



## Corporate Governance Statement – 2023

Dairy Australia is an unlisted public company limited by guarantee. The company has two classes of members:

- Group A members: dairy farmers who pay the Dairy Services Levy and elect to become members. Group A members have voting rights on resolutions and director appointments at general meetings.
- Group B members: bodies that represent the Australian dairy industry and currently consists of Australian Dairy Farmers and Australian Dairy Products Federation.

As the industry services body, we operate within a legislative framework comprising:

- Dairy Produce Act 1986 (Cth)
- Corporations Act 2001 (Cth)
- Australian Charities and Not-For-Profits Commission Act 2012 (Cth)

Dairy Australia is party to a Statutory Funding Contract (**SFC**) with the Commonwealth with a 10-year term expiring in June 2031. Under the SFC, the Commonwealth agrees to pay Dairy Service Levy funds collected from dairy farmers to Dairy Australia, together with government matching payments in relation to eligible research and development activities undertaken by Dairy Australia.

The SFC also outlines the performance principles that Dairy Australia must meet. The Statutory Funding Contract and the company Constitution are available at [dairyaustralia.com.au](http://dairyaustralia.com.au).

### Our Commitment to Good Governance

The Dairy Australia Board is committed to high standards of governance that are fit for purpose for a company of Dairy Australia's size, scale and complexity.

The Board has established a governance framework for managing the company including adopting relevant internal controls, risk management processes and corporate governance policies and practices that are appropriate for our business and designed to promote the responsible management and conduct of Dairy Australia.

### Governance Benchmark

We have adopted the Australian Institute of Company Directors Not-for-Profit Governance Principles 2<sup>nd</sup> edition released in January 2019 (**the AICD Principles**) as an appropriate guide to governance practices suitable for our organisation. The AICD Principles are annexed to this Corporate Governance Statement.

This Statement explains the way in which Dairy Australia has followed the AICD Principles during FY2023 (**the reporting period**) and should be read in conjunction with the information on our website ([www.dairyaustralia.com.au](http://www.dairyaustralia.com.au)) including our 2023 Annual Report.

This Statement is current as at 4 October 2023 and has been approved by the Dairy Australia Limited Board.

## **Governance at Dairy Australia**

Dairy Australia's approach to governance and the key policies and practices we have adopted are summarised below.

### **Purpose and Strategy**

Dairy Australia's purpose is to provide services that collectively benefit and advance dairy farm businesses and the industry, including investments in research and innovation, learning and capability development, marketing, policy research, market insights and trade development. This reflects the objects set out in the company Constitution.

The company's five year strategic plan in support of this purpose was approved by the Board in 2020. The strategic plan is subject to regular review by the Board at scheduled Board meetings and designated strategy sessions with the Leadership Team at which the Board evaluates company performance against the strategy.

In this way, the Board ensures that its decisions and those of the Leadership Team further the company's purpose and strategy.

Further information about our strategic priorities, our achievements and our progress on initiatives to support the profitability and sustainability of the dairy industry are contained in our FY23 Performance Report which is available at [dairyaustralia.com.au](http://dairyaustralia.com.au).

### **Accountability and Transparency**

The Board is committed to accountability and transparency by providing information about the company, its financial position and its performance to members, levy payers and other stakeholders enabling them to hold the Board to account for its decisions.

#### ***Annual General Meeting***

There is an Annual General Meeting (AGM) in November each year at which members hear from the Board Chair and Managing Director in relation to the company's activities, performance and delivery against strategy over the previous year. Members can ask questions of the Board and vote in relation to the election of directors.

#### ***Reporting to Stakeholders***

An Annual Report including audited financial statements and an Annual Performance Report are publicly released prior to the AGM and provided to the Minister for Agriculture, Drought and Emergency Management. The financial statements in the annual report set out details of directors' remuneration and directors' related party transactions (if any).

The company's Annual Report is tabled in Parliament by the Minister.

In addition, Group A Members are provided with a summary Performance Report with the Notice of Meeting for the AGM and a quarterly performance report is provided to the company's Group B members and the Department of Agriculture, Fisheries and Forestry.

Further information on engagement with stakeholders is provided below.

## **Board and Management**

### **Roles and Responsibilities**

The Board has adopted a formal Board Charter that details the Board's role, authority, responsibilities, membership and operations, and is available on our website. The Charter sets out the matters specifically reserved to the Board and the powers delegated to Board Committees.

Key functions of the Board are to monitor the operational and financial performance of the company, oversee its business strategy and ensure appropriate use of the company's resources.

To this end, the Board is responsible for approving the five year strategic plan, annual operating plans and the annual budget.

The Board delegates responsibility for the day-to-day management of Dairy Australia to the Managing Director and the Leadership Team, but retains responsibility for the overall strategy, governance and performance of the company.

Under the framework established by the Board, the Board received regular reporting during the year on:

- Company performance
- Financial management
- Risk management and compliance

### **Delegation of Authority**

A formal Delegations of Authority Policy approved by the Board governs the delegation to the Managing Director and the Leadership Team. The Delegations of Authority Policy sets out:

- a. the matters reserved for determination by the Board and those matters delegated to the Managing Director and the Leadership Team; and
- b. the process for sub-delegation by the Managing Director and the Leadership Team.

This delegation framework is designed to ensure that:

- Business decisions are made by the right people within Dairy Australia.
- There is accountability for decision-making.
- People are making decisions within their power.

The Board reviews the Delegations of Authority Policy on an annual basis, but may change the authorities it has delegated at any time.

## **Board Committees**

The Board has two standing committees to assist in the effective and efficient operation of the Board.

These are the:

- Audit and Risk Management Committee
- People and Culture Committee (formerly the Board Human Resources Committee)

Each Committee has adopted a Board approved Charter that details its role, responsibilities, membership and operations. The Committee Charters are reviewed annually and are available on our website.

The minutes of each Committee meeting are made available to the full Board in the papers for the next Board meeting. In addition, each Committee Chair reports to the Board on matters relevant to the Committee's role and responsibilities.

Details of Committee members' qualifications and experience, the number Committee meetings held during the year, and attendance by Committee members are in the Directors' Report in the Annual Report.

## **People and Culture Committee**

The People and Culture Committee assists the Board by providing oversight and direction on people and remuneration policies and practices that support delivery of Dairy Australia's strategic direction and culture by:

- Enabling Dairy Australia to attract and retain directors, executives and employees who will create sustainable value for farmers
- Fairly and responsibly rewarding executives having regard to the performance of Dairy Australia
- Complying with all relevant legislation and policies and reporting requirements
- Committing to the achievement of a diverse and inclusive workforce
- Facilitating identification and development of successors to executives and other business critical roles resulting in a robust succession plan
- Maximising the effectiveness of Dairy Australia's people management activities including delivery on agreed organisational culture outcomes.

The Committee's Charter provides that the Committee must comprise at least three non-executive directors, a majority of whom are independent directors, and be chaired by an independent director. The Committee met these requirements during the reporting period.

## **Audit and Risk Management Committee**

The Audit and Risk Management Committee assists the Board in fulfilling its oversight responsibilities in relation to:

- Ensuring the integrity of statutory financial reports, the financial reporting process and internal control structure
- The external audit and internal audit processes including the appointment of auditors and other advisers
- Ensuring the effectiveness of risk management systems
- Ensuring the effectiveness of compliance management systems including compliance with applicable legal, regulatory and other material obligations
- Investment strategy, composition of the investment portfolio and the appointment and removal of investment advisers

The Committee's Charter provides that the Committee must comprise at least three non-executive directors, a majority of whom are independent directors, and be chaired by an independent director who is not the Board Chair. The Committee must also have at least one member who has financial expertise and at least one member with a strong understanding of the dairy industry.

The Committee met these requirements during the reporting period.

## **Board Composition and Skills**

The Board recognises that Board composition is critically important to the proper functioning of the Board and the achievement of objectives for the benefit of our stakeholders.

The Board comprises eight non-executive directors and the Managing Director and to effectively discharge its oversight and governance responsibilities, must be skill-based with an appropriate mix of skills, experience and personal attributes.

In 2023, the Board reviewed and revised the mix of skills, knowledge and experience the Board considers are collectively necessary to direct Dairy Australia having regard to the business and strategy of the company. These skills and the number of current non-executive directors who have 'strong' or 'intermediate' skills/experience in each area are set out in the table below.

## Board Skills Matrix 2023

Skill	Strong	Intermediate
A. Dairy Industry Knowledge	4	4
B. Farm Systems / Milk Producer Skills	4	1
C. Research, Development and Adoption	4	3
D. Agribusiness	3	3
E. Leadership	4	4
F. Governance Oversight	4	4
G. Strategy & Change Management	5	2
H. Business Development	2	2
I. Product Promotion and Marketing	1	2
J. Stakeholder Engagement	4	3
K. Finance	3	3
L. Audit, Risk and Compliance	2	5
M. Human Resources	2	4
N. Sustainability	2	2

In addition to the collective skills set out in the matrix, under our Constitution the Board must have at least four directors with milk producer skills. In selecting directors with milk producer, the Board seeks current dairy farmers with a mix of backgrounds and experience in relation to the region in which they farm, the size of the farming enterprise and the farming system in place at the enterprise.

The skills matrix is used to inform the director selection process and succession planning to address current and future skill needs.

### Board Diversity

The Board recognises the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage.

The Board has formally approved a Board Diversity Policy to actively promote a truly diverse Board that includes and make good use of differences in experience and backgrounds, including:

- regional and geographic background
- industry experience
- research and development experience
- farming systems
- farm size
- race, gender and other distinctions between directors

These differences are considered in determining the optimum composition of the Board.

## **Board Selection and Appointment**

Under the company Constitution, non-executive directors are elected by Dairy Australia members for, generally, a three-year term. Directors who have served a three-year term are required to stand for re-election if they wish to continue on the Board. To ensure renewal of Board membership, after nine years (three consecutive terms) directors are not eligible to stand for re-election.

Directors are rotated on a cyclical basis and each year the Dairy Australia Board conducts a search for suitably skilled persons for nomination for election to the Board at Dairy Australia's AGM.

The Board is assisted in its search for suitable director candidates by a Board Selection Committee (**BSC**) comprising two representatives each from our Group B members representing the Australian dairy industry, and a Dairy Australia director who chairs the BSC.

After assessing the applications received and interviewing candidates, the BSC recommends one candidate for each director vacancy for approval by the Board. Following checks to ensure that candidates meet eligibility requirements to act as directors, approved candidates stand for election at the company's AGM in November as Dairy Australia Board endorsed candidates.

Candidates can also be nominated by least 100 Group A members of the company.

To assist members in deciding how to vote, we provide our members with all material information in our possession that is relevant to their decision on whether or not to elect or re-elect a director. This information is provided through a number of channels, including the Notice of Meeting for the AGM, the director biography and other information contained in the Annual Report, video presentations from candidates on our website in the lead up to the AGM and presentations to the AGM by candidates prior to the election taking place.

Following election, each new director receives a letter of appointment which sets out the formal terms of their appointment.

New directors participate in a formal induction process under which they meet with the Managing Director and other Leadership Team members to be briefed on the company's vision, values, strategy, financials, and governance frameworks. Induction to the company also includes site visits.

In addition to the induction process, directors are also able to attend ongoing professional development and training programs to enable them to develop and maintain their skills and knowledge.

## **Independence of the Board**

The company's Board Charter provides that a majority of directors (including the Chair) will be independent directors.

Under the company's Independence of Directors Policy, an independent director is:

'a director who is free of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the entity as a whole rather than those of an individual (member) or other party.'

In assessing independence, the Board considers the materiality of the directors' interests, position, association or relationship on a case by case basis to determine whether it might interfere, or might reasonably be seen to interfere, with the director's capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of Dairy Australia.

The Board considers that in FY23 all non-executive directors were independent and free from any business or any other relationship that could materially interfere with the independent exercise of their judgment and were able to fulfil the role of an independent director for the purposes of the Charter.

## **Conflicts of Interest**

The company has strict processes in place to manage conflicts of interest.

A register of interests is maintained for all directors by the Company Secretary. Conflicts of Interest are managed in accordance with the company's Conflict of Interest Procedure.

## **Board Effectiveness**

During the year, the Board reviewed and revised its governance processes including the structure and content of the Board agenda and the format of Board and Committee papers. These changes were made with a view to ensuring that the Board and Committees receive the information necessary to enable focussed discussions and high quality decision-making.

Part of every Board and Committee meeting is a review of the meeting including the chairing of the meeting, the time available for discussion, the opportunity for all directors to contribute and the quality of the papers.

In addition, the Board is committed to formally evaluating its performance and the performance of its Committees on annual basis. The Board undertook formal reviews of Board and Committee performance in FY23.

## **Company Secretary**

The Company Secretary is accountable to the Board through the Chair on all matters regarding the proper functioning of the Board. This includes assisting the Board and its Committees with meetings and advising the Board on corporate governance matters.

The roles of the Company Secretary are set out in the Board Charter.

Information regarding the experience and qualifications of the Company Secretary are set out in the Directors' Report in the Annual Report

## **Performance**

### **Managing Director**

The Managing Director is appointed by the Board of Directors and his performance is subject to review and oversight by the Board.

At the commencement of the year, the Board agreed KPIs aligned with achievement of strategic objectives and the creation of value for our stakeholders with the Managing Director. Following the completion of the year the Board undertook a review of the performance of the Managing Director with the outcome determining the award of the Managing Director's annual incentive payment.

### **Leadership Team**

Leadership Team members are appointed by the Managing Director.

Each member of the Leadership Team is subject to annual target performance levels which are formulated by the Managing Director and set at the beginning of the year.

The performance of Leadership Team members is evaluated annually against these performance targets. A performance evaluation of each Leadership Team member was undertaken during the reporting period in accordance with this process.

## **Remuneration**

Our People and Culture Committee provides oversight and direction on people and remuneration policies that support achievement of our strategic objectives and maintenance of the right culture.

Fit for purpose remuneration and recognition guidelines for executives and other staff are in place and were reviewed by the Board during the year as part of annual remuneration processes.

The remuneration and recognition guidelines are designed to ensure that reward for performance is competitive and appropriate for a business of our size and complexity.

To this end, remuneration for directors, executives and staff is periodically externally benchmarked to ensure it is in line with comparator organisations.

The remuneration of non-executive directors is comprised solely of directors' fees (including superannuation).

## **Organisational Culture**

The company has in place a people and culture strategy that aims to align organisational culture with achievement of objectives.

Dairy Australia's desired culture is values-based and highly collaborative with a strong focus on teamwork and decisive action. The Board recognises that organisational culture is critical to our success and aims to instil and model our desired culture through individual and collective director behaviour.

The Board monitored and evaluated organisational culture through the year through management reporting to the Board and the People and Culture Committee and a staff engagement survey. The survey provided valuable data on how our employees are feeling about their work and helped identify areas of strengths to leverage and areas for improvement.

### ***Core Values***

Dairy Australia's values are:

- Farmer First - Farmer needs guide our purpose
- One Team - We work together to achieve great things
- Innovative Thinking - We embrace new ideas and learning as we go
- Decisive Action - We make informed decisions and move quickly to implement

These values are embraced by our staff and inform every aspect of the company's work. The values are communicated to stakeholders through our stakeholder engagement and reporting processes.

### ***Code of Conduct***

The Board is committed to a high standard of ethical business behaviour and integrity at all times.

Accordingly, the Board has adopted a formal Code of Conduct which sets out its expectations of conduct for the company's directors, executives, employees and contractors and the consequences for misconduct. Management reports to the Board in relation to any material breaches of the Code.

### ***Whistle-Blower Reporting***

Employees are encouraged to report unlawful or unethical conduct under the company's Whistle-blower Protection Policy to the Company Secretary or the company's independent reporting hotline.

## ***Escalation to the Board***

During the year, the Board approved an Escalation Procedure which sets out matters which must be escalated to senior management and, where appropriate, to the Audit and Risk Management Committee and Board. The matters covered by the Procedure include breaches of the Code of Conduct, fraud, legal claims and breaches of delegations. The Escalation Procedure is designed to promote transparency, clarity, and consistency in reporting of matters which pose a risk to Dairy Australia and to ensure any issues are appropriately investigated and managed.

In addition, the Audit and Risk Management Committee is advised of any reports under the Whistle-blower Protection Policy at each Committee meeting. If a report indicating serious misconduct is received, this is escalated to the Chair of the Board, Chair of the Audit and Risk Management Committee and the Managing Director under the Escalation Procedure as soon as practicable following receipt.

## **Corporate Reporting and Risk Management**

### **Chief Executive Officer and Chief Financial Officer Representation**

Prior to the approval of the full year financial results by the Board, the Managing Director and Chief Financial Officer provide a representation letter to the Board that, in their opinions, the financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the company, and this opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

### **External Audit**

The company's external auditor is Deloitte. The external auditor is supplied with papers and minutes from each Audit and Risk Management Committee meeting and attend Committee meetings where necessary.

A representative from Deloitte attends the AGM each year to answer questions from members in relation to the audit of the company's accounts. Deloitte's Independence Declaration for FY23 is contained in the Annual Report.

### **Internal Audit**

The company had an outsourced internal audit function during the reporting period delivered by RSM. The function evaluated and made recommendations for improvements to the effectiveness of the company's risk management and internal control processes.

Oversight of this function is provided by the company's Chief Financial Officer, with regular reports to the Audit, Risk and Compliance Committee.

### **Risk Management**

The company's Risk Management Policy, Framework and Risk Appetite Statement are approved by the Board and reviewed on an annual basis to ensure they align to the company's purpose and strategy.

Under the Risk Management Framework enterprise-wide risks are reviewed annually and outcomes reported to the Audit and Risk Management Committee and Board. These risks are managed and treated under the company's Risk Management Policy and Risk Management Procedure under which:

- The Leadership Team and senior managers are responsible as risk owners for identifying, assessing, evaluating, documenting, managing and treating. As and when required operational risks are escalated to the Audit and Risk Management Committee.
- Strategic risks are reported to the Audit and Risk Management Committee and Board quarterly.

## Stakeholder Engagement

Dairy Australia is committed to having open, accountable and responsive decision-making, informed by effective communication and consultation between the company, dairy farmers, the Australian Government and industry stakeholders. Effective engagement with stakeholders is critical to ensuring that our decisions around investments and services are sound and align with stakeholder expectations.

To ensure effective engagement, the company has in place a Stakeholder Consultation Plan which was developed having regard to the Department of Agriculture, Fisheries and Forestry's Best Practice Guide to Stakeholder Consultation. The Plan provides for:

- Regional level consultation and engagement through our Regional Development Program Boards across Australia's eight dairy regions
- Direct dairy farmer consultation and engagement providing dairy farmers with the opportunity to have a strong voice in decision making, engage with our staff and be exposed to levy-funded programs
- Group B member consultations and engagement in relation to strategy planning and annual planning processes
- Industry policy groups consultation and engagement
- Engagement with the Department of Agriculture, Fisheries and Forestry in relation to operations and investments.

During the year, Dairy Australia undertook an extensive and active engagement program with dairy farmers, members and other key stakeholders in accordance with the Plan.

## Annexure

### Australian Institute of Company Directors Not-for-Profit Governance Principles

Principle 1 - Purpose and strategy	The organisation has a clear purpose and a strategy which aligns its activities to its purpose.
Principle 2 - Roles and responsibilities	There is clarity about the roles, responsibilities and relationships of the board.
Principle 3 Board composition	The board's structure and composition enable it to fulfil its role effectively.
Principle 4 Board effectiveness	The board is run effectively and its performance is periodically evaluated.
Principle 5 Risk management	Board decision making is informed by an understanding of risk and how it is managed.
Principle 6 Performance	The organisation uses its resources appropriately and evaluates its performance.
Principle 7 Accountability and transparency	The board demonstrates accountability by providing information to stakeholders about the organisation and its performance.
Principle 8 Stakeholder engagement	There is meaningful engagement of stakeholders and their interests are understood and considered by the board.
Principle 9 Conduct and compliance	The expectations of behaviour for the people involved in the organisation are clear and understood.
Principle 10 Culture	The expectations of behaviour for the people involved in the organisation are clear and understood.