

A man with a beard, wearing a dark hat and a red and black plaid shirt, is shown in profile from the back, pointing his right hand towards a sunset over a field. The background is a soft-focus landscape with a warm, golden light from the setting sun. The overall image has a teal and green color overlay.

# Response and Implementation Plan

Independent Performance Review 2018

**Hort  
Innovation**

# Response and Implementation Plan

## Independent Performance Review 2018

Hort Innovation's Independent Performance Review (the Review) was completed in June 2018 by GHD Consulting and is a valuable component of continuous improvement for the Company. The Review is a requirement mandated under the Company's Funding Agreement with the Australian Government as a Research and Development Corporation (RDC).

The Review enables an important, independent investigation of the Company's performance over the four-year life cycle of the Funding Agreement with government to invest levies and public monies into research, development and, in some instances, marketing projects that support the productivity, profitability and competitiveness of Australia's \$9 billion horticulture sector.

The Board would like to make special thanks to the growers, industry representative bodies and supply chain stakeholders who took the time to share their thoughts, ideas and assessment of the Company's performance, both constructive and positive. It is this critical and honest feedback that allows Hort Innovation to continue to grow in a direction that is supported by industry.

The Board of Hort Innovation agrees with all 14 of the Review's Recommendations and is pleased to note that the Recommendations focus on positive improvements and workable enhancements to Hort Innovation's business operations and stakeholder engagements. While the Review is an important milestone in the life cycle of performance, Hort Innovation strives to collect, and act on, feedback and ideas from its stakeholders on a continuous basis.

Getting the balance right between the interests of individuals and the betterment of the Australian horticulture sector as a whole is an ongoing conversation and Hort Innovation is particularly proud of the improvements it has made since its inception in 2014, and that the process of continuous improvement now forms part of the organisation's DNA.

This approach has served the Company and its stakeholders well, with many Recommendations laid out in the Review already being a focal point for Hort Innovation. In its Response to the Review, the Hort Innovation Board is pleased to say that many initiatives have already begun that complement our approach to being responsive to industry's needs; initiatives that have already been incorporated in the 2018-2019 AOP, and others that will inform the new corporate Strategy to be formulated by the Company in early 2019, under the leadership of the incoming CEO.

The Board, and indeed every staff member of Hort Innovation, look forward to continuing to work with industry to build meaningful partnerships and a bright, sustainable and secure future for Australian horticulture that is based on transparent and constructive two-way feedback.

Selwyn Snell  
Chairman

## Recommendation 1

*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.*

**Strategic Alignment:** *Communicate and Listen*

Response	Implementation Plan	
	Actions	Milestones / Measurement
<p><b>Hort Innovation agrees with this Recommendation.</b></p> <p>This is a broadly stated Recommendation, with a clear focus on continuous improvement of communications and engagement with stakeholders, including partnering with Industry Representative Bodies (IRBs) to maximise reach to industry participants.</p> <p>With a view to improving communication and engagement, initiatives commenced by Hort Innovation in the last two years include:</p> <ul style="list-style-type: none"> <li>• Increased engagement with levy paying grower shareholders</li> <li>• SIAP (Strategic Investment Advisory Panel) Improvement Process</li> <li>• Reviewing industry body representation on SIAPs</li> </ul>	<p>Continuous improvement of Hort Innovation’s stakeholder communications and engagement will include the following activities:</p> <p>Increasingly active engagement with levy paying grower shareholders.</p> <p>Continued refinement of SIAP processes and reporting, focused upon:</p> <ul style="list-style-type: none"> <li>• Improved timeliness and quality of papers and minutes based on feedback</li> <li>• Improved information and process for advice on investments</li> <li>• Improved narrative on financial position of funds and future impacts</li> </ul>	<p>Effective engagement with a network of levy paying grower shareholders through relationship management.</p> <p>Implementation of a Stakeholder Management Plan which draws together current relationship management, communications, and diversity and inclusion plans, activities and initiatives.</p> <p>Feedback from SIAP chairs and members (following every meeting and through internal performance review surveys).</p> <p>Stakeholder Sentiment Survey (biennial) – improvement on baseline.</p> <p>Hort Innovation feedback process.</p>

<ul style="list-style-type: none"> <li>• Launch of a dedicated Hort Frontiers website to enhance stakeholder understanding of longer term cross-industry investment strategies</li> <li>• Introduction of meetings as between the Hort Innovation Board and IRB Boards</li> <li>• Stakeholder Engagement planning and communications planning.</li> </ul>	<ul style="list-style-type: none"> <li>• Improved analysis and feedback on status of program and progress as against industry Strategic Investment Plans (SIPs).</li> </ul> <p>Improved planning and timing of advice between SIAP and Hort Innovation.</p> <p>Improved governance of SIAP proceedings including code of conduct, roles, and standard operating procedures.</p> <p>Continued engagement as between the Hort Innovation Board, IRB Boards and with all relevant stakeholders to develop a partnership approach to industry.</p> <p>Development of and proposal to IRBs of Hort Innovation/IRB joint initiatives for communications to industry (<i>refer also to Actions addressing Recommendation 7 – Statement of Intent</i>).</p> <p>Development and implementation of an improved user-friendly Hort Innovation website with the following key features:</p> <ul style="list-style-type: none"> <li>• More segmented user experience and access for growers and other stakeholders</li> <li>• Target 3-click maximum journey to find information.</li> </ul>	<p>Establishment of a formal framework for engagement with IRBs through a Statement of Intent (the first implemented in Q3 FY2019) – which results in more effective two-way communication (<i>refer also to Milestones addressing Recommendation 7</i>).</p>
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	<ul style="list-style-type: none"><li>• Better document access via website, including final project reports</li><li>• Inclusion of a Governance page (<i>refer also to Actions addressing Recommendation 2</i>)</li><li>• Increase amount of useful content</li><li>• Better search capability.</li></ul>	
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## Recommendation 2

*Hort Innovation to continue to foster both formal and informal communication channels with the Commonwealth in the interests of ensuring the company's SFA obligations are discharged in a timely and effective manner, and better communicate its SFA obligations to stakeholders.*

**Strategic Alignment:** *Communicate and Listen*

Response	Implementation Plan	
	Actions	Milestones/Measurement
<p><b>Hort Innovation agrees with this Recommendation.</b></p> <p>This Recommendation is in two parts:</p> <ol style="list-style-type: none"> <li>1. Communications as between Hort Innovation and the Commonwealth; and</li> <li>2. Hort Innovation communication to stakeholders as to its obligations to the Commonwealth under its Funding Agreement.</li> </ol> <p>Hort Innovation's mandated responsibilities under its Funding Agreement are in relation to R&amp;D, Marketing and Trade. At different times, many stakeholders request and suggest that Hort Innovation play a key role in a greater breadth of issues affecting the horticulture sector. Focus on the organisation's mandated responsibilities will, however, deliver the greatest benefit to both industry and government.</p> <p><b>1. Communications with the Commonwealth</b></p> <p>Over the past two years, Hort Innovation has incorporated regular engagement with the Commonwealth (principally</p>	<p>Hort Innovation engagement with the Commonwealth will continue to include both formal and informal mechanisms, as set out in the left-hand column.</p> <p>In order to better communicate Hort Innovation's obligations under its Funding Agreement with the Commonwealth, as part of the development and implementation of an improved user-friendly Hort Innovation website (<i>refer also to Actions addressing Recommendations 1 and 6</i>) a dedicated Governance page will include, among other items, a concise plain English explanation of key obligations of Hort Innovation under the Funding Agreement.</p> <p>Additionally, any material changes to the Hort Innovation Constitution or Funding</p>	<p>Successful Review of Performance and establishment of new Funding Agreement to 2022.</p> <p>Delivery of relevant communications to stakeholders regarding Funding Agreement responsibilities:</p> <ul style="list-style-type: none"> <li>• After establishment of the new Funding Agreement</li> <li>• Following each Annual General Meeting, announcing any changes passed by members</li> <li>• As part of the new Governance section on website.</li> </ul> <p>As part of the implementation of a Stakeholder Management Plan, Hort Innovation will communicate the relevant Funding Agreement obligations through</p>

<p>through the Department of Agriculture and Water Resources (DAWR)) as a key activity to ensure timely knowledge of and response to matters in the best interests of Australian horticulture industries. These activities are in addition to the mandatory six-monthly meetings required by the Funding Agreement, and have contributed to the establishment of an enduring, open and productive working relationship with the Commonwealth. Activities to date have included:</p> <ul style="list-style-type: none"> <li>• Fortnightly scheduled telephone conferences to discuss matters of mutual interest</li> <li>• Direct telephone communication on an ad hoc basis as between senior DAWR personnel and Hort Innovation General Managers on an as needs basis</li> <li>• Regular engagement by the Chair and CEO at Ministerial level</li> <li>• Involvement of appropriate DAWR personnel in meetings to discuss key areas such as:             <ul style="list-style-type: none"> <li>○ Trade</li> <li>○ Biosecurity</li> <li>○ Food Safety</li> </ul> </li> <li>• Inclusion of DAWR and Ministerial representatives in industry activities and events</li> <li>• Project collaboration with DAWR, for example the proposed central Levy Payer Register.</li> </ul>	<p>Agreement will be notified to stakeholders in a timely manner.</p> <p>Hort Innovation will continue to communicate its Funding Agreement obligations to stakeholders including through Board meetings with IRB Boards, management meetings with IRB representatives, discussions at SIAPs, and day to day engagement with individual growers and stakeholders.</p>	<p>multiple channels and opportunities as part of the broader conversation with industry (<i>refer also to Milestones addressing Recommendation 1</i>).</p>
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<p><b>2. Communications with stakeholders regarding the Funding Agreement</b></p> <p>Hort Innovation has to date engaged in limited communication with stakeholders dedicated to the understanding of Hort Innovation obligations. The Annual Report and Notice of Annual General Meeting have been the primary documents including this information.</p>		
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### Recommendation 3:

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.

**Strategic Alignment:** *Communicate and Listen*

Response	Implementation Plan	
	Actions	Milestones/Measurement
<p><b>Hort Innovation agrees with this Recommendation, with an adjustment in wording to reflect actual operations.</b></p> <p>This Recommendation is in two parts:</p> <ol style="list-style-type: none"> <li>1. Presentation of financial forecast information; and</li> <li>2. Communication of funding and rationale for Frontier Funds.</li> </ol> <p><b>1. Presentation of financial forecast information</b></p> <p>Hort Innovation adapts its financial forecast reporting to suit the purpose and audience of the document containing the information. This can lead to a different presentation of financial information as between documents, observed in the Independent Performance Review Report.</p> <p>Annual Operational Plans (AOPs) are principally internal operating documents, and required under the Funding Agreement to be provided to the Commonwealth.</p>	<p><b>1. Presentation of financial forecast information</b></p> <p>Hort Innovation will review its approach to reporting to ensure stakeholders are able to more fully reconcile the forecasts provided to industry at the commencement of a period with the results reported at the end of that period.</p> <p><b>2. Communication of funding and rationale for Frontier Funds</b></p> <p>Following completion of stakeholder consultation on the Hort Frontiers Strategy Consultation Paper in early August 2018, the following communication activities will occur as a part of the development of the Strategic Investment Plans (SIPs) for each</p>	<p>Review of reporting of financial data during planning for each Annual Operating Plan (AOP) and Annual Report, incorporating feedback and lessons learned.</p> <p>Feedback from SIAPs on improved information regarding Hort Frontiers investments.</p> <p>Stakeholder Sentiment Survey (biennial) – feedback on Frontier Funds (improvement on baseline).</p> <p>Delivery, publishing and communication of Frontier Fund SIPs to members and on the Hort Innovation website.</p>

<p>The information in these Plans is based on management reporting needs.</p> <p>Conversely, the purpose of the Hort Innovation Annual Report is to communicate to external stakeholders on activities and results for a given financial year. The financial reporting in the Annual Report conforms to statutory reporting requirements.</p> <p><b>2. Communication of funding and rationale for Frontier Funds</b></p> <p>Enhanced Frontier Fund communications are underway including:</p> <ul style="list-style-type: none"> <li>• Launch of a dedicated Hort Frontiers website to enhance stakeholder understanding of longer term cross-industry investment strategies</li> <li>• Issue of a Strategy Consultation Paper in early July 2018, for stakeholders to share their thoughts on Hort Frontiers investment priorities and themes</li> <li>• Inclusion of discussions regarding potential Frontier Fund investments at all SIAP meetings</li> <li>• Improved financial information for SIAPs to understand funds invested in Hort Frontiers (<i>refer also to Actions addressing Recommendation 1 – SIAP Improvements</i>)</li> <li>• Data and reporting project to provide better data for reporting source funds for Frontiers.</li> </ul>	<p>of the existing seven strategic investment funds:</p> <ul style="list-style-type: none"> <li>• Development and communication of detailed Strategic Investment Plans (SIPs) to support current Strategic Intent documents for Frontiers investments</li> <li>• More detailed reporting provided through both the Hort Frontiers and new corporate websites</li> <li>• Potential for specific Hort Frontiers events, or participation in industry events on request</li> <li>• Update on Frontiers Funds at the Annual General Meeting</li> <li>• Ongoing updates to SIAPs on active Frontiers projects relevant to specific industries.</li> </ul>	
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## Recommendation 4:

*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.*

**Strategic Alignment:** *Deliver the Investments*

Response	Implementation Plan	
	Actions	Milestones / Measurement
<p><b>Hort Innovation agrees with this Recommendation, with an adjustment in wording to reflect actual operations.</b></p> <p>The Recommendation suggests that the financial and management accounting <i>systems</i> be integrated, however the practical application of this Recommendation will see the integration of financial and management <i>reporting</i>.</p> <p>Following the transition to a procurement model (Hort Innovation) from a grants model (HAL), the organisation also moved from an investment cycle heavily weighted towards the end of the year to an “open all year” investment cycle. This change dramatically increased the amount of investment earlier in the year and increased the need for “forecast” information rather than traditionally relying on more historical information, which has always been accurate and unchanging. Forecast data on the other hand is, by its nature, constantly changing due to multiple factors including:</p>	<p>Hort Innovation will continue its ongoing data quality and reporting improvement processes as set out in the left-hand column. An integrated accounting and management reporting solution for levy funds has been partially developed and is in the testing phase. This has been the culmination of more than 12 months effort.</p> <p>The development of the forecasting and reporting tool is a complex combination of inputs, business rules and calculations and is still exposed to the many variables described on the left. The tool will allow for more accurate and timely information to be provided in future by automating the complex calculations required and updating the variables more quickly.</p>	<p>Delivery of a fund forecasting and reporting tool for R&amp;D (Q2 FY19), and Marketing and Frontiers Funds (Q3 FY19).</p> <p>Feedback from SIAPs on improved financial reporting and forecast information.</p>

<ul style="list-style-type: none"> <li>• Variations to existing projects</li> <li>• Timing of investments, milestones and expenses relating to some projects</li> <li>• Seasonal and other variations in levy income and GVP forecasts for Australian government co-investment</li> <li>• Cost recovery, caps on co-investment and other business rules.</li> </ul> <p>In the current operating model, the articulation of financial reporting as distinct from forward looking forecasting or estimation is a critical difference. Continued efforts are required to clearly communicate this.</p> <p>Hort Innovation has been engaged in ongoing data quality and reporting improvements particularly over the past 18 months, including the continuous review of historical projects, milestones and data.</p>	<p>Hort Innovation will continue to refine the communication to industry (including through SIAPs and day to day engagement) on the financial systems and processes, including the role and limitations of forecasting. In doing so, Hort Innovation aims to more clearly explain the difference between financial reporting on income and expenditure, and forecasting or estimating into the future, to establish a shared understanding with industry and SIAPs.</p>	
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**Recommendation 5:**

*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.*

**Strategic Alignment:** *Deliver the Investments; Communicate and Listen*

Response	Implementation Plan	
	Actions	Milestones / Measurement
<p><b>Hort Innovation agrees with this Recommendation.</b></p> <p>Hort Innovation will welcome a new Chief Executive Officer (CEO) in September 2018 and this change in leadership presents an ideal opportunity for review of the current operational structures of the company and ways in which these may be optimised.</p> <p>Further, FY2019 is the final year of the current corporate Strategic Plan. The process of setting fresh strategy in 2019 will contribute to these deliberations.</p> <p>Consideration of efficiencies in operations has been an ongoing process through the transition from HAL to Hort Innovation. Hort Innovation has responded to changing needs over time, including:</p> <ul style="list-style-type: none"> <li>• Conduct of an organisational design project with Mercer to formulate the current structure</li> </ul>	<p>The new CEO of Hort Innovation will be able to assess the most effective and efficient structure for delivery of corporate activities and investments, as part of his oversight of the company from September 2018. The new CEO will undertake a review in FY2019.</p> <p>In the meantime, Hort Innovation will continue its continuous improvement approach, as set out in the left-hand column.</p> <p>Each time Hort Innovation recruits new and replacement talent, Executive management review the roles and responsibilities of each role. This leads to gradual efficiencies and improvements in the operational structure over time.</p>	<p>Stakeholder Sentiment Survey (biennial) improvement on baseline.</p> <p>Staff engagement survey.</p> <p>Online feedback mechanism.</p> <p>Hort Innovation CEO to have undertaken and implemented an organisational review by the end of FY2019.</p>

<ul style="list-style-type: none"> <li>• High performance team training/ performance management and coaching to increase productivity of structure through individuals and teams</li> <li>• Increasing capacity in strategic areas to improve service and responsiveness</li> <li>• Reviewing productivity through time and motion studies to identify efficiencies</li> <li>• Implementing systems to improve quality and reduce re-work</li> <li>• Adjusting the structure of some functions gradually to optimise structure including roles in Finance, Procurement, IT, Data &amp; Insights, R&amp;D and Communications.</li> </ul> <p>These continuous improvements have been undertaken whilst being mindful that increasing service also increases the cost of the delivery model, especially increases in face to face communication and feedback mechanisms.</p> <p>Hort Innovation has also sought to enhance responsiveness to levy payer requests through:</p> <ul style="list-style-type: none"> <li>• An online feedback mechanism</li> <li>• Stakeholder Sentiment Surveys</li> <li>• SIAP Improvements process.</li> </ul>		
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## Recommendation 6:

Hort Innovation to:

- Complete its Diversity & Inclusion Policy including measurable objectives for achieving gender diversity;
- 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.

**Strategic Alignment:** Culture and Leadership; Communicate and Listen

Response	Implementation Plan	
	Actions	Milestones / Measurement
<p><b>Hort Innovation agrees with this Recommendation.</b></p> <p>In principle and in practice, Hort Innovation is committed to a high standard of governance with an approach of continuous improvement. Effective governance is critical to the delivery of projects and activities for the benefit of growers.</p> <p>The measures set out in this Recommendation touch upon three very different areas of effective corporate governance:</p> <ol style="list-style-type: none"> <li>1. High-performance culture, as linked to measurable achievement of diversity (and inclusion);</li> <li>2. Formal documentation of all Delegations of Authority, for clarity; and</li> <li>3. Transparency of governance frameworks for the benefit of stakeholders.</li> </ol>	<p><b>1. Diversity and Inclusion Policy</b></p> <p>Hort Innovation’s commitment to diversity and inclusion is not limited to gender diversity. Hort Innovation will complete conceptualisation and documentation of its Diversity &amp; Inclusion Policy, including measurable objectives, and commence formal implementation of the Policy over the coming months. The aim of such a Policy is to promote a high-performance culture and document this commitment.</p>	<p>Implementation, review, maintenance and communication of Diversity &amp; Inclusion Policy in FY2019.</p> <p>Documentation of all non-financial Board delegations in Q2 FY2019.</p> <p>Delivery of improved Hort Innovation website.</p>

<p><b>1. High performance culture, as linked to measurable achievement of diversity (and inclusion)</b></p> <p>Hort Innovation’s commitment to diversity and inclusion was initially documented in 2015 as a key Program of Work under its HR Strategy.</p> <p>Whilst a Diversity &amp; Inclusion Policy is in the process of documentation, practices in support of diversity and inclusion have been an important part of operations over the past years, including:</p> <ul style="list-style-type: none"> <li>• Providing diversity and inclusion training to staff, management and the Board</li> <li>• Participation in a national diversity and inclusion survey (through the Diversity Council of Australia) and discussion of results with staff, management and Board</li> <li>• Communication to stakeholders of the company’s commitment to diversity and inclusion through a variety of written and verbal means</li> <li>• Talent acquisition and talent management policies and practices (in place) being built upon to promote diversity and a culture of inclusion</li> <li>• Building inclusive leadership capability as a core competency.</li> </ul> <p><b>2. Formal documentation of all Delegations of Authority, for clarity</b></p> <p>Hort Innovation has in place a comprehensive Delegations of Authority – Investments, setting out financial limits of</p>	<p><b>2. Formal documentation of all Delegations of Authority</b></p> <p>A non-financial delegations document will be drafted for approval by the Hort Innovation Board in the coming months.</p> <p><b>3. Addition of a ‘Governance’ page to the Hort Innovation public website</b></p> <p>As part of the development and implementation of an improved user-friendly Hort Innovation website (<i>refer also to Actions addressing Recommendations 1,2 and 6</i>) a dedicated Governance page will be created and populated with the non-confidential governance frameworks, documents and practices employed by Hort Innovation.</p>	
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<p>investment approvals allocated to management and the Board respectively.</p> <p>Further, Hort Innovation’s Board Charter and Charter of the Committees of the Board currently set out the broad roles and delegations of these governing bodies.</p> <p>It is acknowledged that, for clarity, a more granular Delegations document for non-financial authorities would assist in communication and governance of the roles reserved for Board consideration and approval.</p> <p><b>3. Transparency of governance frameworks for the benefit of stakeholders</b></p> <p>Hort Innovation agrees that it can better demonstrate its governance processes to stakeholders by providing ready access to non-confidential governance documentation on its public website.</p>		
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## Recommendation 7:

*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.*

**Strategic Alignment:** *Culture and Leadership; Communicate and Listen; Deliver the Investments*

Response	Implementation Plan	
	Actions	Milestones / Measurement
<p><b>Hort Innovation agrees with this Recommendation, with an adjustment to accommodate a ‘fit for purpose’ approach.</b></p> <p>Hort Innovation acknowledges the value of developing and maintaining constructive partnerships with Industry Representative Bodies (IRBs), with the aim of working together toward a shared purpose and vision for industry. The transition from Horticulture Australia Limited (HAL) to Hort Innovation impacted greatly on these relationships, and much work has been done over the past few years to move toward a new way of working together with IRBs. These measures include:</p> <ul style="list-style-type: none"> <li>• Continuous consultation, engagement and feedback at all levels (operations, management and Board)</li> <li>• Increased representation of IRBs on SIAPs</li> <li>• Consultation through the development of industry Strategic Investment Plans (SIPs)</li> </ul>	<p>Hort Innovation commits to continue discussions with IRBs as to ways in which Hort Innovation and IRBs can work together for the benefit of levy payers and the wider horticulture industry.</p> <p>Hort Innovation’s initial consideration of matters that may be addressed in a Statement of Intent include the following:</p> <ul style="list-style-type: none"> <li>• Respective roles and responsibilities of Hort Innovation and the IRB</li> <li>• Mechanisms for communication, co-operation and partnership in support of industry</li> <li>• Commitment to constructive collaboration in the interests of better program outcomes for industry</li> </ul>	<p>Execution of the first Statements of Intent with IRBs in Q3 FY2019.</p>

<ul style="list-style-type: none"> <li>• Support for industry events and conferences including sponsorship and participation as speakers and exhibitors.</li> </ul> <p>Hort Innovation recognises that there is a range of capability and expertise among IRBs in the horticulture industry. The diversity in size and resources as among IRBs requires that a 'fit for purpose' approach be taken in practical application of this Recommendation.</p> <p>Hort Innovation agrees with the intention, expressed in the Report, that codification of relationship with IRBs fulfils a purpose quite separate to the entry into delivery partner contracts for delivery of substantive R&amp;D and Marketing programs (following procurement). In this way, no payment should be attached to the Statement of Intent.</p>	<ul style="list-style-type: none"> <li>• Agreed complaints handling methodology for both IRBs and Hort Innovation to raise issues with the other</li> <li>• Agreed standards of behaviour in dealings with between IRBs and Hort Innovation.</li> </ul> <p>Rather than a single 'generic' Statement of Intent, consideration of the difference in capability as between IRBs in horticulture may result in the development of at least two different versions of a Statement of Intent, recognising these differences in defining respective roles of Hort Innovation and IRBs in operating for the benefit of industry.</p> <p>Hort Innovation will conduct a planned consultation with IRBs in development of proposed Statement of Intent content. The new CEO of Hort Innovation will be in a position to participate in this consultation, and formulation of the final proposed Statement of Intent content, from September 2018.</p>	
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**Recommendation 8:**

*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.*

**Strategic Alignment:** *Culture and Leadership; Communicate and Listen*

Response	Implementation Plan	
	Actions	Milestones / Measurement
<p><b>Hort Innovation agrees with this Recommendation.</b></p> <p>The Constitution of Hort Innovation was put in place following the outcomes of the ACIL Allen Review of Horticulture Australia Limited (HAL) conducted in 2014. There is no doubt that the findings of the ACIL Allen Review regarding conflict of interest in HAL ownership and operations led to a position where the Constitution of Hort Innovation was designed to represent a definitive break from the old structure, in moving to a grower-owned RDC.</p> <p>As observed in the Review Report, the exclusion of IRBs from membership of Hort Innovation has, in differentiating IRBs from the greater horticulture industry, inhibited the relationship as between Hort Innovation and IRBs.</p> <p>In practice, Hort Innovation has each year invited the Chairs and Executive Officers of IRBs to attend its Annual General Meeting (AGM) and have welcomed these representatives and the opportunity for engagement on these occasions. Permitting IRBs to be member of Hort Innovation would result</p>	<p>Hort Innovation commits to consult with IRBs and with the Commonwealth (through the Department of Agriculture and Water Resources (DAWR)) to determine whether IRBs and DAWR support the putting of a member vote removing the Constitutional exclusion of IRBs from being members of the company.</p> <p>Should sufficient support from IRBs, and the support of DAWR, be achieved Hort Innovation will put a resolution to Voting Members to permit IRBs to become members of the company.</p> <p>It is important to note that a resolution put to Voting Members for Constitutional change will require 75% of Voting Members to vote in favour of the resolution for the change to be achieved.</p>	<p>Conduct of consultation with IRBs and DAWR prior to October 2018, to permit a resolution to be put to the 2018 AGM if supported.</p> <p>Stakeholder Sentiment Survey (biennial) – improvement on baseline.</p>

in the automatic issue of a member invitation to the AGM and the opportunity for each IRB to ask questions in the formal meeting proceedings, through their delegated representative.

Further, IRB membership will not convey upon IRBs voting entitlements, which are reserved for levy payers.

## Recommendation 9:

*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 “siloeed” approach*
- *Activities in support of food safety initiatives and crisis management.*

**Strategic Alignment:** *Communicate and Listen*

Response	Implementation Plan	
	Actions	Milestones / Measurement
<p><b>Hort Innovation agrees with this Recommendation, in so far as listed activities are within Hort Innovation’s mandate under its Constitution and Funding Agreement.</b></p> <p>Hort Innovation has traditionally operated with a view that, whilst stakeholders are interested in communication of results achieved, there is little interest in receipt of communications regarding the operational methods and measures of the company, nor its programs for continuous improvement. This Recommendation, however, supports proactive communication of operational initiatives on an ongoing basis,</p>	<p>To enhance reporting on progress of operational improvements addressing issues potentially negatively impacting on its performance, Hort Innovation will:</p> <ul style="list-style-type: none"> <li>• Incorporate continuous improvement reporting as part of the Governance page of its improved website (<i>refer also to Actions addressing Recommendation 1</i>)</li> <li>• seek opportunities to incorporate relevant updates in regular formal communications (for example, Annual</li> </ul>	<p>Quarterly updates on implementation of continuous improvement measures on the Hort Innovation website commencing Q2 FY2019.</p> <p>Feedback from SIAP chairs and members (following every meeting and through internal performance review surveys).</p> <p>Stakeholder Sentiment Survey (biennial) – improvement on baseline.</p>

<p>and Hort Innovation is happy to provide stakeholders with more information in this regard.</p> <p>Activities to date in communication of those matters listed include:</p> <p><b>1. SIAP improvement process</b></p> <p>This is an example of where increased communications have already commenced. Ongoing improvements are regularly communicated to SIAP members (<i>refer also to Response addressing Recommendation 1</i>) and SIAP Chairs meet biannually to discuss improvements and provide feedback.</p> <p><b>2. Frontier Funds</b></p> <p>Improvements in communication regarding Frontier Funds have recently included launch of a purpose-built website, and issue of a Consultation Paper seeking further stakeholder input to the development of full Strategic Investment Plans for each Frontier Fund (<i>refer also to Response and Actions addressing Recommendations 1 and 3</i>).</p> <p><b>3. Hybrid model (call and concept)</b></p> <p>A traditional call-only process provides little or no opportunity to seek value for money through a competitive process. In its transition from HAL, Hort Innovation moved away from a grants process (call) in favour of an innovation and procurement process (concept). Hort Innovation is considering potential enhancements to this process through implementation of a “call” process for concepts to get more targeted submissions around specific areas of interest, for</p>	<p>Report) and informal stakeholder communications, as appropriate.</p>	
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example in areas identified by industry Strategic Investment Plan (SIP) gap analyses. This process will also allow for “tranches” of concepts to be considered and efficiently moved through the process together.

**4. Collaboration between smaller industries**

Hort Innovation proactively engages with industries having similar interests and strategic imperatives on multi industry projects, Frontier Fund investment opportunities, marketing initiatives, trade initiatives and discussions regarding biosecurity.

Further, the Fund Manager and Relationship Manager operating structure provides effective ongoing oversight of industry “clusters” to identify opportunities for collaboration.

**5. Food safety and crisis management**

Hort innovation has limited scope to act in these areas, other than through investment in research and development to contribute to the effective management of food safety and other crisis incidents. Despite these limitations, Hort Innovation seeks to quickly respond and identify potential for assistance when such issues arise. An example of this proactive approach was investment in measures following the melon listeria outbreak.



**Recommendation 10:**

*Hort Innovation to continue to seek cross-RDC collaboration opportunities that will benefit horticulture as well as the broader agricultural industries and community.*

**Strategic Alignment:** *Deliver the Investments; Culture and Leadership*

Response	Implementation Plan	
	Actions	Milestones / Measurement
<p><b>Hort Innovation agrees with this Recommendation.</b></p> <p>Hort Innovation values its collaborative relationships with other RDCs, and currently participates in a number of formal and informal activities for this purpose including:</p> <ul style="list-style-type: none"> <li>• Active participation in working groups convened through the Council of Rural RDCs, including the CEOs’ and Chairs’ meetings, the Business Managers Group, the Evaluation Working Group, the Communication Managers Group, and the IT Managers Group</li> <li>• Interactive sessions in review and development of the central Levy payer register, with DAWR and other RDCs</li> <li>• Proactive engagement in all Rural R&amp;D for Profit funding rounds offered by the Australian government, resulting in the award of a large amount of additional funding for industry.</li> </ul> <p>The Review Report sets out a number of formal collaborations involving Hort Innovation.</p>	<p>Hort Innovation will continue to seek opportunities to collaborate with other RDCs on a continuous basis.</p> <p>The incoming new CEO of Hort Innovation has a long-standing cross-sectoral view of and involvement in agriculture, and it is expected will be in a position to positively contribute to collaborative efforts.</p> <p><i>(Refer also to Actions addressing Recommendation 11)</i></p>	<p>Participation in cross-RDC meetings and initiatives involving Hort Innovation staff from a variety of business units.</p> <p>Non-levy funding obtained in collaboration with other RDCs for investment in projects for the benefit of industry.</p>

These activities contribute value to Australian horticulture industries by:

- Maximising the amount of non-levy funds invested in programs for the benefit of levy payers
- Leveraging levy funds for achievement of greater outcomes for industry
- Data and knowledge sharing, creating operational efficiencies.

## Recommendation 11:

*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.*

**Strategic Alignment:** *Deliver the Investments*

Response	Implementation Plan	
	Actions	Milestones / Measurement
<p><b>Hort Innovation agrees with this Recommendation.</b></p> <p>Hort Innovation’s Data &amp; Insights team was formed in 2015 to develop and maintain an appropriate monitoring and evaluation framework best suited to Hort Innovation’s strategic investment operations (as distinct from those of its predecessor company HAL), and in compliance with its new Funding Agreement with the Australian government. Hort Innovation’s Organisational Evaluation Framework was finalised and published in December 2016 and continues to be implemented.</p> <p>Activities in implementation since 2016 include:</p> <ul style="list-style-type: none"> <li>• Development of independent ex-ante impact assessments for 30 new industry Strategic Investment Plans (SIPs)</li> <li>• Development of independent ex-ante impact assessments for six Frontier Funds</li> </ul>	<p>As investments reach an appropriate stage of maturity, Hort Innovation will be implementing further ex-poste impact assessments. Identification of projects/programs for ex-poste analysis is done in partnership with industry through SIAPs.</p> <p>The cost of ex-poste impact assessments can be significant, therefore, it is important that the aims and benefits be clear prior to proceeding. Industry’s capacity to pay is relevant in these considerations, particularly in industries with limited levy funds to execute their strategic priorities.</p>	<p>Completion of further ex-poste impact assessments across several projects/programs year on year.</p> <p>Whilst a firm number of ex-poste assessments is challenging to estimate, identification of priority projects/programs for assessment will take a risk management approach, as <i>referred to in Actions addressing Recommendation 12.</i></p>

<ul style="list-style-type: none"> <li>• Execution of ex-poste impact assessment of vegetable R&amp;D investments of approximately \$66M over the five-year period from 2012 to 2017.</li> </ul> <p>Having established an effective ex-ante baseline for assessment of investment impacts, Hort Innovation is now turning attention to ex-poste impact assessments.</p>	<p>Further, Hort Innovation is actively participating, alongside other RDCs, in the process of updating the Council of Rural RDC's <i>Impact Assessment Guidelines</i> and <i>Impact Assessment Program Management Procedures</i>. The approach to assessment taken by Hort Innovation will need to align with these guidelines and procedures.</p> <p><i>(Refer also to Actions addressing Recommendation 12)</i></p>	
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**Recommendation 12:**

*Hort Innovation to ensure that risk is a consideration in allocating resources and establishing triggers for monitoring and evaluation, noting that at the moment the framework currently links the determination of monitoring and evaluation methods to size of project, availability of data and M&E capability. This is likely to be of particular importance to Hort Frontiers fund investments.*

**Strategic Alignment:** *Deliver the Investments*

Response	Implementation Plan	
	Actions	Milestones / Measurement
<p><b>Hort Innovation agrees with this Recommendation.</b></p> <p>The Recommendation observes that, to date, Hort Innovation has principally referred to investment value as a proxy measure for risk inherent in investments, when prioritising projects for comprehensive monitoring and evaluation methodologies.</p> <p>Hort Innovation recognises that investment risk is broader than financial commitment and actively implements wider risk analysis criteria in its Business Cases and investment approvals processes. These wider criteria will be extended to the process of allocating an appropriate project monitoring and evaluation approach, as relevant.</p>	<p>Hort Innovation is currently engaged in implementation of an Investment Risk Management enhancement process throughout the whole of the investment process from concept to contracting. Part of this project will link risk assessments undertaken by Hort Innovation at each stage of the investment process to the selection of appropriate monitoring and evaluation activity at various points throughout the investment life cycle.</p> <p>Once defined, these measures will be reflected in Hort Innovation’s updated Organisational Evaluation Framework.</p>	<p>Completion of the review of Investment Risk Management in FY2019, and corresponding update to the Organisational Evaluation Framework.</p>

**Recommendation 13:**

*Hort Innovation to amend Section 6 of the Organisational Evaluation Framework to increase the frequency of reporting to growers and levy payers, and investors and co-investors from just end-of-investment cycle reporting. This update to the Framework will also better reflect Hort Innovation's current practice, which is to provide more regular updates to these stakeholders.*

**Strategic Alignment:** *Communicate and Listen*

Response	Implementation Plan	
	Actions	Milestones / Measurement
<p><b>Hort Innovation agrees with this Recommendation.</b></p> <p>The need for more reporting on the end-to-end investment cycle is acknowledged by Hort Innovation and is currently being addressed, as noted in the Review Report.</p>	<p>Hort Innovation will update Section 6 of its Organisational Evaluation Framework, currently titled <i>Indicative reporting arrangements</i>, to provide a more comprehensive and accurate representation of the increased level of reporting to all stakeholders of evaluation process, progress and results.</p>	<p>Completed update of Section 6 of the Organisational Evaluation Framework in Q2 FY2019.</p>

**Recommendation 14:**

*Hort Innovation, if requested by an IRB whose industry has a marketing levy, to review the marketing arrangements for that industry (including potential for collaboration with other industries) to determine if marketing projects can be delivered in a more efficient and effective manner with the aim of improving the return on investment from levy funds.*

**Strategic Alignment:** *Deliver the Investments; Communicate and Listen*

Response	Implementation Plan	
	Actions	Milestones / Measurement
<p><b>Hort Innovation agrees with this Recommendation.</b></p> <p>Hort Innovation strongly supports the achievement of efficiencies in delivery of its investment programs on behalf of Australian horticulture industries.</p> <p>Due to the small size of a number of industry marketing levies, and the high cost of wide-reaching and effective marketing activities, Hort Innovation has identified numerous opportunities for cross-industry alignment and investment to increase the impact of marketing levy spend. Alignment is particularly suitable for products in similar or complementary categories.</p> <p>It is important to note, as set out in the Review Report, that the <i>Horticulture Marketing and Research and Development Services Act 2000</i> does not permit Hort Innovation to delegate or outsource responsibility for the investment of levy funds to third parties. Hort Innovation believes there are opportunities</p>	<p>Hort Innovation will continue to seek to achieve efficiencies in the application of levy funds by working with marketing levy-paying industries to offer opportunities to develop and deliver the best possible marketing outcome, through cross-industry collaboration and other potential means. This will be achieved by looking for opportunities, within the constraints of Hort Innovation’s obligations under its Constitution and Funding Agreement, to improve delivery of marketing initiatives and communicating these opportunities to industry.</p> <p>In addition to these proactive measures, Hort Innovation will listen to and work with marketing levy-paying industries who</p>	<p>Stakeholder Sentiment Survey (biennial) – improvement on baseline.</p>

<p>to achieve efficiencies for many industries whilst complying with this statutory requirement.</p> <p>Whilst the Recommendation refers to instances in which Hort Innovation is requested by an IRB to review marketing arrangements, Hort Innovation seeks to proactively identify opportunities for greater efficiencies in the use of marketing funds as part of fulfilling its obligations as custodian of levy payer funds (for marketing and also R&amp;D). Further, the 2017 Stakeholder Sentiment Survey acknowledges broad industry appreciation for the arrangements currently in place.</p>	<p>present to Hort Innovation for consideration proposals for achievement of more efficient and effective marketing programs.</p>	
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Any enquiries regarding Hort Innovation’s Independent Performance Review 2018 or Hort Innovation’s above Response and Implementation Plan should be directed to:

Ms Sally Holmes  
 Company Secretary  
 Horticulture Innovation Australia Limited  
 Email: [sally.holmes@horticulture.com.au](mailto:sally.holmes@horticulture.com.au)