Independent Review of Performance

Horticulture Innovation Australia Limited

Final Report

July 2023

→ The Power of Commitment

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→ Executive Summary

GHD Pty Ltd was commissioned to undertake an independent review of Hort Innovation's performance over the period 2018-2023 in accordance with the requirements of its Deed of Agreement with the Australian Government. The independent review of performance complements and builds on a suite of internal reviews that Hort Innovation has commenced or completed over the past 18 months to identify and progress areas for the organisation's continuous improvement.

Hort Innovation Australia Limited is the industry services body for the Australian horticultural sector. It is responsible for managing and investing funds received from the levy payers of 37 horticultural industries and matching eligible R&D contributions from the Australian Government for the benefit of the Australian horticultural sector and the Australian community.

The Australian horticulture sector

- Total production value of $16 billion
- Total value of Australia's fresh horticulture exports is $2.5 billion
- Australian horticulture products are exported to 87 countries with the top 5 being China, Japan, Vietnam, Hong Kong and Singapore
- There are 135,000 people employed in horticulture in Australia
- There are 12,000 horticulture businesses across Australia

Horticulture is Australia's 3rd largest agricultural sector, accounting for around 20% of the value of production. It is also the fastest growing. Over the 5-year period of the review, the value of the horticultural sector has increased by 23% with a growth projection of 33.1% by 2030.

Like many other agricultural sectors it has also faced a range of challenges over this period:

- Disruptions from Covid-19
- Extreme weather events, including drought, bushfires and significant flooding
- Rising input costs and widespread labour shortages
- Increasing biosecurity threats, including fall armyworm and varroa mite incursions
- Changing market expectations and consumer preferences in response to global sustainability requirements

The independent review was undertaken between April and July 2023. It was based on a desktop review of documents and consultation with a range of Hort Innovation's internal and external stakeholder.

>200
Documents reviewed

95
Individuals consulted

Review conclusions

The 2018-2023 period of this review has seen considerable transition for Hort Innovation and its stakeholders. At the time of the previous review, GHD reported a level of dissatisfaction amongst a number of its stakeholders, and it was found that stakeholder relations continued to be difficult through the early years of this review period. At the same time, Hort Innovation was challenged by a number of inefficiencies in its business systems and processes. Amongst other influences, these factors impacted organisational culture, employee satisfaction and staff retention.

Hort Innovation's Board and Executive have sought to address these issues and drive continuous improvement across the organisation, and in recent years have initiated a suite of internal reviews including *Reset and Refresh*, *Project Max*, a marketing reset and change implementation plan, governance review and recent organisational restructure.

GHD found that while in the early stages, there are indications that these initiatives are already realising significant benefits. In particular, there has been a considerable improvement in stakeholder relationships and a positive shift in employee engagement and staff retention.

Importantly, the review found no instances of non-compliance with the Deed of Agreement and identified that there is a positive culture of continuous improvement amongst the current Board and Executive Team. In summary, it is considered that as the industry-owned RDC for the Australian horticulture sector, the company is creating value for horticulture growers and those across the horticulture supply chain.

With Hort Innovation about to release a new company strategy for 2024-2026 this presents a timely opportunity to consolidate its review findings, playback what it has heard, and engage stakeholders in the future direction of the organisation.

Summary of key findings

ToR 1: Statutory obligations

- Hort Innovation was found to have appropriate compliance monitoring and reporting processes in place, and to be meeting its key statutory obligations under the *Horticulture Marketing and Research and Development Services Act 2000, Corporations Act 2001* and Deed of Agreement 2020-2030.
- Regular oversight is provided by the Board and its Audit and Risk Committee, supported by the Head of Governance and Risk. Assurance is provided through an independent audit regime, and regular performance reviews against the Deed of Agreement. Transparency is provided through reporting in the company's Annual Reports and to Annual General Meetings.

ToR 2(a): Performance Principle 1 – Stakeholder engagement

- Hort Innovation has appropriate mechanisms in place and undertakes a range of activities to obtain stakeholder input guided by the Australian Government's *Best practice guidelines for stakeholder consultation* and its own *Stakeholder engagement and consultation framework*.
- GHD received mixed stakeholder feedback on the effectiveness of consultation to develop 33 industry specific Strategic Investment Plans (SIPs) resulting in varying levels of ownership of, and engagement with, the new plans.
- The more recent *Reset and Refresh* of the strategic levy fund advisory mechanism, however, appears to have been a pivotal piece of work that has led to improvements in stakeholder relations, providing a basis from which improvements can be made to future strategic planning and annual investment decisions.

ToR 2(b): Performance Principle 2 – RD&E and Marketing activities

- Hort Innovation's management of a 'balanced portfolio' is achieved through its two-tier funding model comprising strategic levy investments and Hort Frontiers.
- Alignment to both government and industry priorities is achieved through a comprehensive planning process that includes a company-wide strategy, 33 SIPs, and corresponding Annual Investment Plans (AIPs). Stakeholder feedback, however, suggests that there is less clarity over investment activities and potential barriers to uptake of the Hort Frontiers funds.
- The effective investment of multiple small-scale industry marketing funds has been an ongoing challenge for Hort Innovation and in response, it has implemented a new collaborative approach to program planning. Early feedback suggests that this is delivering improvements to the measurement and communication of performance of marketing activities.
- Necessary improvements have also been initiated to streamline and drive efficiencies in Hort Innovation's investment management systems and processes. This has included launch of its investment management portal, HIVE, and new delivery partner and advisory panel portals. Further improvements to Hort Innovation's operations and processes are being realised through the ongoing implementation of *Project Max*.

ToR 2(c): Performance Principle 3 – Collaboration

- Hort Innovation is considered to collaborate well at the cross-sector level. It has established strong and effective working relationships with other Rural Research and Development Corporations (RDCs), actively contributes to the Emerging National Rural Issues forum and growAG and evokeAG platforms, and leads a number of major cross-sector collaborations including the Australian Food and Wine Collaboration and the Plant Biosecurity Research Initiative.
- At the industry level, the management of RD&E and marketing funds across 37 levied industries presents both opportunities and challenges. Tripartite forums with government, industry and Hort Innovation, along with streamlining of SIP and AIP processes, are important processes to facilitate improved collaboration, reduce areas of potential duplication and increase leverage.

ToR 2(d): Performance Principle 4 – Governance arrangements

- GHD has reviewed Hort Innovation's governance arrangements for alignment with the eight central principles contained in the *ASX Corporate Governance Principles and Recommendations* as well as relevant guidance provided in the *Not-for-Profit Governance Principles* published by the Australian Institute of Company Directors.
- We found that Hort Innovation's governance structures and processes align with these principles, and that there were many examples of the Board and Management initiating processes to improve performance and culture, which is seen as a key element of effective governance.

ToR 2(e): Performance Principle 5 – Monitoring, evaluation, reporting and improvement

- Hort Innovation has developed an *Organisational Evaluation Framework* and conducts annual impact assessments of a sample of its investments in line with CRRDC guidelines.
- Levy fund investments sampled over the review period have been found to deliver positive returns on investment with Benefit Cost Ratios ranging from 2.22 to 5.83. There are no current BCR results available for Hort Frontiers investments, although analysis is currently underway.
- Corporate overheads were estimated to be around 13–14% over the review period (compared to 11% in the previous review). This was benchmarked against comparative RDCs and appears reasonable given the complexity of managing multiple industry RD&E and marketing funds.
- GHD is satisfied that the response to the 2018 Independent Review of Performance was well communicated, and that recommendations have now either been met or superseded by recommendations contained in more recent review initiatives.

ToR 3: Constitution and other matters

- GHD undertook a review of Hort Innovation's Constitution and found that it provides positive reinforcement of good governance principles.
- We found that the Director selection process and Director terms contained in the Constitution largely align with the arrangements of other industry owned RDCs.
- Stakeholders did not indicate any other matters of concern with the company's Constitution.

Recommendations for ongoing improvement

No.	Recommendation	Relevant ToR	Priority
1	Ensure that appropriate consultation plan/s, based on the *Best practice guide to stakeholder engagement*, are developed and implemented when the next round of SIPs are developed	2(a)	
2	Ensure timely completion, communication and review of the *Reset and Refresh* process, including: – Finalising the execution of MOUs with Peak Industry Bodies – Updating its status on the Hort Innovation website – Increasing the transparency of the process and its implications to Hort Innovation's full range of stakeholders – Undertaking annual pulse checks to assess its ongoing implementation and success	2(a)	
3	Update the Hort Innovation *Stakeholder engagement and consultation framework* to: – Incorporate the outcomes of the *Reset and Refresh* process once finalised – Incorporate recent changes to the organisational structure, i.e. the replacement of Regional Extension Managers with Industry Service Delivery Managers	2(a)	
4	Increase the degree of transparency over the investment justifications of Hort Frontiers programs/projects through the publication of an investment decision framework	2(b)	

Key

High importance	**Continuous improvement**

5	Ensure timely implementation of *Project Max* recommendations, in particular those that aim to: – Improve stakeholder experience and increase visibility of the procurement process for respondents – Streamline processes for reviewing and approving investment decisions – Improve feedback mechanisms and increase interaction with industry on key decisions – Upskill internal and external stakeholders in the use of investment management portals	2(b)	
6	Improve processes to identify and implement cross-industry collaboration to reduce duplication and drive efficiencies in investment of levy payer and government funding	2(c)	
7	Implement a Treasury / Investment Policy and Procedure to reduce the risks associated with investment and to maximise the returns from surplus cash	2(d)	
8	Undertake minor administrative amendments to the Board Charter to align with commonly adopted practices to: – Include a Board quorum – Prohibit the Chair of the Board also holding the Chair of the ARC – Cover review of CEO and Committee performance – Include the skills matrix that the Directors should collectively provide	2(d)	
9	Review the threshold in the Delegations of Authority (DoA) to ensure it represents an efficient and appropriate reflection of governance body participation in review and approval	2(d)	
10	Develop a risk tolerance statement expressing "Acceptable," "Tolerable" and "Unacceptable" ranges based upon KPIs or input risk assumptions to better support decision making. The same approach can be used over time to help support industry-specific consideration of risk	2(d)	
11	Update the Hort Innovation *Organisational Evaluation Framework* following release of the Hort Innovation Strategy 2024-26 to: – Align with the new company strategy – Incorporate the KPIs contained within the Australian Government *Guidelines for Statutory Funding Agreements* – More clearly articulate when investments, including Hort Frontiers and levy fund RD&E and marketing projects/programs, will be subject to impact assessment or evaluation – Include opportunities to further streamline and aggregate the reporting of evaluation outcomes to improve how findings are used to inform investment decisions under a balanced portfolio	2(e)	
12	Increase the frequency of grower sentiment surveying to occur once every 2 or 3 years	2(e)	
13	Update the Company Constitution to ensure alignment with the Deed of Agreement 2020-2030	3	

Glossary

AGM	Annual General Meeting
AIA	Agricultural Innovation Australia
AIP	Annual Investment Plans
ACNC	Australian Charities and Not for Profits Commission
ARC	Audit and Risk Committee
CEO	Chief Executive Officer
CRRDC	Council of Rural Research and Development Corporations
DoA	Delegation of Authority
DAFF	Department of Agriculture, Fisheries and Forestry
DNC	Director Nomination Committee
EAP	Expert Advisory Panels
IAP	Internal Audit Program
ISDM	Industry Service & Delivery Manager
IMAAP	International Market Access Assessment Panel
IP	Intellectual Property
IRO	Industry Representative Organisation
ITAP	International Trade Assessments Panel
MoU	Memorandum of Understand
MERI	Monitoring, Evaluation, Reporting and Improvement
PIB	Peak Industry Bodies
PBRI	Plant Biosecurity Research Initiative
R&D	Research and Development
RDC	Research and Development Corporation
RD&E	Research, Development and Extension
SFA	Statutory Funding Agreement
SIAP	Strategic Investment Advisory Panels
SIP	Strategic Investment Plans
TOR	Terms of Reference

Recommendations key

Continuous Improvement	
High Importance	

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→ Introduction

1. Introduction

Horticulture Innovation Australia Limited (Hort Innovation) is the industry services body for the Australian horticultural sector, as declared by the Minister for Agriculture under the *Horticulture Marketing and Research and Development Services Act 2000 (Cth)*. Hort Innovation's partnership with the Australian Government is formalised through a Deed of Agreement, which sets out expectations for Hort Innovation's performance, transparency and accountability to levy payers, the Government and the public.

GHD Pty Ltd was commissioned to undertake an independent review of Hort Innovation's performance over the period 2018-2023 in accordance with the requirements of the Deed of Agreement 2020-2030. The independent review or performance complements and builds on a suite of internal reviews that Hort Innovation has commenced or completed over the past 18 months to identify and progress areas for the organisation's continuous improvement.

This report outlines the findings and recommendations from the review.

1.1 Terms of Reference

The Terms of Reference (TOR) for the review are to:

1. Evaluate Hort Innovation's performance in meeting its obligations under the *Horticulture Marketing and Research and Development Services Act 2000*, *Corporations Act 2011* and Deed of Agreement 2020-2030
2. Evaluate Hort Innovation's performance against the Performance Principles of the Deed of Agreement 2020-2030, namely:
    a. to engage stakeholders to identify RD&E priorities and activities that provide benefits to the industry
    b. to ensure RD&E priorities and activities (and marketing activities) are strategic, collaborative and targeted to improve profitability, productivity, competitiveness and preparedness for future opportunities and challenges through a balanced portfolio
    c. to undertake strategic and sustained cross-industry and cross sectoral collaboration that addresses shared challenges and draws on experience from other sectors
    d. for governance arrangements and practices to fulfil legislative requirements and align with contemporary Australian best practice for open, transparent and proper use and management of funds
    e. to demonstrate positive outcomes and delivery of RD&E and marketing benefits to Levy Payers and the Australian community in general, and show continuous improvement in governance and administrative efficiency, including by considering Hort Innovation's implementation of actions to address the recommendations in the last independent performance review (2018)
3. Evaluate any other relevant matters related to Hort Innovation's performance, including whether Hort Innovation's Constitution is fit for purpose.

1.2 Methodology

The independent review of performance was undertaken between April and July 2023 and was based on a combination of desktop review and stakeholder consultation. Key steps in our methodology included:

– An inception meeting between Hort Innovation and the GHD review team to confirm the approach
– Development of a Review Framework outlining the lines of inquiry and evidence needs to address the TOR. The Review Framework is provided in Appendix A
– An introductory meeting with representatives from the Australian Government Department of Agriculture, Fisheries and Forestry (DAFF)
– Desktop review of company material that is made available on Hort Innovation's website as well as a large number of internal documents made available to GHD via a secure SharePoint site as listed in Appendix B
– Targeted consultation conducted via telephone or videoconference with 95 individuals representing the following stakeholder categories (noting that many individuals fall into more than one stakeholder category):

- Board members: 9
- Executive team and staff: 9
- DAFF: 5
- Advisory panel members: 28
- Peak Industry Bodies (PIBs): 41
- Growers and members: 12
- Delivery partners and investors: 26
- Key supply chain participants: 10

– An open submission process hosted on GHD's website and distributed through Hort Innovation's communication channels to provide access to the review to levy payers, members and other key stakeholders. GHD only received 2 written submissions in addition to targeted stakeholder interviews
– A workshop of preliminary observations and themes with Hort Innovation's Executive Team, followed by presentations of preliminary findings to the Hort Innovation Board and DAFF. These meetings provided the opportunity to validate the accuracy of key findings and observations and seek further evidence where required
– A draft report was provided to Hort Innovation presenting overall findings and recommendations from the review. Feedback to address any errors of fact were incorporated before finalising the review report.

1.3 Limitations

This report has been prepared by GHD for Hort Innovation Australia Limited and may only be used and relied on by Hort Innovation Australia Limited for the purpose agreed between GHD and Hort Innovation Australia Limited as set out in section 1 of this report.

GHD otherwise disclaims responsibility to any person other than Hort Innovation Australia Limited arising in connection with this report. GHD also excludes implied warranties and conditions, to the extent legally permissible.

The services undertaken by GHD in connection with preparing this report were limited to those specifically detailed in the report and are subject to the scope limitations set out in the report.

The opinions, conclusions and any recommendations in this report are based on conditions encountered and information reviewed at the date of preparation of the report. GHD has no responsibility or obligation to update this report to account for events or changes occurring subsequent to the date that the report was prepared.

The opinions, conclusions and any recommendations in this report are based on assumptions made by GHD described in this report. GHD disclaims liability arising from any of the assumptions being incorrect.

1.4 Structure of the report

This report is structured to present key findings and recommendations against the respective elements of the TOR. Hort Innovation's internal and external operating context for the period of the review, i.e. 2018 – 2023, is summarised in section 2. Findings in response to TOR 1 are outlined in section 3. An assessment of Hort Innovation's performance against the five Performance Principles contained in the Deed of Agreement 2020-2030, i.e. TOR 2, are outlined in sections 4 to 8. Findings in response to TOR 3 are outlined in section 9. Our final list of recommendations to support Hort Innovation's continued improvement of performance is provided in section 10.

→ Operating context

2. Operating context

2.1 About Hort Innovation

As the industry services body for the Australian horticultural sector Hort Innovation is responsible for managing and investing the funds received from the levy payers of 37 horticultural industries and matching eligible R&D contributions from the Australian Government for the benefit of the Australian horticultural sector and the Australian community.

Hort Innovation was established in 2014 as an industry owned company from the former Horticulture Australia Limited which operated between 2001 and 2014. All horticulture levy payers are invited to become members of the company. As of 10 July 2023, Hort Innovation was owned by 2,174 members.

The *Hort Innovation Strategy 2019-2023* centres around three key pillars:

1. Drive knowledge and innovation into horticulture industries
2. Deliver the highest value R&D, marketing and trade investments across industries, for now and into the future
3. Enable activities that drive all strategic imperatives.

2.1.1 Governance and organisational structure

The Hort Innovation Board sets the strategic direction of the company, within the requirements of Hort Innovation's Constitution, the Deed of Agreement with the Australian Government, the *Horticulture Marketing and Research and Development Services Act 2000 (Cth*), and the *Corporations Act 2001 (Cth)*.

The Hort Innovation Board has established three Board committees that act to guide the company, including the Investments Committee whose charter is to oversee investment of the horticultural levy funds. The Hort Innovation Board delegates responsibility for the management of the company to the Chief Executive Officer (CEO). The CEO is responsible for overseeing a team of over 80 people across the portfolios outlined in Figure 1 below.

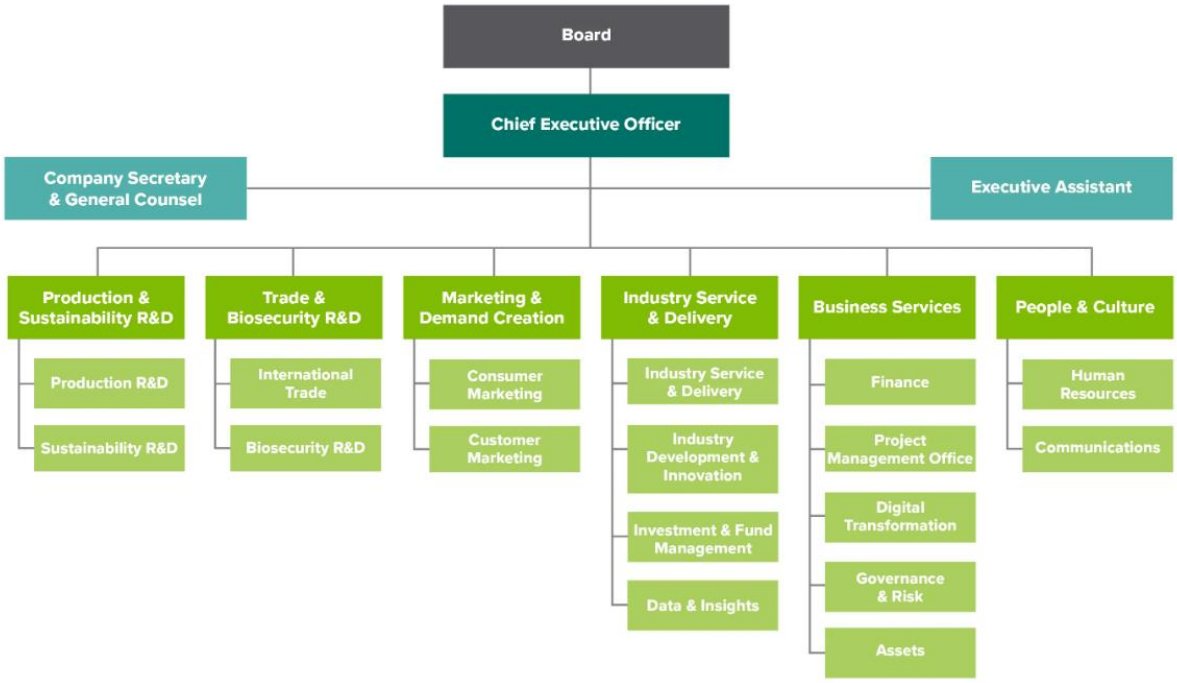


Figure 1 ***Hort Innovation organisation structure***

There have been several key changes to Hort Innovation's governance arrangements and organisational structure over the 2018-2023 period that are relevant to the review, including:

– Finalisation of a new Deed of Agreement with the Australian Government for 2020-2030
– A change to the company Constitution in 2020 to set a new maximum service period for Directors such that all newly elected Directors will have a maximum service period of two consecutive terms rather than three
– Election of a new Chair in November 2020
– Several changes to the Executive Team including the appointment of new CEO in early 2022
– Restructure of key organisational portfolios in late 2022
– The appointment of a new Company Secretary in June 2023.

2.1.2 Investment model

Over the period of the review, Hort Innovation has invested over $120 million each year into R&D and marketing programs (refer Table 1). Hort Innovation uses two primary funding and investment models: one for strategic levy investments and one for investments within their Hort Frontiers strategic partnership initiative.

Table 1 Comprehensive income statement

	2018/19	2019/20	2020/21	2021/22
Revenue				
Sale of goods	180			
R&D income	119,123,461	125,985,032	115,068,799	128,301,891
Marketing income	23,902,044	24,814,120	24,552,690	26,336,730
Other	123,966	98,263	32,284	5,569
Total revenue	*143,149,651*	*150,897,415*	*139,653,873*	*154,644,190*
Expenses				
Occupancy expenses	806,786	402,301	413,592	433,419
Administrative expenses	17,805,071	17,071,656	18,119,200	17,951,706
Research and development programs	101,846,064	108,414,151	94,872,875	103,245,964
Marketing programs	20,292,693	19,280,409	26,860,104	22,685,598
Other expenses	1,291,647	1,129,593	1,216,081	1,749,897
Total expenses	*142,042,261*	*146,298,110*	*141,481,852*	*146,066,584*

Levy funding is the core model for Hort Innovation's work, involving the investment of statutory or voluntary industry levies, together with Australian Government contributions (where applicable), into R&D, marketing, international trade, data and insights, extension and communication efforts. Levy fund investments are specific to each industry's needs however project investments may be across multiple-commodities where appropriate.

Hort Frontiers is the co-investment model, through which Hort Innovation funds investments through strategic partnership money sought, brokered and combined with Australian Government contributions. These projects are typically longer-term, cross-industry investments focused on areas considered to be critical to the future success of the sector.

Further description of Hort Innovation's investment processes is provided in section 5.

2.1.3 Review progress

The 2018-2023 period of this review has seen considerable transition for Hort Innovation and its stakeholders.

At the time of the previous Independent Performance Review, i.e. June 2018, GHD reported a level of dissatisfaction amongst a number of its Peak Industry Body (PIB) stakeholders in particular, largely resulting from issues that had arisen during the transition from Horticulture Australia Limited to Hort Innovation. Consultation as part of this review found that stakeholder relations continued to be difficult beyond 2018. At the same time, Hort Innovation was challenged by a number of inefficiencies in its business systems and processes. Amongst other influences, these factors impacted organisational culture, employee satisfaction and staff retention.

It is clear that Hort Innovation's Board and Executive have sought to address these issues and drive continuous improvement across the organisation. In recent years a suite of internal reviews have been initiated, including *Reset and Refresh*, *Project Max*, a marketing reset and change implementation plan, governance review and recent organisational restructure. These initiatives are referenced further in the relevant sections of this report.

While still in the early stages of implementation, there is evidence that these initiatives are already realising significant benefits. Critically, there has been considerable improvement in stakeholder relationships and a positive shift in employee engagement and staff retention.

It is noted that at the time of this review, Hort Innovation is in the process of developing a new company strategy for 2024-2026. GHD considers that this presents a timely opportunity for Hort Innovation to consolidate review findings, playback what it has heard, and engage stakeholders in the future direction of the organisation.

2.2 The Australian horticultural sector

Horticulture is the third largest Australian agricultural sector, accounting for 18% of production in 2020/21. It is also the fastest growing agricultural sector, with a production value increase of 23% over the past 5 years, with an industry growth projection of 33.1% by 2030.

Key statistics for the Australian horticultural sector during the period of the review include:

Hort Innovation represent growers of almond, apple, pear, avocado, banana, blueberry, cherry, chestnut, citrus, custard apple, grapes, dried tree fruit, lychee, macadamia, mango, melon, mushroom, nashi, nursery, olive, onion, papaya, passionfruit, persimmon, pineapple, pistachio, potato, tomato (processed), prune, pyrethrum, raspberry, blackberry, strawberry, summerfruit, sweet potato, turf and vegetables signifying a wide breadth of industries that comprise horticulture in Australia.

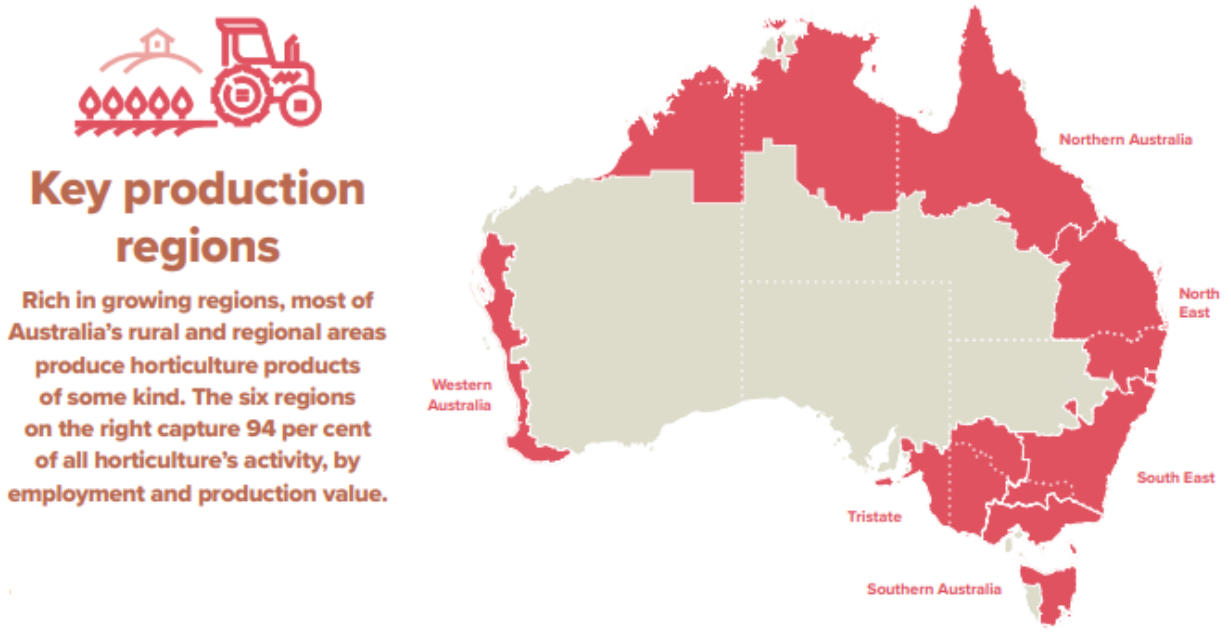


Figure 2 *Horticulture production regions (Source: Hort Innovation Annual Report 2020-21)*

Most growers are small sized family farms however the number of medium to large scale farms is growing. In 2023/24 the value of horticulture is expected to increase to $18 billion which reflects additional growth in nut production and increasing domestic fruits and vegetable consumption. The consolidation of the sector toward larger growers and aggregators will influence the challenges, RD&E solutions and innovations across horticultural industries in the future.

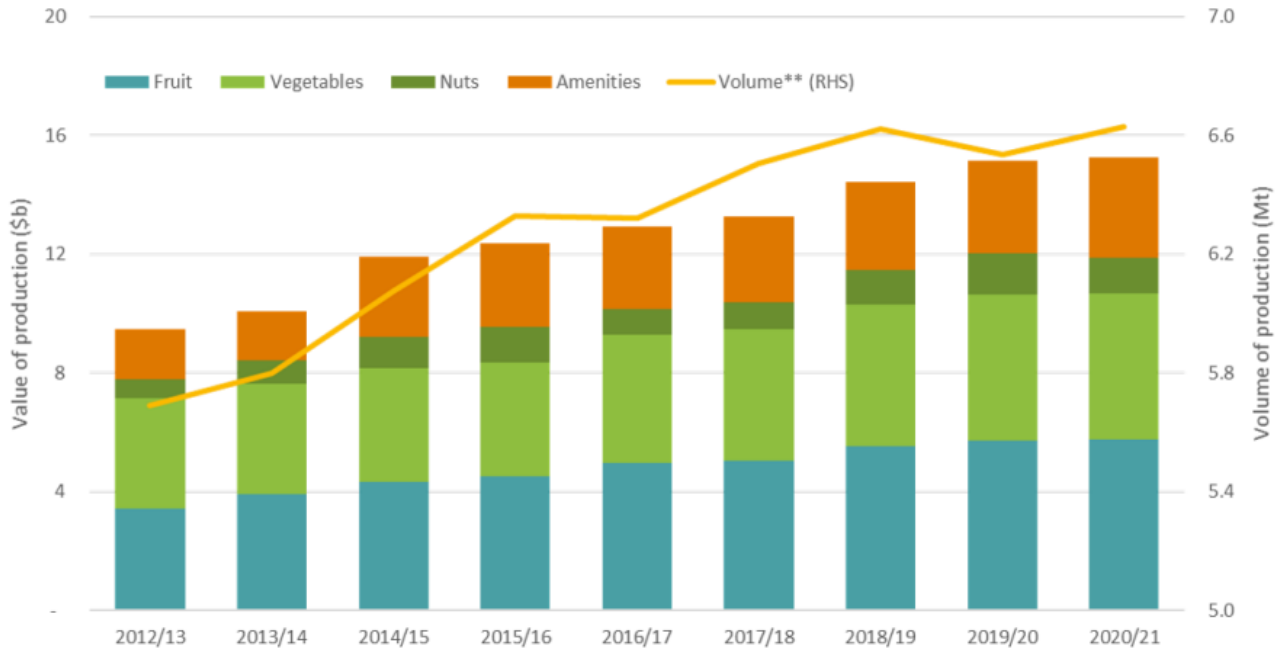
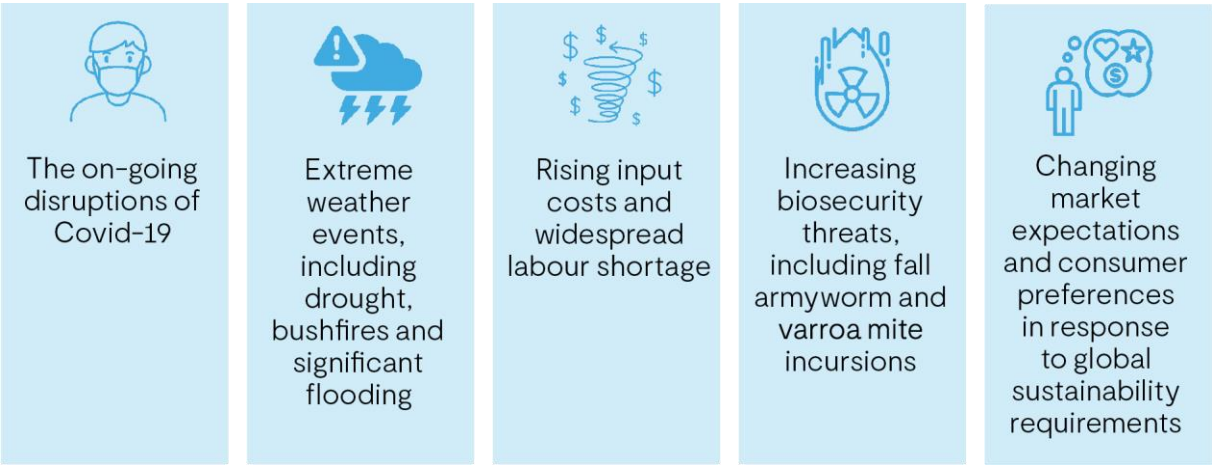


Figure 3 *Horticulture production 2012-13 to 2020-21 (Source: Hort Innovation Annual Report 2021-22)*

2.3 External trends and drivers

Throughout the review period Hort innovation and the sector have had to respond to many of the same challenges and external drivers impacting Australian agriculture, including:

- The disruptions of COVID-19 including to R&D investment programs, delivery of extension work and staff working from home.
- Significant flooding events across the country which impacted the supply of fresh produce off the back of drought and bushfire events in the preceding 2019-2020 years. Drier than usual conditions are expected for the balance of 2023 and should this pattern become established there could be a reduction in production levels.
- Supply chains were impacted by rising input costs and widespread labour shortages driven by COVID-19. More recently, supply chains have been impacted by inflationary pressures and poor labour procurement due to closure of borders. Input costs have eased since mid-2022 and continue to fall despite being well above the long-term average. However, there are predicted on-going challenges with elevated labour costs and higher prices on Australian supply routes.
- Biosecurity threats such as fall armyworm in mid-2021 and varroa mite in mid-2022 have also impacted the horticulture sector. With the impact of varroa mite still being felt 12 months on particularly in the Hunter and Newcastle area of NSW.
- Global sustainability requirements are rapidly changing, as consumers and investors increasingly ask for evidence of ethical and sustainable practices from their food producers. Hort Innovation will need to ensure they keep pace with these changes. As can be seen by the development of its 2021 *Australian-grown Horticulture Sustainability Framework* and the May 2023 *Materiality Update,* significant change has occurred during a short period.



→ Statutory obligations

3. Statutory obligations

ToR 1: Evaluate Hort Innovation's performance in meeting its obligations under the *Horticulture Marketing and Research and Development Services Act 2000*, *Corporations Act 2001* and Deed of Agreement 2020-2030

As an industry owned RDC, Hort Innovation is declared by the Minister for Agriculture, Fisheries and Forestry as an industry services body under industry-specific enabling legislation, being the *Horticulture Marketing and Research and Development Services Act 2000*. As an industry owned RDC, Hort Innovation is also established under, and must comply with, provisions of the *Corporation Act 2001*, which sets out the obligations of companies and their boards of directors.

The *Horticulture Marketing and Research and Development Services Act 2000* provides for the Minister to enter into a Deed of Agreement with the industry services body, also known as a Statutory Funding Agreement. The funding agreement allows for levies and government contributions to be transferred from government to Hort Innovation who governs how those funds are invested.

Compliance with statutory obligations at one level considers demonstration of attributes such as holding compliance, whereas consideration of performance is much wider. In response to this TOR, GHD has reviewed Hort Innovation's compliance against key obligation's contained in the respective governing legislation, as well as assessed Hort Innovation's performance in monitoring and reporting on its compliance obligations. A broader assessment of its performance in respect to the individual Performance Principles contained in the Deed of Agreement is provided in response to TOR 2.

3.1 Horticulture Marketing and Research and Development Services Act 2000

Apart from administrative matters the *Horticulture Marketing and Research and Development Services Act 2000* places limitations on how payments made by the Australian Government to the industry services body can be expended. In summary this includes requirements that the expenditure must be:

– For R&D and marketing related expenses and activities
– Applied to the horticultural industry
– In line with the Deed of Agreement

GHD has undertaken consultation with both Hort Innovation and DAFF, as well as received underpinning evidence including independent audit reports for the period of the review and concludes that Hort Innovation is meeting its obligations in this respect.

3.2 Corporations Act 2001

The requirements and obligations under the *Corporations Act 2001* are numerous, including a range of requirements for companies limited by guarantee:

– Company formation and registration
– Ongoing operations and notification of changes
– Directors' and members' meetings
– Directors' duties
– Financial reporting
– Winding up and deregistration

Key sources of evidence demonstrating Hort Innovation's compliance with these obligations includes the annual Directors Reports and Independent Audit Reports contained in the company Annual Reports for the period. Each

of these report compliance with the *Corporations Act 2001*. Further discussion on Hort Innovation's approach to company reporting is provided in section 7. It is also noted that consultation undertaken as part of this review did not identify any particular issues or concerns amongst stakeholders with regards to Hort Innovation's compliance with the *Corporations Act 2001*.

3.3 Deed of Agreement 2020-2030

The key performance and accountability framework for both industry owned and statutory RDCs is set out in their funding agreements with the Australian Government. In 2019, the RDC funding agreements with all RDCs were renewed using a principles-based approach and to cover a 10-year period.

In addition to the Performance Principles contained with the Deed of Agreement (as detailed in TOR 2), Part 2 of the Deed of Agreement sets out the following principles in summary:

- Must maintain, implement and regularly review a framework of good corporate governance to ensure proper use and management of the Funds and the Voluntary Contributions. In maintaining the governance framework, Hort Innovation should draw on best practice guidance as appropriate (refer section 7)
- Must maintain a Skills Based Board of Directors with the necessary skills and experience to effectively govern Hort Innovation (refer section 7)
- Should not engage in Agri-Political Activities
- Must not, at any time, act as an Industry Representative Organisation
- Maintain process to monitor and evaluate its performance (refer sections 7and 8)
- Maintain an approved Strategic Plan (refer section 4.1.1)
- Must develop, implement and maintain an appropriate Balanced Portfolio (refer section 5).

Based on stakeholder consultation and supporting evidence provided by Hort Innovation, GHD is satisfied that Hort Innovation is meeting its administrative and reporting obligations as per the Deed of Agreement 2020-2030. Further assessment of Hort Innovation's performance against the five Performance Principles contained within the Deed of Agreement is provided in sections 4 to 8 of the report in response to TOR 2.

3.4 Compliance monitoring and reporting

The Board and the Audit and Risk Committee (ARC) have established processes to monitor its general compliance obligations including in meeting its obligations under the *Horticulture Marketing and Research and Development Services Act 2000*, *Corporations Act 2011* and Deed of Agreement 2020-2030.

Compliance monitoring and reporting processes are multi-dimensional and include Board governance oversight, Australian Government oversight, reporting processes that create sufficient transparency over reporting, the AGM and assurance processes such as this independent performance review.

At the Board level, the ARC annual work plan includes a review of compliance reporting as a standing agenda item. This includes an analysis of obligations, setting responsibility and dates required for review, or actions required to support demonstration of compliance. These processes are consistent with other organisations.

Separately, regular meetings are held with DAFF to evaluate performance and to set expectations in line with Hort Innovation's Deed of Agreement with the Australian Government.

The AGM also represents an opportunity for members to express their views on performance.

GHD notes that internal governance processes have been bolstered recently through appointment of the Head of Governance and Risk. The creation of a dedicated Governance and Risk position in the recent organisational restructure reflects that the Board and CEO are also alert to an increasing number of regulatory obligations beyond those contained in the above mentioned statutory instruments, including in the areas of Workplace Health & Safety and Modern Slavery.

Generally, stakeholders indicated a base level of understanding of Hort Innovation's overarching obligations but did not show a great level of interest in interrogating its performance. Consultation confirmed that there is a general view amongst stakeholders that Hort Innovation's is functioning appropriately as the industry services body and that it is satisfactorily meeting its key statutory obligations.

→ Stakeholder engagement

4. Stakeholder engagement

ToR 2(a): Evaluate Hort Innovation's performance against Performance Principle 1 – To engage stakeholders to identify RD&E priorities and activities that provide benefits to the industry

Hort Innovation's approach to stakeholder engagement is outlined in the organisation's *Stakeholder engagement and consultation framework* (2022), which was developed to align with the Australian Government's *Best Practice Guide to Stakeholder Consultation* (2021) that applies to all RDCs under the respective Deed of Agreement.

Hort Innovation's stakeholder network is extensive given its operating environment and has been mapped in its *Stakeholder engagement and consultation framework* as including:

- Growers, including regional and state-based grower groups across the country
- Australian Government, through DAFF
- Horticultural representative bodies, including commodity PIBs and other groups
- Supply chain participants and partners, such as retail supermarkets and the Central Markets of Australia Association
- Trade partners, such as Austrade and the Australian Horticultural Exporters' and Importers' Association
- Co-investors in research, particularly through Hort Frontiers
- Industry agencies, such as Plant Health Australia and the government's Cooperative Research Centre network
- Associations relevant to horticulture, such as PMA A-NZ, Nuffield Australia and the Australian Pacific Extension Network
- Partners in collaborative initiatives, such as through the Plant Biosecurity Research Initiative (PBRI) and National Horticultural Research Network
- Project delivery partners
- Other rural RDCs
- The wider research community in Australia and overseas.

Hort Innovation's stakeholder engagement activities occurs at various stages through a range of processes including, strategic planning, investment prioritisation, procurement of services, delivery of projects, performance reporting, and communication and extension activities.

In line with the TOR, this section considers in more detail the engagement of stakeholders to input to setting RD&E priorities and activities including the development of strategic and annual investment plans, and the formal advisory mechanisms established to inform investment prioritisation. It is noted that the communication of benefits and investment outcomes is further discussed in section 8.2.

4.1 Developing strategy

4.1.1 Hort Innovation strategic plan

A comprehensive process was used to develop the current strategic plan, *Hort Innovation Strategy 2019-2023: Growing into the future*, during the period January to May 2019 utilising a combination of face-to-face and online consultation.

Face-to-face consultation opportunities included a series of 20 events held around Australia designed to engage with growers and other industry participants, which were attended by representatives from Hort Innovation's Board and staff and more than 350 industry participants. This was in addition to in-depth strategic conversations held with the staff, executive team and Board, along with dedicated consultation sessions for PIBs.

An initial online consultation forum was opened on the Hort Innovation website to gather input to the strategic planning process from those who were unable to attend an in-person event. Draft strategic themes were then developed from the initial online and in-person consultation and made public for further feedback via the Hort Innovation website during late May and early June of 2019, before the final *Hort Innovation Strategy 2019-2023* was approved by the Board.

Importantly, and consistent with strategic planning templates and approaches used in other organisations, the final *Hort Innovation Strategy 2019-2023* included a section summarising key themes that emerged during stakeholder consultation, including how the feedback had been incorporated in the Plan's goals, strategic imperatives, and key activities.

During the period of GHD's review, Hort Innovation is currently in the process of developing its new company strategy for the 2024-2026 period. It is noted that the new strategy will be a three-year plan to allow for future alignment with the individual levy fund Strategic Investment Plans (SIPs) which run for the period 2022-2026.

The approach to developing the new strategy is based on the principles for consultation that are outlined in Hort Innovation's *Stakeholder engagement and consultation framework*. To date, the key themes and direction for the new strategy have been drafted that build on consultation undertaken for the development of 33 industry SIPs, the range of recent reviews, and workshops with Hort Innovation staff, Executive and Board. GHD observed a high degree of ownership of the process for developing the new strategy in consultations held with Board and Executive team members.

GHD understands that Hort Innovation intends to hear feedback from stakeholders and seek clarity on the strategic priorities it has identified via an online survey. Key questions will be further developed with key stakeholders, however, will address strategic alignment, program effectiveness, customer experience and opportunities to collaborate.

4.1.2 Strategic investment plans (SIPs)

Building upon past investment processes, Hort Innovation engaged with each levy-paying industry in 2021 to refresh its five-year SIPs, being the key documents to help guide investment program decision making. SIPs were developed through consultation with growers, industry participants and the wider research community from existing SIPs and shared more broadly for consultation through Hort Innovation's website before publication.

All SIPs include four key outcomes areas, with the aim of increasing consistency between SIPS to identify shared investment opportunities:

– On farm production
– Demand creation
– Extension capability and adoption
– Data and insights.

All strategies are supported by KPI's which detail how the impact of each strategy will be measured, supporting investment decision making and performance reporting.

GHD received mixed feedback from stakeholders regarding the effectiveness of consultation undertaken to develop SIPs, which has resulted in varying levels of ownership of and engagement with the new SIPs amongst industry representatives. While many reflected positively on the process and the ongoing use of SIPs in guiding RD&E investment, some expressed concern that the SIPs had been developed using a "cookie cutter" approach and had not been tailored enough to industry specific needs. This sentiment is likely influenced by all SIPs having four common outcome areas, which was intended to promote consistency and alignment with Hort Innovation's overarching monitoring, evaluation and reporting framework, and to aid the identification of opportunities for collaboration.

It is also the case that stakeholder engagement in the development of SIPs was influenced by the COVID-19 pandemic, which was heavily impacting all types of consultation forums during that period. GHD further considers that while there is logic and efficiencies achieved in developing all 33 industry specific plans for the same period, the workload generated at a particular point in time has the potential to adversely impact engagement outcomes.

Recommendation	Priority
Ensure that appropriate consultation plan/s, based on the *Best practice guide to stakeholder engagement*, are developed and implemented when the next round of SIPs are developed.	

4.1.3 Annual investment plans (AIPs)

Annual Investment Plans (AIPs) sit under SIPs and detail how investment decisions will be prioritised over a 12-month period. The process for developing AIPs has evolved over the review period, with no formal process existing prior to 2020. The AIP process was initiated at this time to increase the visibility to the whole of industry on new and existing investments and the process for seeking advice on these, as well as to assist identify industry endorsed investment for both Hort Innovation's internal and external stakeholders.

It is clear that since 2020, Hort Innovation has continued to improve the process for developing AIPs with all 33 AIPs on track for publication by 31 July 2023. The Strategic Investment Advisory Panels (SIAPs) provide the primary mechanism for consulting with industry on their development, and transparency and accessibility of AIPs to all of industry is then achieved through publication on the Hort Innovation website.

4.2 Advisory mechanisms

Industry input to strategic levy investments in R&D, marketing and trade is coordinated through industry specific SIAPs. SIAPs comprise industry supply chain stakeholders, the majority of whom are levy paying growers, as well as PIB representation, and where applicable, a lead agency representative from the National Horticultural Research Network. It is noted that some industries established SIAP committees to specifically provide advice on marketing and trade investments.

The panel process is also used to provide investment on Hort Frontiers strategic partnership initiatives as well as to guide discussions around trade and market access investments. These panels include:

– Expert Advisory Panels (EAPs) – made up of a cross-section of specialist representatives, including growers, subject matter professionals, and state government experts
– International Trade Assessments Panel (ITAP) – made up of industry representatives
– International Market Access Assessment Panel (IMAAP) – made up of industry and government representatives.

At the time of the previous Independent Performance Review (2018), GHD reported that a number of concerns were raised around the operation of SIAPs, including composition, timeliness of meeting agendas, papers and minutes, documentation quality, financial data quality and transparency, and the feedback provided to SIAPs regarding which R&D concepts proceeded to procurement.

Consultation undertaken during this review clearly indicated that concerns around the operation of SIAPs continued beyond 2018 and were further challenged with the onset of the COVID-19 pandemic. Legacy issues from the establishment of Hort Innovation and the operation of the SIAP mechanism continued to contribute to a deterioration in relationships between Hort Innovation and industry. Relationships with industry also impacted on staff culture, employee satisfaction, and ultimately staff retention.

In July 2021, Hort Innovation developed and distributed a discussion paper with the aim of clarifying the definition of roles and responsibilities of Hort Innovation and PIBs, and to initiate a review of the SIAP advice mechanism. Referred to as *Reset and Refresh*, this review has become a pivotal piece of work guiding Hort Innovation's engagement with stakeholders.

4.3 Reset and Refresh

The Board initiated *Reset and Refresh* process is an ongoing process that has allowed Hort Innovation to co-design with each industry its preferred model for delivering advice on strategic levy investment in R&D, marketing and trade.

The *Reset and Refresh* process has been an extensive engagement exercise facilitated by consulting firm Sefton's and overseen by a working group made up of representatives from PIBs, industry, DAFF, and Hort Innovation. Following the first phase of consultation which sought feedback via a combination of interviews and industry workshop on the current and alternative models for the advice workshop, Hort Innovation commenced the second phase of the process which sought to progress discussions with PIBs on their preference for a refreshed advisory mechanism.

At the time of this review, Hort Innovation had agreed the arrangements for the new advisory mechanism with all but one of its 37 industries. Interestingly 22 (60%) of industries have opted for a refreshed SIAP model, while 14 (38%) have opted for a new advice model. The intent is for arrangements to be agreed through Memorandum of Understand (MoU) between Hort Innovation and the respective PIB, whereby both parties signal their commitment to the spirit and intent of the MoU.

As at 14 July 2023, the majority of MoUs (approximately 78%) have now been agreed and/or executed with the remainder expected to be finalised by the end of July.

Table 2 Status of MOUs with industry (as at 14 July 2023)

MOU Status	# of Industries	Industries
In Consultation	1	Macadamia
In Draft	7	Nursery, Processing Tomato, Lychee, Custard Apple, Potato Fresh, Potato Processing, Turf
MOU Agreed	6	Pistachio, Persimmon, Melon, Summerfruit, Mushroom, Pyrethrum
MOU Executed	23	Olive, Vegetable, Almond, Sweetpotato, Prunes, Tree Fruit, Dried Grapes, Nashi, Strawberries, Blueberries, Raspberry & Blackberry, Cherry, Citrus, Table Grape, Avocado, Pineapple, Apple & Pear, Chestnut, Onion, Passionfruit, Banana, Mango, Papaya

From feedback received as part of this review, the initiation and implementation of the *Reset and Refresh* process has generally been very well received with both Hort Innovation and PIBs now considered to be operating from a place of goodwill. It is, however, acknowledged that the refreshed advisory mechanisms are only in their infancy and much work is still required to ensure successful implementation. Caution was also flagged by a small number of stakeholders around the need to carefully manager potential and perceived conflict of interest and avoidance of agri-political activity. Stakeholders who have not been as directly involved in the *Reset and Refresh* process indicated mixed levels of awareness of the initiative and a keen interest in any resulting implications to the investment management cycle.

Recommendation	Priority
Ensure timely completion, communication and review of the *Reset and Refresh* process, including: – Finalising the execution of MOUs with Peak Industry Bodies – Updating its status on the Hort Innovation website – Increasing the transparency of the process and its implications to Hort Innovation's full range of stakeholders – Undertaking annual pulse checks to assess its ongoing implementation and success.	

4.4 Other engagement initiatives

The recent organisational restructure has also provided the opportunity for Hort Innovation to undertake a further important step toward continuous improvement of its stakeholder relations. Through the redirection of resources previously used to fund Regional Extension Managers, Hort Innovation has recently expanded its Industry Service & Delivery Manager (ISDM) team from 4 to 10. ISDMs are the key point of contact for levy payers and PIBs and are also involved in the development of SIPs and materials such as gap analysis to support SIAP decision making.

Positive feedback was received in stakeholder consultation in regard to this initiative, both in terms of providing additional resources to support SIAPs and industry relations, as well as the skills base and location of the staff filling these roles.

Hort Innovation has also undertaken other initiatives to improve engagement with stakeholders during the review period.

The Delivery Partner Portal was launched in 2021-22 to provide a simpler, streamlined experience for Delivery Partners to undertake projects with Hort Innovation. The portal provides greater visibility and real-time tracking on project status for both delivery partners and internal Hort Innovation staff.

Trade forums are an important way to engage with stakeholders about export initiatives. Hort Innovation has held:

- Government forums, to provide high-level project information to Australian and State Government partners to identify opportunities to support Australia's export industries
- Industry forums, to provide updates on current international trade projects and encourage an open forum for questions and feedback
- Peak Industry Body forums, nine held in 2021/22 to provide an opportunity to share the work/support PIBs are providing to industry in international trade, connect and learn from each other, discuss challenges they are facing in supporting the horticultural export industry and provide updates on current international trade projects and initiatives.

Recommendation	Priority
Update the Hort Innovation *Stakeholder engagement and consultation framework* to: – Incorporate the outcomes of the *Reset and Refresh* process once finalised – Incorporate recent changes to the organisational structure, i.e. the replacement of Regional Extension Managers with Industry Service Delivery Managers.	

→ RD&E and marketing activities

5. RD&E and Marketing activities

ToR 2(b): Evaluate Hort Innovation's performance against Performance Principle 2 – To ensure RD&E priorities and activities (and Marketing activities) are strategic, collaborative and targeted to improve profitability, productivity, competitiveness and preparedness for future opportunities and challenges through a balanced portfolio

Hort Innovation invests over $120M annually in RD&E, marketing and trade activities funding primarily through two core fund models of strategic levy investment and the Hort Frontiers strategic partnership initiative. To provide transparency over its investment portfolio, Hort Innovation publishes income and expenditure information at both the company and investment fund levels.

The requirement for RDCs to ensure that RD&E and marketing investments are managed through a balanced portfolio means balancing long-term, short-term, high and low risk, and addressing levy payer and government priorities. Hort Innovation's two-tier funding model is a key feature of its balanced portfolio. Alignment to government and industry priorities is achieved through a comprehensive planning process that includes a companywide strategy, 33 SIPs and corresponding AIPs.

RDCs are also required to ensure that their RD&E and marketing investments deliver impact. Hort Innovation's approach to evaluation and assessing impact is outlined further in section 8, however levy fund investments sampled over the review period have been found to deliver positive returns on investment with BCRs ranging from 2.22 to 5.83. To date, no impact assessments have been completed for Hort Frontiers investments, although analysis is currently underway.

Impact assessment and other evaluation measures provide important information to guide future investment decision making, which where necessary, could lead to re-balancing priorities to maximise returns to levy payers and the government.

5.1 Government priorities

The *National Agricultural Innovation Policy Statement* was released on 11 October 2021 and highlights four long term priorities for Australia's agricultural innovation system to address by 2030. These priorities replace the Australian Government's *Rural Research, Development and Extension Priorities* that were published in the 2015 *Agricultural Competitiveness White Paper* and include:

- Australia is a trusted exporter of premium food and agricultural products by 2030
- Australia will champion climate resilience to increase the productivity, profitability and sustainability of the agricultural sector by 2030
- Australia is a world leader in preventing and rapidly responding to significant pests and diseases through futureproofing our biosecurity system by 2030
- Australia is a mature adopter, developer, and exporter of digital agriculture by 2030.

Investment in these priorities together with the Australian Government's *Science and Research Priorities* and *National Primary Industries Research Development and Extension Framework* is intended to ensure RD&E investment is strategic, collaborative and targeted to improve profitability, productivity, competitiveness and preparedness for future opportunities and challenges.

The Policy Statement outlines the importance of RDCs in underpinning the productivity of Australia's agriculture, forestry and fisheries industries with responsibility for investing Australian Government funding and industry levies for RD&E and marketing activities. The *Hort Innovation Strategy 2019-2023* is defined by three strategic pillars. The second pillar is to deliver the highest value R&D, marketing and trade investments across industries, now and into the future. The preparation of a new corporate strategy for the 2024-26 provides Hort Innovation the opportunity to ensure that its future priorities continue to align with the Australian Government's priorities.

5.2 Levy funds

Statutory levies are raised by growers and collected by the Australian Government and passed onto Hort Innovation under the terms of the Deed. Hort Innovation has the responsibility to work with each horticulture industry to make strategic investments in R&D and marketing programs, specific to their needs and priorities.

One of the main challenges for Hort Innovation is to align strategy for 37 levied industries. Unlike some other Australian agricultural sectors, the Australian Horticulture sector does not have a sector-wide strategic plan against which Hort Innovation can align its priorities. For example, the red meat sector has developed the Meat Industry Strategic Plan, while the wine sector is currently collaborating on a *One Sector Plan* to create a shared vision and a unifying strategy for Australia's grape and wine sector. Few other sectors however face the complexity of tailoring a strategy to such a diversity of commodities across such a wide geographical footprint.

Hort Innovation therefore aims to identify industry priorities through the development of 33 industry specific SIPs. Each industry SIP guides the levy investment over a five-year period. As outlined in section 4.1.2, during the review period the new five-year SIPs for 2022-26 were developed in consultation with growers, industry and the wider research community. Hort Innovation undertook a process to review the outcomes of the previous SIPs for each industry and to review the investment's performance against strategic area and key performance indicators. Going forward, Hort Innovation has committed to undertaking: a) annual investment plan reporting; b) progress performance reporting to inform industries against the SIP 2022-2026, and c) progress performance reporting to support the consultation process for the development of the new SIPs beyond 2026.

The SIPs for 2022-2026 are based on four key outcomes areas, which are common across industries allowing Hort Innovation to scale up outcomes for corporate level MERI, as well as facilitating the process for identifying opportunities for cross-industry collaboration. The downside of this approach, as was raised in section 4.1.2, is that some stakeholders may feel that the plans are not adequately reflective of their industry specific needs.

While the SIPS provides a strategic approach to the oversight of its investments over a five-year period, the AIP details how levy funds will be invested over a 12-month period. Prior to 2020, there was not a formal process for developing AIPs with industry. Prior to 2020, the process for developing Annual Plans was subject to funding and the practice was to seek advice on RD&E and marketing activities and priorities through the SIAP mechanisms and then proceed with procurement activities.

In 2020 the then Industry Strategic Partnership Team, took the initiative to develop Annual Investment Plans for the following reasons:

– To provide visibility to whole of industry on new and existing investments and how we seek advice on these
– Create an investment rhythm for seeking advice
– Ease of identifying industry endorsed Investments for both Hort Innovation Board and staff, as well as industry members.

Hort Innovation has trialled different AIP reporting templates and following industry consultation has developed a consistent and user-friendly format, while still providing transparency of investments. Stakeholders provided feedback that the 2022-23 AIP were released late and were difficult to interpret with unnecessary duplication of information. Hort Innovation has taken on the industry feedback and prioritised the development of AIPs in consultation with the SIAP and all plans, with the exception of two, will be completed by the end of June 2023. The final two will be finalised in July and launched on the Hort Innovation website following the final reconciliation of strategic levy funds.

RD&E and marketing priorities that are aligned to the respective outcomes and strategies of the SIPs and are invested in by Hort Innovation are managed through its investment management process, which is discussed further in section 4.1.2.

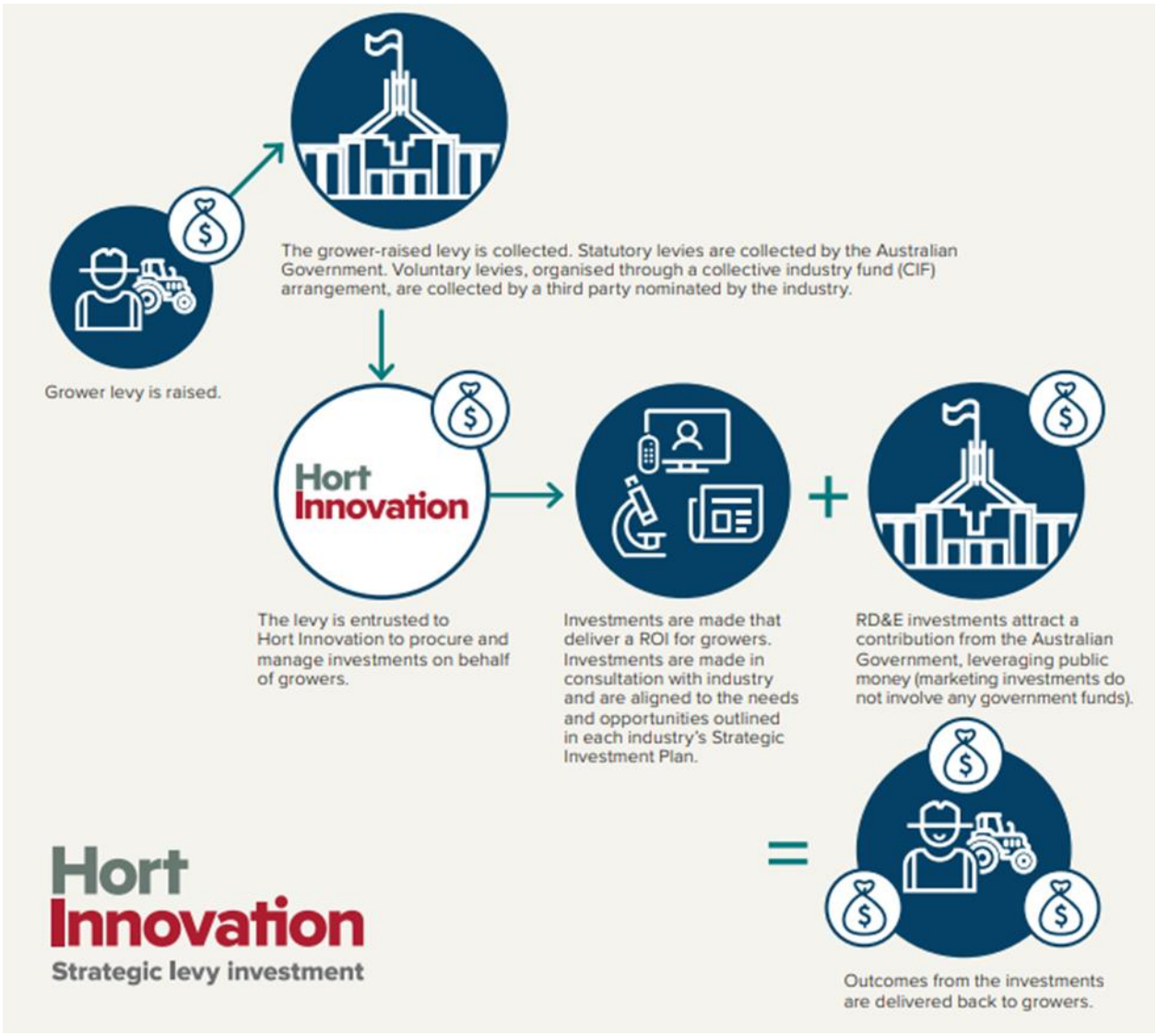


Figure 4 *The strategic levy investment funding model (Source: Hort Innovation Strategy 2019-2023)*

5.3 Hort Frontiers

The Hort Frontiers Strategic partnership initiative is designed as a co-investment model to better equip Australian horticulture for the future ahead. These activities are focused on achieving transformative outcomes and address longer-term, often complex issues and opportunities. Currently, there are seven strategic investment funds within Hort Frontiers, each addressing a specific theme. In 2021-22. $41.2 million was invested in Hort Frontiers and non-levy R&D initiatives.

In relation to the Hort Frontiers Fund, the previous Independent Performance Review (2018) noted *"there was a degree of uncertainty, however, expressed in regard to the performance of Frontiers funds, which is likely to reflect a general lack of stakeholder understanding of the activities undertaken in the Frontiers fund and the fact that these long-term investment projects are in the relatively early stages."*

The previous review recommended further descriptions on the source of Hort Frontiers funding. Hort Innovation is currently in the process of developing a SIP or document of strategic intent for each fund which outlines the fund's purpose, investment themes and objectives.

The Hort Frontiers model attracts co-investment partners ranging from commercial businesses to research agencies, education institutions and government departments. Statutory and voluntary levy funds can also be invested in Hort Frontiers projects, upon the advice of industry. A number of industry stakeholders saw the merit in investing in Hort Frontiers and for cross-industry collaboration, however there was still concern around the transparency of industry investments.

Each fund, with the exception of the Fruit Fly Fund, has an EAP featuring a broad cross-section of panellists including growers, subject matter professionals and other specialists to help support investment decision making by Hort Investment. The EAP is guided by the strategic investment priorities identified within the SIP. Depending upon the nature of specific programs the Hort Innovation Delegation of Authority directs review requirements, with the program either being reviewed by the EAP or the Board.

Interview results indicate that the identification of investment opportunities for Hort Frontiers is not difficult given the level of integration with the sector. However, difficulties can arise in prioritising opportunities and reporting upon benefits.

Prioritisation issues can include consideration of multidimensional factors including whether:

– These reflect the strategies of the wider sector
– Hort Innovation is the most appropriate party to make the investment where other parties have the capacity
– Other opportunities might yield higher benefits.

Current reporting on the benefits of the Hort Frontiers investment performance has been limited to the Annual Report and AGM coverage. Given the nature of these investments some consideration should be given to increasing the degree of transparency over the investment justification and its subsequent performance. Hort Innovation could further improve the financial information provided to SIAPs and broader industry to understand funds invested in the Hort Frontiers program.

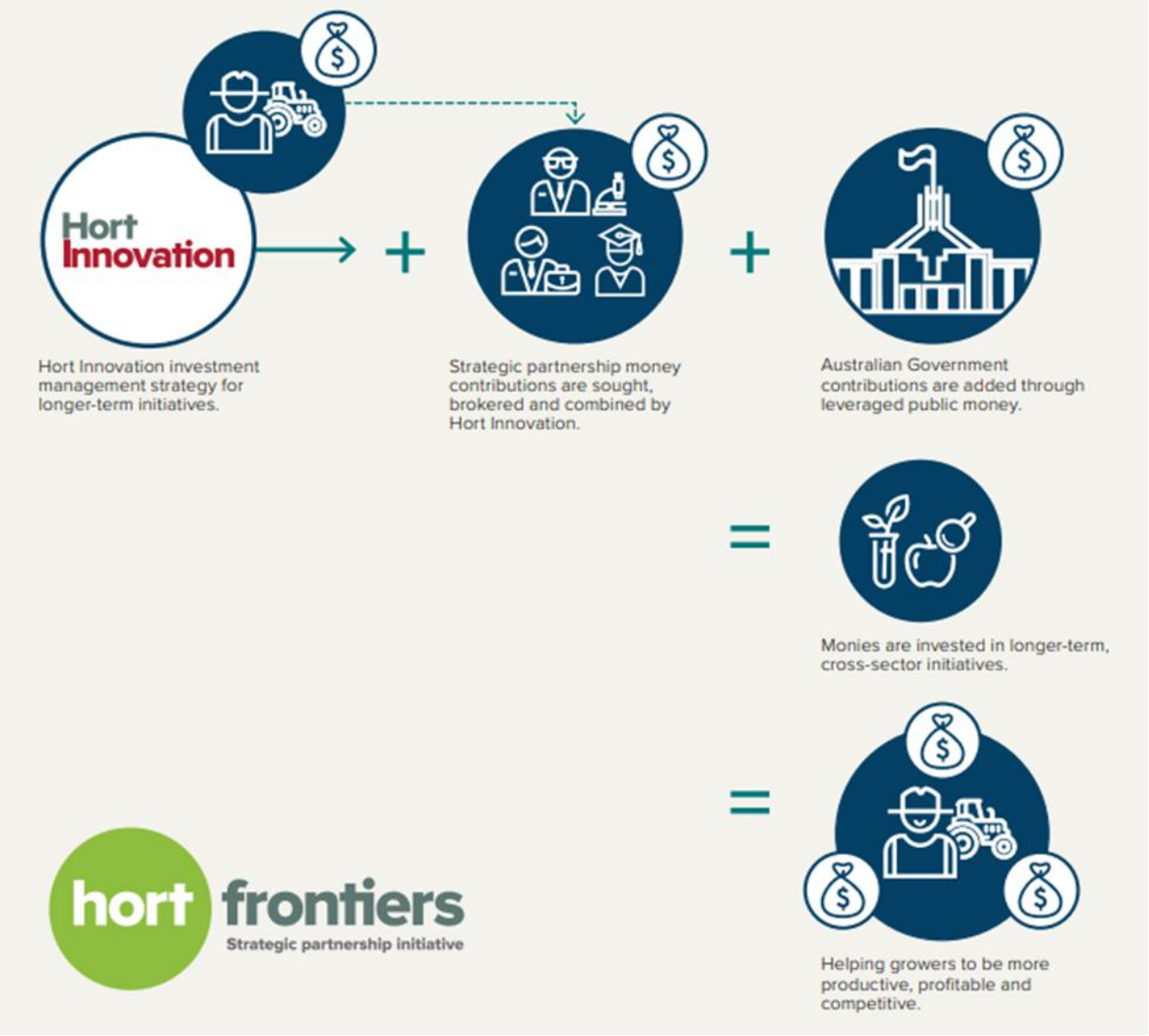


Figure 5 The Hort Frontiers funding model (Source: Hort Innovation Strategy 2019-2023)

Recommendation	Priority
Increase the degree of transparency over the investment justifications of Hort Frontiers programs/projects through the publication of an investment decision framework.	

5.4 Marketing

The previous Independent Performance Review (2018) highlighted mixed views within the industry with respect to the return on investment from marketing activities undertaken by Hort Innovation. Due to the small size of a number of industry marketing levies, and the high costs of wide-reaching and effective marketing activities, Hort Innovation committed to identifying opportunities for cross-industry alignment and investment to increase the impact of the marketing levy spend, particularly for products in similar or complementary categories. An example of this complementarity was through the implementation of a Strategic Marketing (Advisory) Panel for apple and pear industry, including expertise in fast moving consumer goods marketing.

As part of the *Hort Innovation Strategy 2019-2023*, industry wanted to better understand and influence consumers, and expand and strengthen their presence in key markets. Hort Innovation committed to sharpen their focus on consumer insights and the understanding of markets, both domestically and internationally. There have been several changes made to the Marketing & Demand Creation portfolio with the appointment of new General Managers and a restructuring of the team and their respective roles.

Hort Innovation has recently moved to evidence-based marketing through sponsorship of The Ehrenberg-Bass Institute (University of South Australia) who provide marketing science data for many of the world's biggest brands. This change allows for a focus on data to support decision making strategies with an overall goal to assist industry with boosting productivity and providing quality data to act on these insights. Hort Innovation has recently implemented a new collaborative approach to marketing with 24 industry-specific levy-funded marketing programs completed in 2021-22. Each SIAP (with input from industry) now has a dedicated marketing workshop where they are presented with data on the effectiveness of marketing campaigns and then co-design an industry marketing plan (see Figure 6). The aim of this refreshed marketing approach is driving innovation by supporting industry to change and adapt practices and deliver high-value marketing investments. An inaugural training event was also held for 40 industry participants to help them build overall understanding of what marketing can do to drive demand.

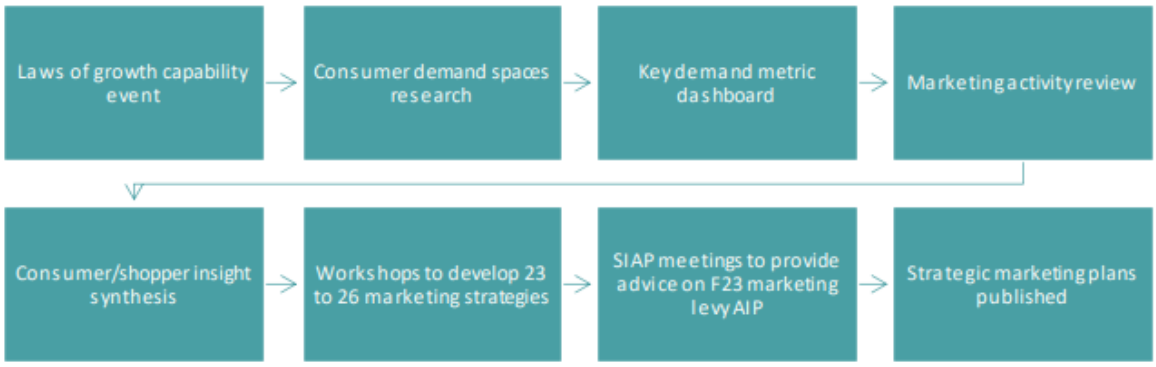


Figure 6 ***Example of new collaborative approach to co-design marketing strategy with industry***

Stakeholders generally recognised the recent changes to the marketing and demand creation portfolio, however queried if due to the limited marketing funds available, if any one industry had sufficient funds to make a difference. It was considered too early to determine if the new approach would correlate into increased sales. Other stakeholders commented that the investment in marketing should not be about selling more, but instead about selling more profitably and strategically for the grower and ensuring long-term returns to the industry.

As per recommendations contained in section 8, GHD considers that there is scope to update the *Organisational Evaluation Framework* to include greater clarity on what investments require evaluations. This should include the approach to undertaking evaluation of marketing investments based on the new program design and metrics.

5.5 Investment management process

Since the last Independent Performance Review (2018), Hort Innovation has streamlined some of its investment management processes to provide flexibility and drive efficiencies. In November 2021, Hort Innovation launched HIVE, an investment management portal to enhance project management. A Delivery Partner Portal was then launched in November 2022 as part of ongoing enhancements to HIVE.

The HIVE investment management tool was introduced to improve project management and knowledge capture during the life of investments and to reduce the delays in contracting processes. HIVE has all the projects listed and includes both short- and long-term objectives and alignment of Government and industry priorities, links to KPIs, Hort Frontier Investments and the five Performance Principles stipulated under the Deed. HIVE includes workflow functionality that drives compliance to process, and triggers review based upon the built in delegations of authority.

The Delivery Partner Portal is considered the one-stop-shop for all the activities relating to project management, such as accessing report templates, submitting milestones and final reports, uploading project outputs and requesting variations. Hort Innovation considers that establishing this portal has improved the efficiency of project management (including project procurement and reporting) across the business.

Stakeholders had mixed views about the new Delivery Partner Portal. Many reported that the portal allowed for greater transparency of projects, and that there was a greater focus on outcomes, which was a positive step forward allowing delivery partners to receive reminders, easily lodge milestone documents and provide a central repository for contract system administrators. Other feedback received was that the portal only allows for a single contract administrator which presents challenges for some of the larger delivery partners where delegations of authority differ depending on the value or tenure of the project. It was considered a challenge for delivery partners with these multi-year projects where only principal researchers had oversight and limited ability for senior management oversight and approval.

The automation of the system has also caused concerns around timeliness as there is a reliance on approval workflow which can delay a milestone report or payment if there is unresponsiveness by either the delivery partner or Hort Innovation.

Other stakeholders raised feedback on the broader procurement processes undertaken by Hort Innovation including the time it takes for a project to reach the Request for Proposal stage following advice from the SIAP. Many also cited the additional investment in time to inform the RFP from growers, industry and SIAP members. SIAP members also commented that there is not a regular pulse check on multi-year projects to ensure they are on track to achieve the desired outcome, yet many noted that the role of a SIAP member was to provide advice and not have responsibility for procurement or project management. In some cases however that industry bodies have appointed a dedicated R&D Manager to work closely with the Hort Innovation ISDM to oversee and deliver industry specific projects.

Project Max was initiated by the new CEO in July 2022 to identify system and process improvements, including to address the issues outlined above as having been raised by stakeholders. *Project Max* identified 16 key recommendations under five themes for Hort Innovation to implement to improve and enhance their operations and processes. Over 80 opportunities across five key focus areas were identified and prioritised into phases. There have been a number of ‘quick wins’ with all 33 immediate opportunities completed, there still remains 6 longer-term initiatives (greater than 12 months) to implement, with 57% completed as of July 2023.

Recommendation	Priority
Ensure the timely implementation of *Project Max* recommendations, in particular those that aim to: - Improve stakeholder experience and increase visibility of the procurement process for respondents - Streamline processes for reviewing and approving investment decisions - Improve feedback mechanisms and increase interaction with industry on key decisions - Upskill internal and external stakeholders in the use of investment management portals.	

5.6 Intellectual property management

Hort Innovation continues to review and refine their *Intellectual Property Policy and Management Framework* for the identification, use and management of intellectual property (IP) acquired, created, licensed, disseminated and commercialised by the company. Table 3 below provides an overview of the royalties by industry for the review period. Wherever IP attracts a royalty, that income is given back to the levy fund from which it was originally derived for further investment.

Table 3 Royalties by industry

Industry	Amount ($)			
	2018-19	2019-20	2020-21	2021-22
Almond		$68,066	$10,021	$36,351
Apple and Pear	$2,200		$6,018	$80,017
Avocado		$1,125		
Citrus			$1,149	
Dried Grape	$621	$708	$790	$730
Macadamia	$2,998	$7,018	$10,216	$25,842
Pineapple	$8,171		$20,783	$10,915
Potato - Fresh			$9,847	
Potato - Processing		$14,221		
Strawberry	$314,623	$481,680		$452,707
Summerfruit		$8	$4,826	
Table grape	$1,672	$1,243		
Vegetable		$12,272	$6,416	$13,312
Other				$11,167
Total	**$330,285**	**$586,341**	**$70,066**	**$631,041**

Source: Hort Innovation Annual Reports

Hort Innovation's *IP Policy* and *IP Management Plan* are subject to regular review cycles (at least every three years). The *IP Policy* provides an over-arching strategy and principles for the proper, effective and efficient use and management of IP by Hort Innovation, particularly IP arising from R&D projects, while *the IP Management Plan* supports the strategies and principles in the *IP Policy*. Under the policy, wherever IP is identified in investments, Hort Innovation ensures appropriate protection is in place for valuable intellectual property developed in investments.

The *IP Management Plan* provides processes for the proper, effective and efficient use and management of IP by Hort Innovation, particularly IP arising from R&D projects. IP management was raised by researchers and delivery partners as an area of concern as there can be a reluctance to share research concepts and ideas if there is not a clear understanding of how IP is managed on projects. Others noted that this is a broader issue across many RDCs which could result in R&D capacity being lost to other sectors and/or overseas, to the detriment of industry.

These are aspects that need to be considered by experienced staff balancing who is paying for the development of the IP and who will benefit. The majority of stakeholders generally understood that IP generated from R&D projects, or which result from marketing programs or other activities funded through Hort Innovation, will rest with the funding provider. The concerns raised by stakeholders however do highlight the importance of ongoing and timely communications with delivery partners in relation to the *Intellectual Property Policy and Management Framework*.

→ Collaboration

6. Collaboration

ToR 2(c): Evaluate Hort Innovation's performance against Performance Principle 3 – To undertake strategic and sustained cross-industry and cross sectoral collaboration that addresses shared challenges and draws on experience from other sectors

Hort Innovation has been active in undertaking cross-industry and cross sectoral collaboration through undertaking a range of RD&E activities with industry and RDCs to address common challenges and opportunities.

It was widely considered that Hort Innovation is meeting its obligations in regard to collaboration, given the complexities of managing RD&E and marketing across 37 levied industries, however, there was general recognition among stakeholders that there are further opportunities for cross-industry collaboration. While some industries provided examples of where they had, or intended to, undertake cross-industry collaboration, others simply recognised their immediate priority was on their specific industry priorities.

To provide greater opportunities for cross-industry collaboration, Hort Innovation has recommenced the PIB Forums. These forums are an opportunity to bring together the 37 levied industries to discuss collaboration opportunities, challenges and emerging issues. DAFF will also be a participant at the PIB Forum. In addition, Hort Innovation will start to use the AIP and SIP process to help guide a more systematic approach to collaboration through the presentation and collation of key themes to ensure relevant industries are identified and involved early.

Table 4 below provides a summary of the cross-industry or cross-sector investments (value, number of) that Hort Innovation has contracted in the respective financial years.

Table 4 Multi industry projects contracted in each year

Financial Year	Number of Projects	LOP Value ($)
2018/2019	22	5,342,350
2019/2020	14	7,036,020
2020/2021	17	4,676,761
2021/2022	22	24,482,052
2022/2023 (to 21/4/23)	8	6,972,747

Hort Innovation also ensures an active and visible role across industry events and forums through their sponsorship and funding of industry events such as Hort Connections and the National Horticulture Research Network. Their presence at industry events was considered important by stakeholders. Hort Innovation is also an observer of the NFF Horticulture Council, which is the forum used to deliberate and form policy concerning the Australian horticulture sector. Through these industry forums, Hort Innovation has demonstrated a willingness to try different engagement and investment methods.

The National Fruit Fly Council Phase 4 is funded by Hort Innovation, state governments, the Australian Government and fruit fly impacted horticultural industries to develop a national approach to managing Mediterranean fruit fly and Queensland fruit fly across Australia. Managed and delivered by Plant Health Australia, Hort Innovation Head of Biosecurity takes an active role on the Council and their initiatives.

Hort Innovation is also leading the $60m Sterile Insect Technique R&D collaboration (SITplus) across more than 10 horticulture sectors to modernise a contemporary approach to fruit fly management across key horticultural production areas.

Hort Innovation is regarded to collaborate well and has a strong and effective working relationship with other RDCs. Hort Innovation regularly participates in the Council of Rural Research and Development Corporations meetings with attendance at various meetings by the Board Chair, CEO or meetings of business managers.

Examples of cross-sector collaborations in which Hort Innovation takes an active or leading role include:

– Hort Innovation is leading the Australian Food & Wine Collaboration with rural RDCs, commodity peak bodies across five sectors and leverages industry-government partnerships with DAFF, Austrade, and the Department of Foreign Affairs and Trade.
– The PBRI was established to foster coordination and collaboration of investment in cross-sectoral plant biosecurity. Hort Innovation is the host member organisation that manages the PBRI Agreement, and has responsibility for the administration, monitoring, performance delivery and evaluation of the PBRI. Membership of the PBRI includes the seven plant RDCs, Plant Health Australia and DAFF. Hort Innovation has been responsible for overall management of the PBRI and the review of the Phase II program from June 2020 to June 2023 found that "collaboration and co-investments supported through PBRI Phase II supported access to networks and capacity that would have not been possible through interaction on an individual basis."
– The Emerging National Rural Issues and growAG platforms are managed by AgriFutures Australia and Hort Innovation has been an active member and participant to these initiatives. The Emerging National Rural Issues Forum engages RDCs, NFF, DAFF and Agricultural Innovation Australia (AIA) to co-design projects that respond to National Rural Issues. Hort Innovation has been an active player in the *Community Trust in Rural Industries Program* and supported the final two years of the three-year program.
– growAG is the gateway to Australia's agrifood innovation system and provides a central platform for all current and completed projects across all rural industries and any opportunity to collate research projects and commercial opportunities and drive collaboration. Hort Innovation currently has over 300 research projects, eight commercial opportunities, eight stories and 20 enquiries relating to commercial ventures listed on the platform. Hort Innovation has also committed to partnering with AgriFutures Australia for a further five years from June 2022.
– Established in 2019, evokeAG is the platform to connect the Agrifood innovation community across the Asia-Pacific and around the world. Hort Innovation has actively supported evokeAG through attendance at all three events held (2019, 2020 and 2023) and industry promotion through trade stands and sponsorship of the Future Young Leaders Program, a collaborative effort with the other RDCs.
– As a founding member of Agriculture Innovation Australia (AIA), Hort Innovation has been an active participant in AIA projects particularly with a focus on climate resilience, greenhouse gas accounting in Australian agriculture and other sustainability initiatives. Hort Innovation has also provided in-kind support to the Drought Resilience Adoption and Innovation Hubs to support farmers and communities to get ready for drought. Hort Innovation is also working with AIA through *Know and Show Your Carbon Footprint.*

While it is clear that there are a number of cross-sector collaborations occurring, consultation suggests that there is still limited knowledge amongst stakeholders of much of this cross-RDC work. Despite this, GHD found evidence that information on these initiatives is contained in a number of Hort Innovation's communication products.

Recommendation	Priority
Improve processes to identify and implement cross-industry collaboration to reduce duplication and drive efficiencies in investment of levy payer and government funding.	

→ Governance arrangements

7. Governance arrangements

ToR 2(d): Evaluate Hort Innovation's performance against Performance Principle 4 – For governance arrangements and practices to fulfill legislative requirements and align with contemporary Australian best practice for open, transparent and proper use and management of Funds

Governance functions are responsible for organisational performance and the effectiveness and efficiency of management systems required to deliver strategic objectives and regulatory obligations. Typically, governance is active at different levels ranging from Board oversight to other key areas supporting delivery.

Governance is also responsible for establishing and monitoring the effectiveness of the control framework and management systems required to deliver organisational objectives. Governance responsibilities rest with the Board, but governance functions are typically embedded across the organisation where higher risks are present.

Numerous sources provide guidance on governance. The Australian Public Service Commission has made the following insightful observations about the effectiveness of governance:

There is no 'one size fits all' approach to governance. While there are common elements, themes and models, agencies need to develop systems that meet their specific circumstances and be prepared to adapt and evolve their governance arrangements to meet changing needs.

Governance can only work if it is part and parcel of the culture of the organisation—it needs to be actively upheld and implemented by every person in the organisation. Everyone must know and act on their responsibilities.

Common elements of good governance are expressed by the eight central principles contained in the ASX Corporate Governance Principles and Recommendations. Other more potentially relevant guidance includes the *Not-for-Profit Governance Principles* published by the Australian Institute of Company Directors.

Specific elements relevant to Hort Innovation include the overlay of regulatory obligations, monitoring by the Australian Government and the level of performance reporting that creates transparency for key stakeholders.

The overarching governing framework includes:

– Deed of Agreement
– Australian Government's Science and Research Priorities
– Australian Government's Rural Research, Development and Extension Priorities
– National Primary Industries Research Development and Extension Framework
– Levy Principles and Guidelines, being the guideline relating to the introduction of new levies or changes to existing levies
– Guidelines for Statutory Funding Agreements
– National Agricultural Innovation Policy Statement
– RDC Knowledge Transfer and Commercialisation Guide.

Other governance requirements and guidelines are drawn from:

– The *Horticulture Marketing and Research and Development Services Act 2000*
– The *Horticulture Marketing and Research and Development Services Regulations 2001*
– The *Corporations Act 2001*
– The *Charities and Not-for-profits Commission Act 2012*
– ASX Corporate Governance Principles and Recommendations 4th Edition
– Hort Innovations Code of Conduct and Business Ethics

Table 5 sets out GHD's assessment of governance effectiveness based upon the good governance principles published by the ASX and the Australian Institute of Company Directors.

In summary our analysis indicates alignment with the common elements of good governance. Importantly it demonstrates active Board and Australian Government participation in shaping culture and in setting performance expectations which represents tangible evidence of effective governance. Specific examples include:

– ***Reset and Refresh* initiative** – The Board initiated process has allowed Hort Innovation to co-design with each industry its preferred model for delivering advice on strategic levy investment in R&D, marketing and trade. More information on the *Reset and Refresh* initiative is provided in section 4.3.
– **Principle Based Performance** – The Australian Government introduced principle based performance requirements into the Deed of Agreement, which are seen as a more effective mechanism for driving effectiveness and continuous improvement. Through regular performance meetings, the Australian Government has been active in assessing performance and in setting expectations.
– ***Project Max*** –The CEO initiated *Project Max* with the objective of identifying process improvements. This review was delivered by Deloitte which identified 80 opportunities with varying delivery timeframes. Progress in capturing these opportunities is well progressed.

Table 5 GHD assessment of Hort Innovation governance effectiveness against good governance principles

The ASX good governance principles	The not-for-profit good governance principles	GHD assessment
Lay solid foundations for management and oversight	**Purpose and strategy** *The organisation has a clear purpose and a strategy which aligns its activities to its purpose* **Roles and responsibilities** *There is clarity about the roles, responsibilities and relationships of the board* **Performance** *The organisation uses its resources appropriately and evaluates its performance*	The Hort Innovation Board is responsible for organisational performance and is supported by the ARC and other committees of the Board. The Board holds responsibility for Hort Innovation's performance and the committees reporting to the Board perform several functions to help the Board fulfil its responsibilities. This governance structure is common. Hort Innovation also has separate Board committees covering people and performance and the Investment Committee. These areas are key drivers of performance and represent areas of risk where it is appropriate to have separate governance oversight. The Board is directed by its Charter that provides an appropriate outline of Board, Director, the Board Chair, CEO and Company Secretary responsibilities. For the Board and its committees this includes an extensive list of requirements that range from setting organisational values, risk management, performance management, strategic direction, control environments and management systems and compliance. These are aligned with the common elements of good governance discussed above. The Director, the Board Chair, CEO and Company Secretary have similar detailed lists of requirements that are considered appropriate. Reviewing the Board Charter against other Charters for large organisations the following gaps were noted, the Board Charter does not: – Define a Board quorum – Prohibit the Chair of the Board also holding the Chair of the ARC – Cover review of CEO and Committee performance – Define the competency matrix that the Directors should collectively provide. These are provided on Hort Innovation's website but should be embedded in the Charter. Governance processes are also typically supported by other assurance functions, such as this performance review and internal audit. Discussions indicate that the delivery of the Internal Audit Program (IAP) had fallen behind and that a new IAP has been developed that includes a refreshed view of a suitable risk-based coverage. This will progress to the ARC for endorsement. Hort Innovation's purpose and strategy are set out in their mission statement and strategy. The strategy has recently refreshed and is undergoing consultations before release. Additional commentary on the strategy development can be found in section 4.1.1. The development of the strategy and investment outcomes are based on stakeholder consultation with the investment process detailed in section 5. As is indicated above, organisational performance is evaluated by the Australian Government and by members during the conduct of the AGM. Hort Innovation also publishes a range of reporting that creates transparency over performance. Of significance are Board initiatives that focus upon performance improvement.

The ASX good governance principles	The not-for-profit good governance principles	GHD assessment
Structure the board to be effective and add value	**Board composition** *There is clarity about the roles, responsibilities and relationships of the board* **Board effectiveness** *The board is run effectively and its performance is periodically evaluated*	As indicated above, the Board Charter sets out key roles and responsibilities of the Board, CEO and Company Secretary. Hort Innovation also holds a skills Matrix developed in 2021 that expresses an appropriate mix of experience and competencies and is consistent with the requirements set out in the Deed of Agreement. The structure, membership and skills matrix exhibited by the Board are key factors to supporting effective governance. Legal cases including the Centro and the James Hardie case have highlighted the importance of holding relevant skills and the reliance that can be placed upon Board committees that are performing functions to assist the Board in the delivery of their responsibilities. Considering this aspect the level of reporting from Board committees should be sufficient for the Board to form their own opinion. The skills matrix held is considered appropriate for Hort Innovation's role. The other aspect is separation from operational responsibilities and freedom from conflicts of interest. Board members don't hold operational responsibilities at Hort Innovation and members are expected by comply with conflicts of interest policies. An independent governance review was conducted in 2022. Apart from administrative improvements it detailed the need for the Board to assess CEO performance detailed above and the need to develop a risk appetite statement further detailed below. The conduct of such reviews supports good governance.
Instil a culture of acting lawfully, ethically and responsibly	**Conduct and compliance** *The expectations of behaviour* *for the people involved in* *the organisation are clear and understood* **Culture** *The board models and works to instil a culture that supports the organisation's purpose and strategy*	Following on from the comments made by the Australian Public Service Commission on the importance of culture, Hort Innovation initiated the *Reset and Refresh* project, undertook a recent organisation restructure and refocused the roles of the People and Performance Committee. Over time this has reduced staff turnover and interview results with industry parties indicate positive feedback on these initiatives. Hort Innovation also has a range of policies that sets out organisational values and expectations. These include: – Code of Conduct and Business Ethics – Anti Bribery and Corruption Policy – Conflicts of Interest Policy and Procedure – Confidentiality Policy – Whistle-blower Policy – Misconduct and Serious Misconduct Policy These documents represent some of the core elements of a fraud and anti-corruption framework that can influence behaviour.
Safeguard the integrity of corporate reports		This corporate good governance principle relates to demonstration of appropriate processes to verify the integrity of reporting. Hort Innovation's Annual Reports are subject to external audit and a range of independent reviews in several key areas have been conducted that supports evidence of good governance.
Respect the rights of security holders	**Stakeholder engagement** *There is meaningful engagement of stakeholders and their interests are understood and considered by the board*	The development of strategy and SIPs has always been based upon interaction with stakeholders. Refer section 4 for a description of stakeholder engagement and section 5 for a description on investment processes.

The ASX good governance principles	The not-for-profit good governance principles	GHD assessment
Recognise and manage risk	**Risk management** *Board decision making is informed by an understanding of risk and how it is managed*	The management of risk typically take place across an organisation and is embedded within policies and procedures, the Delegation of Authority (DoA) and through the structure of governance bodies such as the Investment Committee where higher risks and governance oversight is required. Review of the Investment DoA indicates that recommendation or approval by the CEO, Investment Committee of the Board are based upon a low threshold. This threshold probably reflects a period where governance structures needed to be more actively involved in decision making. Such a low threshold potentially pushes a volume of work upwards and should be reviewed to determine whether it should be reset, particularly as Hort Innovation's levy revenue and investments continue to grow. Hort Innovation also has an existing risk management framework that is reviewed by the ARC and approved by the Board. The ARC also reviews the risk profile on an annual basis. In April 2023 the Head of Governance and Risk detailed the results of a risk management maturity assessment and outlined plans to lift maturity which represents evidence of continuous improvement. Importantly the assessment also indicates the need: – To refresh the risk assessment based upon the new strategy and GHD understands that this review is underway. – To develop a risk tolerance statement. Executive comments indicate that a risk tolerance statement is in place to help guide investment decisions. GHD's review of the Risk Management Guidelines indicates that it does include high level guidance upon risk appetite incorporating As Low As Reasonably Practicable (ALARP) as a general risk management objective but recognising that some risk is required to achieve innovation. Better practice risk appetite statements express ranges – "Acceptable" "Tolerable" and "Unacceptable" using outcome KPIs or input risk assumptions. Discussions indicates that there are some risks associated with potentially imposing risk views upon industry participants which would go against the principles set by the *Reset and Refresh* initiative. Maturing of the perspective of risk is a journey that will need to respectfully undertaken with both internal and external stakeholders. GHD supports these observations and recommends that work on the refresh of the risk assessment and on development of a risk appetite statement continue, noting that this task is difficult. The Board and the ARC have also established processes to monitor compliance generally including in meeting its obligations under the *Horticulture Marketing and Research and Development Services Act 2000*, *Corporations Act 2011* and Deed of Agreement 2020-2030. This includes the review of compliance reporting set as a standing item on the ARC's annual work plan. Lastly, during the review of Policies and Procedures GHD noted material cash / cash equivalent balances held on Hort Innovation's Balance Sheet without a supporting Treasury / Investment Policy and Procedure. This would help reduce counterparty / investment risk and support investment returns.
Remunerate fairly and responsibly		This is a common corporate governance perspective with the people and performance committee also performing the role of a remuneration committee.

Other guidance upon good governance principles can be found in the ACNC Governance Standards. These include some overlapping requirements and some that are specific to charitable objectives.

Table 6 ACNC Governance Standards

Governance principle	GHD assessment
Purposes and not for profit	This governance standard requires an organisation to demonstrate that they are set up as a not-for-profit with a charitable purpose, and run as a not-for-profit and work towards that charitable purpose. It also requires charities to demonstrate that they can provide information to the public about their charitable purpose. Hort Innovation's Constitution indicates that the income and property of the Company must be applied solely towards the promotion of its objectives which are generally to provide leadership and to promote the development of the Australian Horticulture industry. These are consistent with the *Guidelines for Statutory Funding Agreements* and the *RDC Knowledge Transfer and Commercialisation Guide*.
Accountability to members	This requires charities to take reasonable steps to be accountable to their members, and allow their members adequate opportunities to raise concerns about how the charity is run. This is provided during the AGM and other forums and in the transparency provided by reporting.
Compliance with Australian laws	These are generally the same as the duties already imposed upon Directors under the *Corporations Act 2011* and mirrored in Board and committee Charters. Hort Innovation's Deed of Agreement mirror these requirements and the monitoring of compliance obligations by the ARC further supports demonstration of this principle.
Suitability of responsible people	Organisations are required to ensure they not controlled by people who may pose a risk to the charity's financial position or the pursuit of its charitable work. Section 9 indicates that a Director Nomination Committee (DNC) process is in place over the suitability of Director appointments.
Duties of responsible people	These are generally the same as the duties already imposed upon Directors under the *Corporations Act 2011* and mirrored in Board and committee Charters.
Maintaining and enhancing public trust and confidence in the Australian not-for-profit sector	This requires charities to take reasonable steps to become a participating non-government institution if they are, or are likely to be, identified as being involved in the abuse of a person.

Recommendation	Priority
Implement a Treasury / Investment Policy and Procedure to reduce the risks associated with investment and to maximise the returns from surplus cash.	
Undertake minor administrative amendments to the Board Charter to align with commonly adopted practices to: – Define a Board quorum – Prohibit the Chair of the Board also holding the Chair of the ARC – Cover review of CEO and Committee performance – Include the skills matrix that the Directors should collectively provide.	
Review the threshold in the Delegations of Authority to ensure it represents an efficient and appropriate reflection of governance body participation in review and approval.	
Develop a risk tolerance statement expressing "Acceptable," "Tolerable" and "Unacceptable" ranges based upon KPIs or input risk assumptions to better support decision making. The same approach can be used over time to help support industry-specific consideration of risk.	

→ Monitoring, evaluation, reporting and improvement

8. Monitoring, evaluation, reporting and improvement (MERI)

ToR 2(e): Evaluate Hort Innovation's performance against Performance Principle 5 – To demonstrate positive outcomes and delivery of RD&E and marketing benefits to Levy Payers and the Australian community in general, and show continuous improvement in governance and administrative efficiency, including by considering Hort Innovation's implementation of actions to address the recommendations in the last independent performance review

It is a requirement of the Deed of Agreement 2020-2030 that Hort Innovation has appropriate procedures in place to demonstrate the impact of its investments and to ensure that the outcomes of all RD&E and marketing activities are used to improve learnings and inform future decisions regardless of whether the investment itself led to an increase in productivity or profitability.

Hort Innovation has developed an *Organisational Evaluation Framework* to assist it in meeting its evaluation requirements. The Framework was initially developed in 2015 and refreshed in March 2021. It outlines key evaluation questions and performance metrics across corporate and investment levels and is ultimately linked to the *Hort Innovation Strategy 2019-2023*. Key elements of the approach to evaluation at the corporate and investment levels include:

– Annual performance meetings with DAFF and Independent Reviews of Performance
– The *Grower Sentiment Survey* to test satisfaction and engagement levels with levy payers
– Independent ex-post impact assessments aligning to the Council of RDC impact assessment guidelines
– Annual SIP performance reports
– Independent mid-term and final project evaluations as required.

While there is clear evidence that Hort Innovation undertakes a range of activities to evaluate and communicate the impact of its investments, it is less clear that evaluation findings are effectively being used to guide future investment decisions, and if necessary, re-balance portfolios toward higher returning RD&E and marketing investments.

In particular, GHD did not get a strong sense from stakeholder consultation that the results from impact assessments and project/program evaluations were well understood and incorporated into the deliberations of advisory panels and the Investment Committee. It may in fact be that the wealth of information reported through evaluation reports, impact assessments and performance reports is difficult for stakeholders to navigate and get a strong sense of the overarching implications for fund management.

An exception to this is in the refreshed marketing program, where the use of cubery testing methodology has been introduced to evaluate the effectiveness of advertising executions with results used to drive investment toward those with greater impact and/or to adjust advertising materials based on findings to improve effectiveness. Dashboards have also been established that are used to focus on higher performing assets in public relations or to demonstrate improvements in in-store programs, for example.

The soon to be completed *Hort Innovation Strategy 2024-26* will necessitate an update to the *Organisational Evaluation Framework* and may provide the opportunity to consider how ongoing improvements can be made to streamlining and aggregating evaluation and reporting efforts.

Recommendation	Priority
Update the Hort Innovation *Organisational Evaluation Framework* following release of the *Hort Innovation Strategy 2024-26* to: – Align with the new strategy – Incorporate the KPIs contained within the Australian Government *Guidelines for Statutory Funding Agreements* – More clearly articulate when investments, including Hort Frontiers and levy fund RD&E and marketing projects/programs, will be subject to impact assessment or evaluation – Include opportunities to further streamline and aggregate the reporting of evaluation outcomes to continue to improve how findings are used to inform investment decisions under a balanced portfolio.	

8.1 Impact assessments

Since the Independent Performance Review (2018), Hort Innovation has implemented a revised approach to completing ex-post impact assessments, which includes two components:

– **Cross-portfolio evaluations:** Evaluations completed on 15 randomly selected investments drawn from a population of all projects completed in the previous financial year.
– **Annual industry specific fund evaluation:** Each year 4 industry funds are selected for evaluation, with a random selection of investments over the previous 5 financial years evaluated within each fund.

All impact assessments were completed by external consultants and appear to have correctly applied the Rural R&D Corporation's Cross-RDC Impact Assessment Program: Guidelines (2018) and Management Procedures (2018a). Investments were randomly selected for evaluation within a stratified sample to ensure a representative cross-section of investment areas.

Table 7 and Table 8 summarise the evaluations completed under the cross-industry and industry specific components respectively. In all years Hort Innovation has surpassed the agreed RDC benchmark of evaluating no less than 10% of total RD&E expenditure for a given project population each year.

The process of completing both cross-portfolio and industry specific evaluations is useful in assessing investment performance for the overall organisation and individual funds and shows that investments sampled over this period have delivered positive returns on investment ranging from 2.22 to 5.83.

Table 7 Completed cross portfolio impact assessments

Year	Project Code	Investments Evaluated	% of overall investment value	Aggregated Benefit Cost Ratio
2017/18	**MT18011**	15	19%	2.9
2018/19		15	16%	3.4
2019/20		15	51%	4.1
2020/21	**MT21015**	15	25%	4.3
2021/22		In progress		

Table 8 Completed industry specific impact assessments

Year	Project Code	Funds Evaluated	Investments Evaluated	% of overall investment value	Aggregated Benefit Cost Ratio
2018/19	**MT18009**	Apple and Pear	9	46%	5.1
		Avocado	7	19%	3.78
		Mushroom	4	22%	2.22
		Table grape	6	58%	2.98
2019/20	**MT19012**	Almond	9	54%	3.61
		Banana	8	18%	3.62
		Citrus	8	34%	3.43
		Onion	4	61%	2.33
2020/21	**MT20008**	Berry	4	27%	3.31
		Mango	3	22%	2.38
		Nursery	6	20%	5.83
		Turf	3	14%	2.77
2021/22	**MT21013**	Chery	In progress		
		Sweet potato			
		Vegetables			
		Small topicals			

GHD also understands that Hort Innovation has also commissioned the first economic impact assessment of Hort Frontiers investments. The assessment will be based on a random sample of Hort Frontiers projects completed during the three years 2019/20 to 2021/22. The results of this assessment are not yet available.

As highlighted in the section above, undertaking appropriate impact assessment and evaluation across each of Hort Innovation's investment funds, including levy fund RD&E and marketing, Hort Frontiers initiatives, is important to future investment decision making under a balanced portfolio.

8.2 Communicating benefits to stakeholders

An important component of Performance Principle 5 is to communicate the results of the impact and benefits of RD&E activities and investments to its stakeholders.

Consistent with its *Stakeholder engagement and consultation framework*, Hort Innovation does this through a range of its own communication channels, including:

- Company website and social media channels
- Monthly electronic direct mail (EDM): Growing Innovation
- Quarterly EDM: Impact Update
- Regular press releases generating media coverage (TV, print, radio, online)
- Key organisational documents include:
  - Company Annual Report
  - Company Strategy
  - Corporate policies and governance documents
- Key project information includes:
  - Fund Annual Reports
  - Project summaries
  - Online activities such as webinars.

Hort Innovation also engages directly with a number of PIBs to support communication and extension efforts, as well as being actively engaged in publishing research projects and commercial opportunities on the AgriFutures Australia growAG and evokeAG platforms.

Hort Innovation has undertaken *Grower Sentiment Surveys* in 2017 and 2021 as a means of obtaining grower perceptions on Hort Innovation's investments in R&D and marketing, communications, and information products and services. Given that this information is a key metric in Hort Innovation's evaluation approach, GHD considers that more frequent surveying of growers would be beneficial.

Recommendation	Priority
Increase the frequency of grower sentiment surveying to occur once every 2 or 3 years.	

8.3 Administrative efficiency

The previous Independent Performance Review (2018) found that corporate overhead expenditure accounted for 11% of total program expenditure ($11.2 million of $102.2 million in 2016/17).

The analysis in Table 9 below suggests corporate overheads have accounted for around 13-14% of total expenses over the review period. Given the complexity of managing multiple industry R&D and marketing funds this level of corporate overhead is not considered excessive.

Table 9 Corporate overhead expenditure ($'000)

	2018/19	2019/20	2020/21	2021/22
R&D and Marketing				
R&D Programs	$101,846	$108,414	$94,873	$103,246
Marketing Programs	$20,293	$19,280	$26,860	$22,686
Corporate Overheads				
Occupancy expanses	$807	$402	$414	$433
Administrative expenses	$17,805	$17,072	$18,119	$17,952
Other expenses	$1,292	$1,130	$1,216	$1,750
Total Corporate Overheads	$19,904	$18,604	$19,749	$20,135
Total Expenses	$142,042	$146,298	$141,482	$146,067
Corporate Overheads (% of total)	14%	13%	14%	14%

Source: derived from the Statement of Comprehensive Income within Hort. Innovation Annual Reports (2019/20 and 2021/22)

Table 10 below provides a benchmarked comparison with a selection of other RDCs managing both R&D and marketing activities, noting that organisations vary in their definition and accounting of overhead items.

Table 10 Overhead benchmarking to other RDCs ($'000)

Component	MLA		Dairy Australia		AWI	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
R&D, marketing expenditure	$264,560	$293,234	$55,543	$52,688	$66,426	$52,476
Corporate Overheads	$17,891	$17,527	$8,466	$9,613	$9,756	$8,308
Total Expenses	$282,451	$310,761	$64,009	$62,301	$76,182	$60,784
Corporate Overheads (% of total)	6%	6%	13%	15%	13%	14%

Source: Derived from the Statement of Comprehensive Income within 2021/22 Annual Reports for respective organisations. Some definitions of expenditure items vary between reports.

8.4 Recommendations from the previous review

Hort Innovation issued a formal response and implementation plan to each of the 14 Recommendations from the Independent Performance Review (2018) followed by an update on outcomes in 2019. Hort Innovation provided GHD with a further status update on the implementation of these recommendations at the commencement of this review.

GHD is satisfied that the recommendations from the previous Independent Performance Review (2018) have now been either met or superseded by recommendations contained in more recent review initiatives. Importantly, Hort Innovation has demonstrated an active and ongoing culture of continuous improvement since the 2018 review.

Table 11 Recommendations from the 2018 Review of Performance

2018 recommendation	2023 assessment
Hort Innovation to consolidate on the improvements achieved during the transition phase (first 18-24 months of the company) with further refinement and continuous improvement based on the lessons learned from stakeholder feedback and internal company assessments, with emphasis on the implementation of a refined communication and engagement plan and the role of IRBs to maximise the effectiveness of its communication activities.	Met
Hort Innovation to continue to foster both formal and informal communication channels with the Commonwealth in the interests of ensuring the company's Statutory Funding Agreement obligations are discharged in a timely and effective manner, and better communicate its Statutory Funding Agreement obligations to stakeholders.	Met
Hort Innovation to improve its reports to: – Ensure consistency in the presentation of information on financial forecasting in AOPs and subsequent financial reports in Annual Reports; and – Provide more description on the source of funds for Frontier Funds and the rationale for the selection of Frontier Fund projects.	Met
Hort Innovation to complete the development of an integrated financial and management accounting system that will provide more timely and accurate reports to guide investments.	Met (Implementation ongoing through *Project Max*)
Hort Innovation to complete a review of the current organisational and internal reporting and approvals model to determine if it is the most effective and efficient structure for delivering its corporate activities, including responsiveness to levy payer requests, while being cognisant of any cost implications.	Superseded
Hort Innovation to: – Complete its Diversity & Inclusion Policy including measurable objectives for achieving gender diversity;	Majority Met

2018 recommendation	2023 assessment
– Include non-financial Delegations of Authority matters for the Board in a policy document; and – Add a Governance section to its website thereby disclosing its non-confidential good governance frameworks, documents and practices.	
Hort Innovation to develop a generic agreement, or Statement of Intent, between Hort Innovation and IRBs that codifies the relationship and includes a complaint handling process, with the scope of the agreement to be jointly agreed between Hort Innovation and IRBs.	Superseded
Hort Innovation, in consultation with IRBs and the Commonwealth, to put a resolution for member vote removing the exclusion of IRBs from being members of the company.	Closed
Hort Innovation to better communicate to stakeholders the improvements that are being progressed to address issues identified as potentially negatively impacting on its performance, including: – Progression of the SIAP improvement process – Frontiers Funds, especially the benefits of attracting co-investors for cross-industry outcomes with minimal use of levy funds – Consideration of a hybrid model for project initiation (concept plus call) – Consideration of how better to achieve the collaboration between smaller industries that results in more efficient delivery of services and reduces the risk of a “siloed” approach – Activities in support of food safety initiatives and crisis management.	Ongoing
Hort Innovation to continue to seek cross-RDC collaboration opportunities that will benefit horticulture as well as the broader agricultural industries and community.	Ongoing
Hort Innovation to finalise its approach to transition the monitoring and evaluation focus from ex-ante impact assessment to ex-poste impact assessments to test if expected benefits have been delivered and inform future investment decisions.	Met

→ Constitution and other matters

9. Constitution and other matters

ToR 3: Evaluate any other relevant matters related to Hort Innovation's performance, including whether Hort Innovation's Constitution is fit for purpose

Hort Innovation's Constitution contains a section covering the "Objects" of the company which is a broad expression of objectives that are considered fit for purpose. Given the Constitution pre-dates the new Deed, it does not specifically cover all aspects of the Performance Principles set out in the Deed of Agreement, however clause 2.1(h) does provide for engagement in other activities that are not inconsistent with the Deed of Agreement.

The Constitution provides positive reinforcement of good governance principles with respect to Board composition and eligibility, the role of the DNC, management of conflicts of interest and proceedings of the Board.

GHD notes that 4(a) of the Constitution requires Hort Innovation to consult with the Minister should it seek to vary or repeal the Constitution. This was a requirement of the previous Deed of Agreement 2014-2018 with the Australian Government, but is no longer a requirement in the Deed of Agreement 2020-2030. Hort Innovation could consider updating its Constitution to reflect the change of requirement in the Deed, noting to do so would require Hort Innovation to consult with the Minister on the proposal to remove the requirement to no longer consult with the Minister, and any other proposed changes, providing the opportunity to clarify the Minister's current expectations. Under 4(b) of the Constitution, any constitutional change can only occur by a special resolution passed by at least 75% of votes cast by Voting Members entitled to vote on the resolution.

During the interview process it was noted that members had voted to amend the Constitution in 2020 to set a new maximum service period for Directors. All newly elected Directors from that point would have a maximum service period of two consecutive terms of three years, i.e. 6 years total, whereas under the former Constitution, Directors could serve up to three consecutive terms for a total period of 9 years.

It was noted that the revised terms has inevitably led to a higher turnover of Directors that has perhaps unintended consequences for succession planning and board recruitment. The efficiency and effectiveness of the DNC process was also discussed, with the need for the DNC to meet annually to review board candidates prior to each AGM, which requires a considerable time commitment from DNC members. GHD notes that the industry representative on the DNC must be selected each year, which requires an additional process for DAFF to appoint that individual however ensures opportunity for representatives to be rotated across the various industries.

GHD has undertaken a comparison of Director selection processes and terms with other industry owned RDCs noting:

- Most appear to have three year terms – some impose a maximum limit typically of 10 or 11 years
- Number of directors appears to be in the range of 5 to 10
- All seem to typically require some degree of annual rotation (formalised at AGM)
- All tend to use a variation of a Selection Committee process to ensure maintenance of a board skills matrix, however, from our review it would appear that only Hort Innovation requires a DAFF representative on that committee.

We consider that while the DNC is a somewhat onerous annual process, it is rigorous to ensure the maintenance of a skills based board (a requirement of the Deed). It also aligns with other industry owned RDCs who form selection committees typically comprising a mix of Director, industry representatives and independent members.

Stakeholders were asked during consultation if they had any other matters relating to the company's Constitution or other aspects of Hort Innovation's operations or governance that they would like to raise. While stakeholders did not put forward any particular concerns, many did express a view that the membership model is generally not well understood by the majority of growers in that they do not typically differentiate between being a levy payer and a member of Hort Innovation. This is not a surprising finding and is consistent with the previous Independent Performance Review (2018) however further reiterates the importance of the communication and engagement work that Hort Innovation undertakes with industry and growers to increase the awareness of the company's membership model and overarching statutory obligations.

Recommendation	Priority
Update the Company Constitution to ensure alignment with the Deed of Agreement 2020-2030.	

→ Summary of recommendations

10. Summary of recommendations

This independent review of performance has been undertaken in the midst of a period of transition for Hort Innovation and its stakeholders. A suite of internal reviews initiated by the Board and CEO over the past 12 to 18 months has meant that a body of work has already commenced to implement recommendations to drive improvements to the organisation's performance. While in the early stages of implementation of many of these initiatives, this review has found indications that necessary improvements to business systems, organisational culture and stakeholder sentiment are being realised.

The review found no instances of non-compliance with the Deed of Agreement and the recommendations from the 2018 review have been fully considered and progress on implementation regularly communicated. As the industry owned, not-for-profit RDC for Australia's horticulture industry, the company is considered to be creating value for horticulture growers and those across the horticulture supply chain.

GHD supports Hort Innovation's efforts to continue to implement the initiatives already in progress. Where appropriate, we have made recommendations to further support Hort Innovation's efforts toward continuous improvement. We have prioritised our recommendations highlighting those we consider to be of high importance and noting those recommendations that will deliver further improvement if implemented over time.

A summary of our recommendations is provided in Table 12 .

Table 12 List of GHD's recommendations and indicative priority for implementation

No.	Recommendation	Report Section	Priority
1	Ensure that appropriate consultation plan/s, based on the *Best practice guide to stakeholder engagement*, are developed and implemented when the next round of SIPs are developed.	4	
2	Ensure timely completion, communication and review of the *Reset and Refresh* process, including: – Finalising the execution of MOUs with Peak Industry Bodies – Updating its status on the Hort Innovation website – Increasing the transparency of the process and its implications to Hort Innovation's full range of stakeholders – Undertaking annual pulse checks to assess its ongoing implementation and success.	4	
3	Update the Hort Innovation *Stakeholder engagement and consultation framework* to: – Incorporate the outcomes of the *Reset and Refresh* process once finalised – Incorporate recent changes to the organisational structure, i.e. the replacement of Regional Extension Managers with Industry Service Delivery Managers.	4	
4	Increase the degree of transparency over the investment justifications of Hort Frontiers programs/projects through the publication of an investment decision framework.	5	
5	Ensure the timely implementation of *Project Max* recommendations, in particular those that aim to: - Improve stakeholder experience and increase visibility of the procurement process for respondents - Streamline processes for reviewing and approving investment decisions - Improve feedback mechanisms and increase interaction with industry on key decisions - Upskill internal and external stakeholders in the use of investment management portals.	5	
6	Improve processes to identify and implement cross-industry collaboration to reduce duplication and drive efficiencies in investment of levy payer and government funding.	6	

No.	Recommendation	Report Section	Priority
7	Implement a Treasury / Investment Policy and Procedure to reduce the risks associated with investment and to maximise the returns from surplus cash.	7	
8	Undertake minor administrative amendments to the Board Charter to align with commonly adopted practices to: – Define a Board quorum – Prohibit the Chair of the Board also holding the Chair of the ARC – Cover review of CEO and Committee performance – Include the skills matrix that the Directors should collectively provide.	7	
9	Review the threshold in the Delegations of Authority to ensure it represents an efficient and appropriate reflection of governance body participation in review and approval.	7	
10	Develop a risk tolerance statement expressing “Acceptable,” “Tolerable” and “Unacceptable” ranges based upon KPIs or input risk assumptions to better support decision making. The same approach can be used over time to help support industry-specific consideration of risk.	7	
11	Update the Hort Innovation *Organisational Evaluation Framework* following release of the *Hort Innovation Strategy 2024-26* to: – Align with the new strategy – Incorporate the KPIs contained within the Australian Government *Guidelines for Statutory Funding Agreements* – More clearly articulate when investments, including Hort Frontiers and levy fund RD&E and marketing projects/programs, will be subject to impact assessment or evaluation – Include opportunities to further streamline and aggregate the reporting of evaluation outcomes to continue to improve how findings are used to inform investment decisions under a balanced portfolio.	8	
12	Increase the frequency of grower sentiment surveying to occur once every 2 or 3 years.	8	
13	Update the Company Constitution to ensure alignment with the Deed of Agreement 2020-2030.	9	

Recommendations key

Continuous Improvement	
High Importance	

→ Appendices

Appendix A

Review framework

A-1 Lines of Inquiry

Terms of reference	GHD's line of inquiry	Information and evidence sought
Evaluate Hort Innovation's performance in meeting its obligations under the *Horticulture Marketing and Research and Development Services Act 2000, Corporations Act 2011* and the Deed of Agreement 2020-2030	Has Hort Innovation met its obligations under the *HMRDS Act 2000* during the period July 2018 – June 2023? I.e. met, partially met, not met, not applicable or relevant for the period of the review	Interviews with Chair, CEO, COO / Company Secretary Feedback from key stakeholders including DAFF, levy payers and members Annual Reports / Financial Statements Minutes of AGMs
	Has Hort Innovation met its obligations as a company limited by guarantee under the *Corporations Act 2011* during the period July 2018 – June 2023, including: Financial reporting Record keeping Holding of meetings Not paying dividends Other standards if required by ACNC	
	Has Hort Innovation met its obligations under the Deed of Agreement 2020-2030 during the period July 2018-June 2023? I.e. met, partially met, not met, not applicable or relevant for the period of the review	
Evaluate Hort Innovation's performance against the Performance Principles outlined at Section 10.2 (a-e) of the Deed of Agreement 2020-2030, namely:	As outlined for each Performance Principle below:	
To engage stakeholders to identify RD&E priorities and activities that provide benefits to the industry	What systems and processes are in place to facilitate stakeholder (including levy payers, industry, government) input to setting RD&E priorities and activities? Do strategy prioritisation and development processes include appropriate consultation plans, based on the Best practice guide to stakeholder engagement? (i.e. progress toward KPI 1.1 in the Commonwealth Guidelines to Statutory Funding Agreements) Is there evidence of stakeholder engagement in the identification of RD&E priorities and activities consistent with the Best practice guide to stakeholder engagement? (i.e. progress toward KPI 1.2 in the Commonwealth Guidelines to Statutory Funding Agreements) Is there evidence of feedback being provided to stakeholders outlining how stakeholder consultation has / has not been incorporated in RD&E priorities and activities? (i.e. progress toward KPI 1.3 in the Commonwealth Guidelines Statutory Funding Agreements)	Review of relevant corporate documents including the Hort Innovation Strategy 2019-2023, Strategic Investment Plans, Annual Investment Plans, consultation plans, and other key communication and engagement products Review of relevant internal review findings, including the Reset and Refresh workshop outcomes and report Evidence of annual review of the Strategic plan and SIPs objectives and key priorities by the Board, Executive and SIAPs to discuss and prioritise RD&E activities

Terms of reference	GHD's line of inquiry	Information and evidence sought
		Evidence and feedback of understanding and effectiveness of consultation processes with key stakeholders including input from Commonwealth, Levy Payers, Peak Industry Bodies, other RDCs as appropriate, SIAPs and elected delegates and other various value chain stakeholders
To ensure RD&E priorities and activities are strategic, collaborative and targeted to improve profitability, productivity, competitiveness and preparedness for future opportunities through a balanced portfolio	What systems and processes are in place to ensure that RD&E investments address levy payer and government priorities and balance their long and short term objectives? What systems and processes are in place to ensure that RD&E investments identify and manage risk? Is there evidence to demonstrate that RD&E investments: align with strategic plans? demonstrate outcomes to levy payers and taxpayers, including through growth in the industry, increased profitability of producers, commercialisation, or access to new markets? (i.e. progress toward KPI 2.1 in the Commonwealth Guidelines to Statutory Funding Agreements) Is there information or data collected from levy payers participating in extension and adoption programs to demonstrate: If participants have gained new knowledge or new information to improve their long-term profitability, productivity, competitiveness and preparedness? If participants intend to make or have made changes to existing practices by adopting the outcomes of R&D? (i.e. progress toward KPI 2.2 in the Commonwealth Guidelines to Statutory Funding Agreements)	Development and use of plans in company activities, including development and review of strategic plan, strategic investment plans, and annual investment plans Alignment with government and industry priorities Documented processes for the development of RD&E priorities and activities including business cases for potential investment which has resulted in industry growth, increased profitability of producers, commercialisation and access to new markets Review of risk management framework Review of organisation M&E framework, including sample of evaluation reports and impact assessments Review of relevant internal review findings, including the Reset and Refresh workshop outcomes and report Demonstration of benefits / outcomes in annual reports, performance statements and other communication products Feedback from stakeholders

Terms of reference	GHD's line of inquiry	Information and evidence sought
To undertake strategic and sustained cross industry and cross sectoral collaboration that addresses shared challenges and draws on experience from other sectors	What systems and processes are in place to ensure that Hort Innovation engages in strategic and sustained cross industry and cross sectoral collaboration? What systems and processes are in place to ensure that challenges and opportunities relevant to cross industry and cross sectoral collaboration are both captured and shared? Are completed, current and future R&D including commercialisation opportunities accessible through the growAG platform? (i.e. progress toward KPI 3.1 in the Commonwealth Guidelines to Statutory Funding Agreements) Are the number and quantum of cross-industry and cross-sector RD&E investments available? (i.e. progress toward KPI 3.2 in the Commonwealth Guidelines to Statutory Funding Agreements) Are the number and quantum of RD&E projects and commercialisation projects listed on growAG, including commercialisation outcomes? (i.e. progress toward KPI 3.3 in the Commonwealth Guidelines to Statutory Funding Agreements)	Documented evidence and stakeholder feedback on how Hort Innovation has sought/achieved co-investment with other RDCs, industry bodies, state and federal governments, universities, producers, processors, retailers and other key stakeholders. Evidence of collaboration with the AIA, the Emerging National Rural Issues Forum, and eight Innovation Hubs Evidence of investment and leverage including commercialisation opportunities through the growAG and evokeAG platforms Documented evidence and stakeholder feedback on the outcomes achieved and challenges experienced
For governance arrangements and practices to fulfil legislative requirements and align with contemporary best practice for open, transparent and proper use and management of funds	What structures and practices are in place to ensure that Hort Innovation fulfills its legislative requirements and aligns with contemporary best practice for open, transparent and proper use and management of funds? Does Hort Innovation's governance arrangements align with the ASX Corporate Governance Principles and Recommendations (4th Edition)? I.e. yes, no, not relevant or applicable Refer Appendix C Is there evidence that ongoing oversight, planning and reporting of investment activities is done in accordance with legislative and Australian Government requirements and timeframes? (i.e. progress toward KPI 4.1 in the Commonwealth Guidelines to Statutory Funding Agreements) Is there evidence that financial and non-financial risk is being identified and managed? (i.e. progress toward KPI 4.2 in the Commonwealth Guidelines to Statutory Funding Agreements) Is there evidence that relevant policies and procedures have been adopted and are being implemented (e.g. whistle-blower, privacy, etc)? (i.e. progress toward KPI 4.3 in the Commonwealth Guidelines to Statutory Funding Agreements) Is there evidence that non-financial resources are being implemented effectively (e.g. human resource, IT, IP, etc)? (i.e. progress toward KPI 4.4 in the Commonwealth Guidelines to Statutory Funding Agreements)	Documented evidence and stakeholder feedback on how Hort Innovation has sought/achieved co-investment with other RDCs, industry bodies, state and federal governments, universities, producers, processors, retailers and other key stakeholders Evidence of collaboration with the AIA, the Emerging National Rural Issues Forum, and eight Innovation Hubs Evidence of investment and leverage including commercialisation opportunities through the growAG and evokeAG platforms Documented evidence and stakeholder feedback on the outcomes achieved and challenges experienced Review of organisational governing documents Review of Board documents, including charter, minutes and committee terms of reference Minutes of Audit, Risk and Corporate Governance Committee Minutes of Director Nominations Committee

Terms of reference	GHD's line of inquiry	Information and evidence sought
		Review of key corporate policies and procedures, e.g. remuneration, diversity, privacy, IT, IP and risk mitigation register and Human resources Review of risk and compliance frameworks Evidence of proper use and management of investment funds Findings from past reviews of Board practices, protocols and performance Interviews with Board, CEO and COO / Company Secretary Feedback from stakeholders
To demonstrate positive outcomes and delivery of RD&E and marketing benefits to Levy Payers and the Australian community in general, and show continuous improvement in governance and administrative efficiency, including by considering Hort Innovation's implementation of actions to address the recommendations in the last independent performance review (2018)	What systems and processes are in place to ensure that Hort Innovation monitors, evaluates and reports on its performance at the project, program and organisational level? Is there evidence that Hort Innovation has acted on the recommendations contained in the last independent performance review (2018)? Refer Appendix D Is there evidence to demonstrate that impact (cost-benefit) assessment of a random sample RD&E (and marketing) investments is being undertaken annually? (i.e. progress toward KPI 5.1 in the Commonwealth Guidelines to Statutory Funding Agreements) Is there evidence to demonstrate consideration of and response to outcomes of monitoring and evaluation processes? (i.e. progress toward KPI 5.2 in the Commonwealth Guidelines to Statutory Funding Agreements) Is there evidence of transparent communication to stakeholders (including government) on the impacts and benefits of the RD&E (and marketing) activities? (i.e. progress toward KPI 5.3 in the Commonwealth Guidelines to Statutory Funding Agreements)	Documented approach and systems for research planning, project management, impact evaluation and communications, including review of the Organisational Evaluation Framework Completed internal and external impact assessments Review of program achievement reports and annual performance reports Internal and external stakeholder feedback on inputs to development of strategic priorities, and communication and impact of RD&E outcomes Performance Review response and progress statements from 2018 Performance Review

Terms of reference	GHD's line of inquiry	Information and evidence sought
Evaluate any other relevant matters related to Hort Innovation's performance, including whether Hort Innovation's Constitution is fit for purpose	Are there any areas of misalignment between Hort Innovation's Constitution and other governing documents? Does Hort Innovation's Constitution still meet the needs and expectations of its members? Are there any opportunities to streamline or simplify Hort Innovation's Constitution Has the review of documents and materials, or consultation with stakeholders, identified any other matters relevant to Hort Innovation's performance?	Hort Innovation's Constitution and governing documents Interviews with Board, CEO, COO / Company Secretary Feedback from stakeholders, in particular, members and growers

Appendix B

List of documents

B-1 Documents reviewed

B-1-1 Statutory obligations

Compliance Schedule for Hort Innovation

Deed of Agreement compliance schedule for Audit and Risk Committee (ARC) (2023 -2024)

Constitution – Horticulture Innovation Australia Limited (Dated: 9 October 2020)

Compliance schedule mapping old SFA to new Deed

2020

Audit and Risk Committee workplans

Governance Review 2022 report

Copies of company policies

Independent Financial Audit Reports (2018-2019, 2019-2020, 2020-21, 2021-22)

Company Annual reports (2018-2019, 2019-2020, 2020-21, 2021-22)

Fund annual reports samples (2018-2019, 2019-2020, 2020-21, 2021-22)

Director Nomination Committee process documents

Examples of Hort Innovation Communications where Commonwealth funding is acknowledged

DAFF Annual Performance Review records 2020-21; 2021-22; (including Hort Innovation presentations 2020-21 and 2021-22)

Performance Measurement Framework 2022-23

DAFF Annual Performance reviews records of meeting/letter (2020, 2021, 2022)

AGM Minutes

B-1-2 Stakeholder engagement

Stakeholder Engagement and Consultation Framework (2022), including information about development process and how it is used

Strategic Plan 2018-2023

PowerPoint presentation - New Strategy Thinking, Learnings and Guidance document

Strategic Investment Plans 2017-2021 Performance Report

Strategic Investment Plans 2022-26

Investment Plan Performance Reports for 2021-2022;

Marketing review and way forward;

Example of an Industry marketing activity review for FY23

Annual Investment Plans process and example minutes

Reset and refresh process - Sefton's report; Working Group documents; consultation documents; and summary of progress to date

B-1-3 RD&E and Marketing activities

Summary of overhead and project management costs

Ex post benefit-cost analysis of investments for assessments from 2018-19, 2019-20, 2020-21, 2021-22

Project Max - recommendations; actions arising; progress to date

Organisational Evaluation Framework 2016 and 2021 versions; process and further info

R&D project summaries on website covering projects from 2018 - 2023

Fund Annual Reports 2018-19, 2019-20, 2020-21, 2021-22

Growing Innovation – news for horticulture growers (copies provided for 2018-2023)

Impact Update – Snapshot of Hort Innovation's investments (editions 1-4)

Peak Industry Body International Trade Connect Sessions

DAFF Annual Performance Review records 2020-21; 2021-22; (including Hort Innovation presentations 2020-21 and 2021-22)

Stakeholder Sentiment Survey 2017 Report

Grower Sentiment Survey 2021 Report

Industry specific communication programs summaries covering 2018-2023

Hort Innovation Response and Implementation Plan 2018 Independent Review of Performance

Hort Innovation Response and Implementation Plan: 2019 Update on Outcomes

Hort Innovation 2014-2018 Independent Review of Performance Report Recommendations - Hort Innovation's Implementation of Recommendations - Update on status in 2023

B-1-4 Collaboration

HIVE system demonstration

SIP development process

AIP development process

Project summaries across years 2018-2019, 2019-2020, 2020-21, 2021-22, 2022-23 against the priorities - improve profitability, productivity, competitiveness and preparedness, access to new markets and commercialisation

Examples of feedback received during 2018-2023 from extension project evaluations

Investment balance within funds; current projects matched to new Strategic Plan

growAG website [Online] Available: www.growag.com

Summary (value, number of) investments that are cross-industry and cross-sector; example projects; evidence of cross RDC collaboration - PBRI independent review draft report

CRRDC participation (RDC communication managers meetings; Business Managers meetings; CEO and Board Chair)

AIA project summary

evokeAG attendance and engagement summary (2021, 2022, 2023)

B-1-5 Governance arrangements

Annual reports

Summary of systems of risk management 2018-2023

List of mandatory staff training

Board and Committee Charters

Summary of organisational changes

Samples of Board, Committee and Panel minutes

B-1-6 Monitoring, evaluation, reporting and improvement

Summary of overhead and project management costs

Ex post benefit-cost analysis of investments for assessments from 2018-19, 2019-20, 2020-21, 2021-22

Project Max - recommendations; actions arising; progress to date

Organisational Evaluation Framework 2016 and 2021 versions; process and further information of project summaries on website - links covering projects from 2018 - 2023

Fund annual reports 2018-19, 2019-20, 2020-21, 2021-22

Growing Innovation

Copies of 'Impact Update'

Industry Trade Connect Forum summary

2014-2018 Independent Review of Performance Report Recommendations

Hort Innovation’s Implementation of Recommendations - Update on status in 2023

Industry specific communication programs summaries covering 2018-2023

Hort Innovation Response and Implementation Plan 2018; Hort Innovation Update 2019

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The Power of Commitment