

HOW WE'RE GOVERNED

Corporate governance

MLA's corporate governance framework is set by the Board having regard to the best interests of our members, the values of our organisation, MLA's obligations set out under our Funding Agreement with the Commonwealth of Australia dated 13 October 2016, and in accordance with the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (3rd edition).

This long-established framework operates to ensure we remain accountable to our stakeholders and that stakeholder interests are protected. MLA's governance arrangements are reviewed regularly to reflect industry developments, stakeholder expectations, and regulatory and legislative changes. This statement and documents and policies relevant to our corporate governance framework are also available on MLA's website.

The Board

The MLA Board's nine directors combine a broad range of skills, experience and expertise to work with industry to set strategic priorities for the company and to approve and monitor progress against MLA's *Strategic Plan 2016–2020*. It evaluates performance and budgets, oversees risk management and compliance and ensures the company abides by its obligations under the Red Meat Industry Memorandum of Understanding, the Funding Agreement, and under corporations law. Many Directors are also producers and members of the company.

Please see pages 63–65 for the Board member biographies.

Board selection

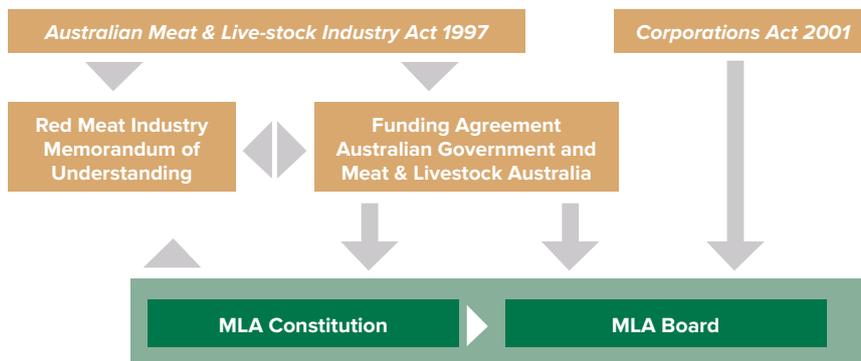
The Managing Director is the only executive director and appointed by the Board. Otherwise, Directors are nominated through the Selection Committee and appointed by members at MLA AGMs for a three-year term. After such term a director may reapply for a position on the Board in the same way as other candidates. Further information about the Selection Committee is on page 58. The Chair of the Board was elected in 2011 and is an independent director.

Board committees

Two Board committees met during the year:

- Audit and Risk Committee
- Remuneration Committee.

MLA's governance framework



These Committees are comprised solely of non-executive directors, with management attending committee meetings by invitation only. The Chair of each Committee provides a verbal update of each committee meeting to the Board and minutes of Committee meetings are provided in the Board papers.

The role of each Committee is set out in the Committee charters, which are regularly reviewed. The members of each Committee, together with each member's attendance at meetings, are set out in the *Directors' report* on page 74.

Audit and Risk Committee

The Audit and Risk Committee assists the Board to fulfil its oversight responsibilities relating to MLA's risk management framework, the company's financial reporting, internal control structure and the internal and external audit functions. In keeping with community expectations, the Chair of the committee is not the Chair of the Board.

The Audit and Risk Committee is required to meet at least four times a year and holds closed sessions with the auditors at least once each year. The Audit and Risk Committee is responsible for making recommendations to the Board for the approval of the annual audit plan and annual financial statements.

As at 30 June 2018, the Audit and Risk Committee consisted of Alan Beckett (Chair), Steven Chaur and Erin Gorter. Details of each members' attendance at meetings is set out in the *Directors' report* on page 74.

External auditor

MLA's external auditor is Ernst & Young (EY). The Committee holds discussions with the external auditors and management before the annual financial statements are submitted to the Board.

The Committee oversees MLA's relationship with EY, including:

- making recommendations to the Board about the appointment of MLA's auditors based on their qualifications, independence, engagement, fees and performance
- reviewing and assessing the performance, independence and objectivity of EY
- reviewing EY's proposed annual audit scope and audit approach, including materiality levels.

Internal auditor

The Audit and Risk Committee reviews the adequacy and effectiveness of internal controls, including the company's policies and procedures, to assess, monitor and manage business risk and legal and ethical compliance programs. This review includes monitoring the implementation of MLA's Risk Management Plan, Fraud Control Plan and Intellectual Property Management Plan. It also reviews the company's foreign exchange and treasury management and oversees the company's risk management program.

To assist its function, the Audit and Risk Committee, with Management and a dedicated Risk and Assurance Manager, worked with internal auditor Deloitte Touche Tohmatsu (Deloitte). During 2017–18 Deloitte conducted reviews of Budgeting Planning and Process and Business Continuity (IT disaster recovery). Internal audit activities are designed to assist management with independent and objective assurance on the effectiveness of our governance, risk management and internal control processes. As part of its regular review cycle, in May 2018, MLA put the internal audit services out to tender and have appointed KPMG as MLA's internal auditors for the next three years.

Remuneration Committee

The Remuneration Committee consisted of Erin Gorter (Chair), Michele Allan and Steven Chaur at 30 June 2018.

The responsibilities of the Remuneration Committee include the review and oversight of:

- remuneration matters, including:
 - establishing and monitoring KPIs, a remuneration framework for, and the performance of, the Managing Director
 - remuneration and incentive framework for senior executives and all staff
 - recruitment, remuneration and retention strategies
- succession plans for senior executives and key staff
- strategic human resources policies and practices to ensure they are appropriate and consistent with MLA's objectives and values.

Details of each members' attendance at meetings is set out in the *Directors' report* on page 74.

Selection Committee

Each year the Selection Committee is tasked to assess Board candidates against a range of criteria, including experience and skills, personal qualities and their available time commitment and report to MLA members on the suitability of candidates for election.

Following a rigorous interview and selection process of candidates by the Selection Committee and in accordance with good governance practice, appropriate checks of each candidate are undertaken before each nominee is put forward to members as a candidate for election as a director.

The composition of the Selection Committee, together with each member's attendance at meetings, is set out in the *Directors' report* on page 74.

Board meetings

The Board had seven scheduled meetings during 2017–18. The agendas for each of the MLA Group of companies are formulated in preparation for each meeting. They incorporate items from an annual work plan to ensure regular review of key aspects of the business of the MLA Group including performance, compliance and governance. Meeting agendas include regular reviews of MLA's financial position and management reports, detailed reviews of the company's strategic imperatives and marketing and R&D programs.

The Board continually strives to ensure its meetings are conducted efficiently to enable sufficient discussion and contribution from all directors. The Board regularly considers and discusses key strategic issues at both a group company and industry level. Management attends and presents information relevant to their portfolios and to respond to information requested in Board meetings.

Independence

The Board considers each director's independence on an annual basis. Directors are considered to be independent if they are not a member of management and are free of any business or other relationship that materially interferes with – or could reasonably be perceived to materially interfere with – the independent exercise of their judgement.

In assessing a director's independence, materiality is considered on a case-by-case basis by reference to each director's circumstances. A policy on the independence of directors, which requires that the Board assess independence annually, or more regularly if a director's circumstances change, is currently implemented and in force. The Board has determined that all the non-executive directors are independent.

Conflicts of interest

In accordance with the requirements of the *Corporations Act*, the Funding Agreement and MLA's conflict of interest policy and procedures, Directors must declare any conflict of interest they may have, and must follow the procedures set out in MLA's policy.

In certain circumstances, Directors will abstain from participating in any discussion or voting on matters in which they have a material personal interest. At the time of their appointment and as notified from time to time, each director provides to the Board information about their business and other interests. The Board records such notifications in its minutes and maintains a register in accordance with the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (3rd edition) and in compliance with the requirements of MLA's Funding Agreement.

Reporting framework

On 13 October 2016, MLA and the Commonwealth of Australia (through its Department of Agriculture and Water Resources) agreed to a Funding Agreement for the period 2016–2020.

The Funding Agreement sets out the requirements for the company's

expenditure of levy funds and matching funds and provides a framework under which the company must report to the Department. On a six-monthly basis MLA's Chair, Managing Director and key management personnel meet with government representatives to discuss MLA's performance of its functions and compliance with the terms of the Funding Agreement.

Financial management

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

Code of business conduct and ethics

The Board has endorsed the Code of Business Conduct and Ethics (the code), which embodies the company's values of customer centricity, accountability through transparency and outcomes that make a difference. The Code otherwise sets out principles which must be met to ensure the company and its business associates meet its commitments to all stakeholders.

A copy of the code is provided to all new employees on commencement and is a feature of the formal induction training which is provided to new employees.

As part of an annual program of training and capability building within MLA, training was provided to all staff on Privacy and the Data Breach Notification Scheme, Competition and Consumer Act, Risk Management and Intellectual Property Management. Additionally an external training platform operates and is available to all staff on-demand for a wide range of courses.

Diversity

In March 2018, the Board revised its company-wide diversity policy to reflect the changing landscape in which MLA operates, including recent examples of poor treatment of females in the industry and the increased expectations of stakeholders with respect to diversity and gender equality.

MLA recognises the importance of a workforce that represents a range of experience and backgrounds as well as age, ethnicity, sexual orientation, religious beliefs and physical abilities. The diversity policy recognises that a diverse workforce enables MLA to provide a better service and improve long-term performance, as well as creating a source of competitive advantage and benefit to industry and its people.

As at 30 June 2018, 54% of MLA's staff were women. On the Leadership Team, three of the eight (38%) executives are female. On the MLA Board, two of the eight non-executive directors are female, with one being the Chair of the Board.

The composition of MLA Group's workforce has also been recognised by the Workplace Gender Equality Agency as being compliant with the *Workplace Gender Equality Act 2012*.

Remuneration and performance arrangements

The total limit for directors' remuneration (excluding the Managing Director) is \$750,000. This limit was determined by members at the 2008 Annual General

Meeting. As part of the Remuneration Committee's oversight of MLA's remuneration and incentive framework, in 2016–17 the Committee commissioned a broad review of remuneration within MLA. This included director and employee remuneration being benchmarked by Aon Hewitt against similar organisations. Consultation with Aon Hewitt was undertaken in 2017–18 to confirm market movements and reliance on the benchmarking data.

In accordance with this, the Board determined in September 2017 that a 2.95% increase in directors' fees would take effect from 1 January 2018. The increase reflects the time and effort required of the non-executive

directors sitting across the MLA Group of companies and in recognition of the additional workload on the Committee Chairs. The total cost for non-executive Directors is \$653,850/year.

The remuneration arrangements for each member of the Leadership Team, including the Managing Director, comprise both fixed and performance-based remuneration. The remuneration packages for the MLA Leadership Team are reviewed each year and include several gateways before eligibility to the performance-based component. This ensures the remuneration structure aligns management effort with organisational objectives and attracts, retains and motivates quality management personnel.

Comparison of MLA's Corporate Governance Principles to ASX Corporate Governance Principles and Recommendations (3rd edition)

Principle/recommendation	Description/reference of disclosure/compliance
Principle 1. Lay solid foundations for management and oversight	
Recommendation 1.1	
A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	This is outlined in the Board Charter and a detailed Delegations of Authority policy.
Recommendation 1.2	
A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	As part of the Selection Committee process in relation to annual Director selection, appropriate background checks are undertaken each year. Candidates are shortlisted by reference to the selection criteria that act as terms of reference for the committee to ensure there is an appropriate mix of skills in the candidates nominated for election. Candidates' biographical details included, on the MLA Notice of Meeting, are prepared from the material submitted through the Selection Committee process.
Recommendation 1.3	
A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	MLA has written engagement letters for directors and executive employment contracts with all members of the Leadership Team.
Recommendation 1.4	
The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	The Company Secretary is accountable to the Board through the chair on all matters related to the proper functioning of the MLA Board.
Recommendation 1.5	
A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the <i>Workplace Gender Equality Act</i> , the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	The Diversity Policy is available on MLA's website mla.com.au . The Board recognises and fosters a culture that encourages divergent views and robust discussion. In assessing candidates, the Selection Committee considers diversity of education, the nature of the businesses and business functions in which candidates have gained experience and the roles held, as well as the more obvious aspects of diversity such as gender, age, ethnicity and cultural background. In 2018 the Board also set a target of 30% of females on the Board by 2019. MLA also enunciates its commitment to diversity in other policies such as EEO and Anti-discrimination policy and Misconduct and Discipline policy which are regularly reported to, monitored by and adjusted with approval by the Board. The proportion of women as at the date of this report: • Board members: 25% • Leadership Team: 38% • Whole organisation: 54%

Principle/recommendation	Description/reference of disclosure/compliance
Recommendation 1.6	
<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>The Board evaluates its performance through an annual performance review, which is facilitated by an external specialist.</p> <p>As part of the Board's review process in 2017–18 it completed the Australian Institute of Company Directors Governance Analysis Tool survey and reviewed this as part of the annual review.</p>
Recommendation 1.7	
<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>The Remuneration Committee and Board conduct an annual assessment of the performance of the Managing Director and the Leadership Team against agreed KPIs.</p> <p>In accordance with the annual work plan, the performance evaluation process for the Managing Director and the Leadership Team was completed.</p>
Principle 2. Structure the board to add value	
Recommendation 2.1	
<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <ol style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>MLA's Constitution and operation of the Selection Committee reflects this requirement.</p> <p>Refer also to the section about Selection Committee in the <i>Corporate Governance Statement</i>.</p>
Recommendation 2.2	
<p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>Biographical details of directors are published on the MLA website mla.com.au/About-MLA/Who-we-are/Board-of-directors</p>
Recommendation 2.3	
<p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	<p>The MLA Board currently considers the independence of its directors on an annual basis.</p> <p>Refer also to the Director Independence section in the <i>Corporate Governance Statement</i>.</p> <p>Length of service of each director is included in the Director biographies.</p>
Recommendation 2.4	
<p>A majority of the board of a listed entity should be independent directors.</p>	<p>All of the directors are independent with the exception of the Managing Director.</p>
Recommendation 2.5	
<p>The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p>	<p>The role of the Chair and the Managing Director are not performed by the same person.</p>
Recommendation 2.6	
<p>A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.</p>	<p>MLA has a program for inducting new directors and provides appropriate professional development.</p>
Principle 3. Act ethically and responsibly	
Recommendation 3.1	
<p>A listed entity should:</p> <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p>	<p>MLA has a Code of Conduct which covers the governance and sets the expectation for the Board and all MLA personnel. The Code of Conduct is on MLA's website.</p>

Principle/recommendation	Description/reference of disclosure/compliance
Principle 4. Safeguard integrity in corporate reporting	
Recommendation 4.1	
<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>The Board has established an Audit and Risk Committee which is structured so that it:</p> <ul style="list-style-type: none"> consists of only non-executive, independent directors; is chaired by an independent chair who is not chair of the board; and consists of at least three members of the Board. <p>The charter of the committee is on MLA's website.</p> <p>Biographical details of directors are published to the MLA website mla.com.au/About-MLA/Who-we-are/Board-of-directors</p> <p>Refer also to the Audit and Risk Committee section in the <i>Corporate Governance Statement</i>.</p>
Recommendation 4.2	
<p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>The wording of the declaration reflects the wording in the recommendation.</p>
Recommendation 4.3	
<p>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	<p>MLA's external auditor attends each AGM and is available to answer questions from members relevant to the audit.</p>
Principle 5. Make timely and balanced disclosure	
Recommendation 5.1	
<p>A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>As MLA is an unlisted public company it is not an ASX disclosing entity but does report annually to members and to the Commonwealth Government on its operations and financial results.</p>
Principle 6. Respect the rights of security holders	
Recommendation 6.1	
<p>A listed entity should provide information about itself and its governance to investors via its website.</p>	<p>MLA provides information about itself and its governance framework on its website.</p>
Recommendation 6.2	
<p>A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</p>	<p>MLA has a Communications, Promotions and Engagement team and program to promote effective two-way communication with members, levy payers, representative councils and the Commonwealth Government.</p>
Recommendation 6.3	
<p>A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</p>	<p>Information about how MLA facilitates and encourages participation by members at meetings is on MLA's website. It has also significantly expanded the program of events that occur in the week of the AGM and promotes this through: redmeat.mla.com.au.</p>
Recommendation 6.4	
<p>A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p>	<p>In addition to amending its constitution in 2009 to ensure information can be provided electronically, in 2016 MLA ran an opt-in campaign for members to elect to receive electronic communications. This is a standing option for current and new members.</p>

Principle/recommendation	Description/reference of disclosure/compliance
Principle 7. Recognise and manage risk	
Recommendation 7.1	
<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <ol style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>The Board has established an Audit and Risk Committee which is structured so that it:</p> <ul style="list-style-type: none"> • consists of only non-executive, independent directors; • is chaired by an independent chair who is not chair of the board; and • consists of at least three members of the Board. <p>The charter of the committee is on MLA's website.</p> <p>Refer also to the section about the Audit and Risk Committee in the <i>Corporate Governance Statement</i>.</p>
Recommendation 7.2	
<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>Refer to the section about the Audit and Risk Committee section in the <i>Corporate Governance Statement</i></p>
Recommendation 7.3	
<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>Refer to the section about the Internal Audit program in the <i>Corporate Governance Statement</i>.</p> <p>In addition to the internal audits undertaken by Deloitte, MLA's own Risk and Assurance Manager works in parallel with Deloitte and undertakes a number of reviews of overseas offices to ensure compliance with MLA policy and controls.</p>
Recommendation 7.4	
<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>Refer to the section about MLA's Risk Management at page 46 of the <i>Annual Report</i>. The Risk register is a living document and is broadly engaged with across the business.</p>
Principle 8. Remunerate fairly and responsibly	
Recommendation 8.1	
<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <ol style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>The Board has established a Remuneration Committee which is structured so that it:</p> <ul style="list-style-type: none"> • consists of three non-executive, independent directors; and • is chaired by an independent chair. <p>The charter of the committee is on MLA's website.</p> <p>Refer also to the Remuneration Committee and Remuneration and performance arrangements sections in the <i>Corporate Governance Statement</i>.</p>
Recommendation 8.2	
<p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>Refer to the Remuneration and performance arrangements section in the <i>Corporate Governance Statement</i>.</p>
Recommendation 8.3	
<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>Not applicable as MLA does not have an equity-based remuneration scheme.</p>