</td>
<td>Achieved</td>
</tr>
<tr>
<td>Seek agreement of Minister for interim strategic plan within one month of date of SFA</td>
<td>11.6</td>
<td>Achieved</td>
</tr>
<tr>
<td>Seek agreement of Minister for first strategic plan within six months of date of SFA</td>
<td>11.7</td>
<td>Achieved</td>
</tr>
<tr>
<td><strong>Annual operational plan</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provide Cth with an AOP prior to 1 July each year</td>
<td>11.8</td>
<td>Achieved</td>
</tr>
<tr>
<td>Include in AOP intended operations; key programs and activities under each R&amp;D program; activities to be funded to give effect to the Guidelines; key deliverables; performance indicators, timetables and milestones; estimates of income and expenditure separating R&amp;D, matching payments and other income; any other matters considered relevant by the directors; and a statement on intended steps to move towards a balanced portfolio appropriate to the industry for the next FY</td>
<td>11.8</td>
<td>Achieved</td>
</tr>
<tr>
<td>Submit all plans and any variations to the Cth within 30 days of being adopted</td>
<td>11.9</td>
<td>Achieved</td>
</tr>
<tr>
<td>Agree with the Department, within 30 days of the SFA date, an interim AOP to cover the remainder of the first FY</td>
<td>11.11</td>
<td>Achieved</td>
</tr>
<tr>
<td><strong>Other plans</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implement risk management, fraud control, intellectual property and asset management plans</td>
<td>11.12</td>
<td>Achieved</td>
</tr>
<tr>
<td>Review these plans every four years</td>
<td>11.13</td>
<td>Achieved</td>
</tr>
<tr>
<td>Provide Cth with copies of plans or amendments to plans within 30 days of Board approval</td>
<td>11.14</td>
<td>Achieved</td>
</tr>
</tbody>
</table>
### Reports

#### Compliance audit report

Within 5 months of end of FY, provide a compliance audit report to Cth on compliance with clauses 6 and 7; must be prepared in accordance with Australian Auditing and Assurance Standards; including review of accounting processes and controls; indicating any qualifications; explaining any material incidence of non-compliance; and statement that prepared for Cth for purposes of SFA – need not include an opinion on whether the funds have been applied for the benefit of industry or in a manner that is efficient, effective, economical or ethical or for agri-political purposes

<table>
<thead>
<tr>
<th>Obligation</th>
<th>SFA clause</th>
<th>SRA compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 5 months of end of FY, provide a compliance audit report to Cth on</td>
<td>12.1-12.2</td>
<td>Achieved</td>
</tr>
<tr>
<td>compliance with clauses 6 and 7; must be prepared in accordance with</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australian Auditing and Assurance Standards; including review of accounting</td>
<td></td>
<td></td>
</tr>
<tr>
<td>processes and controls; indicating any qualifications; explaining any</td>
<td></td>
<td></td>
</tr>
<tr>
<td>material incidence of non-compliance; and statement that prepared for Cth</td>
<td></td>
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<tr>
<td>for purposes of SFA – need not include an opinion on whether the funds</td>
<td></td>
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<tr>
<td>have been applied for the benefit of industry or in a manner that is</td>
<td></td>
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</tr>
<tr>
<td>efficient, effective, economical or ethical or for agri-political purposes.</td>
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</tr>
</tbody>
</table>

#### Certification report

Within 5 months of end of FY, Board to provide Certification Report to Minister, signed by Chair and CEO, certifying that DA has complied with its material obligations under the Act and SFA during the FY; stating whether any non-compliances are material and explaining any that are; and acknowledging report will be relied upon by the Cth

<table>
<thead>
<tr>
<th>Obligation</th>
<th>SFA clause</th>
<th>SRA compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 5 months of end of FY, Board to provide Certification Report to</td>
<td>12.3</td>
<td>Achieved</td>
</tr>
<tr>
<td>Minister, signed by Chair and CEO, certifying that DA has complied with its</td>
<td></td>
<td></td>
</tr>
<tr>
<td>material obligations under the Act and SFA during the FY; stating whether</td>
<td></td>
<td></td>
</tr>
<tr>
<td>any non-compliances are material and explaining any that are; and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>acknowledging report will be relied upon by the Cth.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Other audit reports

If the Cth requests an audit report or opinion on compliance, comply with Cth request at own expense and provide within 14 days of receipt

<table>
<thead>
<tr>
<th>Obligation</th>
<th>SFA clause</th>
<th>SRA compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>If the Cth requests an audit report or opinion on compliance, comply with</td>
<td>12.4-12.5</td>
<td>Not required</td>
</tr>
<tr>
<td>Cth request at own expense and provide within 14 days of receipt</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Annual reports

Prepare annual report compliant with Corporations Act 2001 (Cth) and SFA, provide four copies to Cth by December each year

<table>
<thead>
<tr>
<th>Obligation</th>
<th>SFA clause</th>
<th>SRA compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepare annual report compliant with Corporations Act 2001 (Cth) and SFA</td>
<td>12.6-12.8</td>
<td>Achieved</td>
</tr>
<tr>
<td>provide four copies to Cth by December each year</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Include in the annual report reasonably comprehensive coverage of sources of income separately identified; full cost of each program, with costs being allocated according to the Cost Allocation Policy; progress in implementing plans and against performance indicators; key company and program deliverables and outcomes; alignment of programs and outcomes with National Rural R&D Priorities; progress in implementing the Rural R&D Policy Statement; collaboration with industry and other research providers; directions given by the Minister under the Guidelines; consultation with levy payers and industry representative bodies on strategic plans and AOPs and programs and activities; details of senior executive and Board remuneration; rationale for mix of projects in balanced portfolio; report on contribution to RD&E Framework strategies; and other relevant matters notified by the Cth

<table>
<thead>
<tr>
<th>Obligation</th>
<th>SFA clause</th>
<th>SRA compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Include in the annual report reasonably comprehensive coverage of sources</td>
<td>12.9</td>
<td>Achieved</td>
</tr>
<tr>
<td>of income separately identified; full cost of each program, with costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>being allocated according to the Cost Allocation Policy; progress in</td>
<td></td>
<td></td>
</tr>
<tr>
<td>implementing plans and against performance indicators; key company and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>program deliverables and outcomes; alignment of programs and outcomes with</td>
<td></td>
<td></td>
</tr>
<tr>
<td>National Rural R&amp;D Priorities; progress in implementing the Rural R&amp;D Policy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Statement; collaboration with industry and other research providers;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>directions given by the Minister under the Guidelines; consultation with</td>
<td></td>
<td></td>
</tr>
<tr>
<td>levy payers and industry representative bodies on strategic plans and AOPs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>and programs and activities; details of senior executive and Board remunera-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>tion; rationale for mix of projects in balanced portfolio; report on</td>
<td></td>
<td></td>
</tr>
<tr>
<td>contribution to RD&amp;E Framework strategies; and other relevant matters</td>
<td></td>
<td></td>
</tr>
<tr>
<td>notified by the Cth.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Other reports

Report to the Cth any significant matters that may affect ability to achieve outcomes of strategic plan or to comply with SFA obligations within 30 days of becoming aware

<table>
<thead>
<tr>
<th>Obligation</th>
<th>SFA clause</th>
<th>SRA compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report to the Cth any significant matters that may affect ability to</td>
<td>12.10</td>
<td>Not required</td>
</tr>
<tr>
<td>achieve outcomes of strategic plan or to comply with SFA obligations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>within 30 days of becoming aware</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Obligation</td>
<td>SFA clause</td>
<td>SRA compliance</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------</td>
<td>------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Give the Cth within reasonable timeframe stipulated by the Cth any other report or explanation relating to management and expenditure of funds as required, consult with the Cth on action required</td>
<td>12.11-12.12</td>
<td>Not required</td>
</tr>
<tr>
<td>During first 12 months of operation, within one month after the end of each six-month period ending 30 June and 31 December, provide Cth with statements of financial performance and position for the period; certified as being compete and accurate by the CEO</td>
<td>12.13-12.14</td>
<td>Achieved</td>
</tr>
<tr>
<td>Report annually to the Cth on how extension, technology transfer and commercialisation are addressed</td>
<td>12.15</td>
<td>Achieved</td>
</tr>
<tr>
<td>Report contribution to the implementation of the relevant RD&amp;E Framework Strategies</td>
<td>12.16</td>
<td>Achieved</td>
</tr>
</tbody>
</table>

**Review of performance**

<table>
<thead>
<tr>
<th>Obligation</th>
<th>SFA clause</th>
<th>SRA compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complete a performance review six months before the expiry of the SFA</td>
<td>13.1</td>
<td>Achieved</td>
</tr>
<tr>
<td>Engage an independent organisation to undertake the performance review</td>
<td>13.1(a), 13.2</td>
<td>Achieved</td>
</tr>
<tr>
<td>Agree terms of reference of the review six months prior with the Cth</td>
<td>13.1(b)</td>
<td>Achieved</td>
</tr>
<tr>
<td>Meet RDC-specific measures as advised by Cth such as incorporating outcomes of levy polls</td>
<td>13.1(c)</td>
<td>Achieved</td>
</tr>
<tr>
<td>Provide the Cth with the draft review report at the same time as the Board receives a copy</td>
<td>13.1(d)</td>
<td>Achieved</td>
</tr>
<tr>
<td>Provide the Cth with the final review report within 14 days of acceptance by the Board</td>
<td>13.1(e)</td>
<td>Not yet applicable</td>
</tr>
<tr>
<td>Develop a response to final review report and proposed implementation plan for recommendations within three months of Board acceptance</td>
<td>13.1(f)</td>
<td>Not yet applicable</td>
</tr>
<tr>
<td>Provide response to the Cth within 30 days of Board’s acceptance of response</td>
<td>13.1(g)</td>
<td>Not yet applicable</td>
</tr>
<tr>
<td>Report to the Cth progress in implementing the review recommendations</td>
<td>13.1(h), 15.1(f)</td>
<td>Not yet applicable</td>
</tr>
<tr>
<td>Publish performance review report and response on website</td>
<td>13.1(i)</td>
<td>Not yet applicable</td>
</tr>
<tr>
<td>Terms of reference for review to take into account the performance of DA in meeting its obligations under the SFA; development and implementation of strategic, operational, risk management, fraud control, IP management and asset management plans and effectiveness in meeting priorities, targets and budgets set out in the plans; efficiency with which plans were carried out; delivery of benefits to industry foreshadowed in the plans; and any other matters reasonably required by the Minister</td>
<td>13.3</td>
<td>Achieved</td>
</tr>
<tr>
<td>Obligation</td>
<td>SFA clause</td>
<td>SRA compliance</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------</td>
<td>------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Consultations and directions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chair or other director nominee to meet with the Cth at no more than six-monthly intervals (first within 4 weeks of declaration of industry services body) to brief the Cth on progress on implementing the strategic plan and AOP; progress on implementation of relevant RD&amp;E Framework strategies; consultation with other RDCs and industry representative bodies; measures taken to enhance corporate governance; progress in developing and implementing the evaluation framework; progress on implementing the recommendations from the most recent performance review; development and implementation of additional systems, processes and controls to meet SFA (7.5)</td>
<td>15.1</td>
<td>Achieved</td>
</tr>
<tr>
<td>Consultation with industry</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meet with industry representative bodies at not more than six-monthly intervals to review industry priorities for R&amp;D investments, including regional equity considerations; and report on performance against the strategic plan and AOP</td>
<td>15.4</td>
<td>Achieved</td>
</tr>
<tr>
<td>Consultation with industry</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provide appropriate feedback to unsuccessful applicants for projects in accordance with agreed process</td>
<td>15.5</td>
<td>Achieved</td>
</tr>
<tr>
<td>Ministerial directions and changes to the Guidelines</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Directors to notify the Department if any proposed change to the Guidelines by the Minister would ‘require the directors to act, or omit to act, in a manner that is likely to breach the duties owed by the directors to the stakeholders or be in contravention of any law or the company’s constitution’; work with the Cth to resolve any such issues</td>
<td>15.7(b)-15.7(c)</td>
<td>Not required</td>
</tr>
<tr>
<td>Access to records and use of information</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant access to premises or data, accounts etc if required by the Cth or Auditor-General</td>
<td>16.1-16.3</td>
<td>Not required</td>
</tr>
<tr>
<td>Use any confidential information provided for proper purpose and not disclose</td>
<td>16.4-16.6</td>
<td>Achieved</td>
</tr>
<tr>
<td>Grant the Cth a licence to use the copyright in any document provided to the Cth for any Cth purpose</td>
<td>16.7</td>
<td>Achieved</td>
</tr>
<tr>
<td>Indemnity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indemnify the Cth, its officers and agents</td>
<td>17.1-17.5</td>
<td>Achieved</td>
</tr>
<tr>
<td>Conflict of interest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notify the Minister of any conflict of interest arising</td>
<td>18.2</td>
<td>Not required</td>
</tr>
<tr>
<td>Acknowledgement of funding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acknowledge provision of Cth matching payments where applicable</td>
<td>19.1</td>
<td>Achieved</td>
</tr>
</tbody>
</table>