Purpose of AWI’s ICC

The purpose of AWI’s ICC enables AWI to formally consult with woolgrower representative organisations, allowing them to provide feedback on priorities from their members, and for AWI to report on its performance and plans. These priorities guide AWI’s investment and activities.

ATTENDEES

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<tr>
<th>Representative</th>
<th>Position</th>
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<tr>
<td>Wal Merriman</td>
<td>Chair</td>
<td>AWI</td>
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<tr>
<td>Peter Meyer</td>
<td>President</td>
<td>Australian Association of Stud Merino Breeders</td>
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<tr>
<td>Danny Picker</td>
<td>President</td>
<td>Australian Superfine Woolgrowers Association</td>
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<td>Martin Oppenheimer</td>
<td>Representative</td>
<td>Australian Wool Growers Association</td>
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<td>Nick Cole</td>
<td>Representative</td>
<td>Broad wool breeds</td>
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<td>Clinton Ayers</td>
<td>Representative</td>
<td>Pastoralists and Graziers Association of Western Australia</td>
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<tr>
<td>Ed Storey</td>
<td>Vice President</td>
<td>WoolProducers Australia</td>
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<tr>
<td>Alex Keamy</td>
<td>Representative</td>
<td>Liebe Group</td>
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<tr>
<td>Michael Ryan</td>
<td>Assistant Secretary – Animal Industries, RDCs, and Investment Agricultural Policy Division</td>
<td>Department of Agriculture and Water Resources (DAWR)</td>
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<td>Stuart McCullough</td>
<td>CEO</td>
<td>AWI</td>
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<tr>
<td>Peta Slack-Smith</td>
<td>General Manager Corporate Affairs &amp; Market Access</td>
<td>AWI</td>
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<td>Emma Gittoes</td>
<td>Corporate Affairs Manager</td>
<td>AWI</td>
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<td>David Webster (observer)</td>
<td>Director</td>
<td>AWI</td>
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<td>Don Macdonald (observer from item 4)</td>
<td>Director</td>
<td>AWI</td>
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Welcome and general business

Review minutes and actions from previous meeting

- Members endorsed the minutes from 20 June 2018 meeting with no issues raised.
- All action items from the June meeting were confirmed to be completed or addressed with no other issues raised.
  - AWI CEO added to the Smart Tag update that AWI have patents for the technology in Australia and New Zealand, and are currently seeking innovation patents in the US, UK and Europe to increase opportunities to apply the technology to all herded animals globally.
- AWI Chair noted that AWI Director Webster would be observing the meeting.
ICC members report on their members’ priorities

AWI invited ICC members to provide their member’s research, development and marketing priorities for AWI. AWI’s Statutory Funding Agreement (SFA) with the Australian Government requires AWI to provide responses to the items raised in the ICC meeting record. The following summarises those priorities and AWI’s response.

Australian Association of Stud Merino Breeders (AASMB) – Peter Meyer

- AASMB noted that they have aligned their 2019 AGM with AWI’s National Merino Challenge to enable more of their members to attend.
- Feedback from members and their clients is that the information included in the 2018 WoolPoll voter information kits was detailed and highly informative.
- AASMB noted that their next Board meeting would not be until after the ICC meeting, so had nothing more to update before then.

Australian Superfine Wool Growers Association (ASWGA) – Danny Picker

- Noted the responses AWI had provided to the agenda items that were sent through before the meeting (see the paper from Agenda Item 3 in the meeting pack).
- Concerned that the Bureau of Meteorology (BOM) is planning on cutting services from rural areas to operate from Melbourne and Brisbane. Requested information from the DAWR representative.
  - DAWR advised that BOM is making changes to its structure with the aim of freeing up rural staff to work on specialist local content, i.e. for emergency response, farmers etc. Technology is allowing BOM to undertake more functions centrally, however there are currently no plans to close regional offices or cease forecasting services.
- The ASWGA representative also attended the Nanjing wool conference and reported that companies from Japan and China are looking to use wool however are blending more due to high prices. Reports that China is very positive about the future of wool. Commended the work AWI has done with the International Wool Textile Organisation (IWTO) on research into skin health benefits, with new products coming to market as a result. Noted there is more talk about more Chinese and Japanese manufacturers getting more requests from the supply chain for products with non-mulesed wool.

Australian Wool Growers Association (AWGA) – Martin Oppenheimer

- Noted the responses AWI had provided to the agenda items that were sent through before the meeting (see the paper from Agenda Item 3 in the meeting pack) and acknowledged AWGA did not respond to AWI with further clarity before the meeting.
- Main concern is in ensuring the ICC and woolgrowers are being better informed around the progress AWI is making on implementing the recommendations from EY’s Review of Performance.
  - AWI advised that on 10 September it launched an online Review of Performance Implementation Portal to enable woolgrowers to track AWI’s implementation of the recommendations in real time. AWI noted that there is a statutory requirement for AWI to lodge a full implementation plan with the government by 19 October 2018. AWI acknowledged that the portal will become much more informative once the full detail of the implementation plan is uploaded. AWI encouraged the ICC to provide feedback on the portal and advise on useability and potential improvements. Following a request of the ICC, AWI committed to directly communicate the implementation plan to the ICC and provide regular updates at future ICC meetings.

Broad wool breeds – Nick Cole (Australian Corriedale’s Association, ACA)
• Reported increasing issues with lice, attributed to a lack of government enforcement of sheep going through sale yards.
  o WPA suggested the need for education and extension to raise awareness of the issue with growers.
• Growing kangaroo populations are also a major problem for woolgrowers, decimating pastures and destroying fencing.
• Commended AWI’s Lifetime Ewe Management program.
• Concerns that many woolgrowers are not aware of AWI and its activities, despite communication efforts.

Pastoralists and Graziers of WA (PGA) – Clinton Ayers

• Major issue is the uncertainty around the continuance of the live export trade. Appreciated AWI commissioning the Centre for International Economics (CIE) to update the report on the impact of a live export ban on the wool industry.
• Increasing concern with mulesing for sheep meat producers, with processors increasingly asking for mulesing status. Acknowledged AWI’s breechstrike RD&E program is comprehensive and believe alternatives to mulesing are a priority.
  o AWI noted that breechstrike continues to be its highest research priority.
• AWI’s continued investment in wild dog control is appreciated, noting AWI’s work has helped to attract co-funding from other areas.

WoolProducers Australia (WPA) – Ed Storey

• Noted the response AWI had provided to the agenda item on shearing shed design that was sent through before the meeting (see the paper from Agenda Item 3 in the meeting pack) and considered the item addressed.
• Requested an update on the future of the Woolmark licensing program and whether the Woolmark will no longer be available for broad wool products.
  o AWI noted that there was no intention to remove broad wool products from the licensing program and committed to providing a brief on the future of the program.
• Concern raised around lamb mortality.

Liebe Group – Alex Keamy

• Advised the ICC about the Liebe Group - a not-for-profit, member driven group specialising in RD&E.
• Key advice for grower groups in engaging with members is to keep communications simple, relevant and direct and avoid politics.
• Growing engagement with women is strategic focus, with field days targeting women and RD&E looking at easier ways for women to undertake animal husbandry.
• Main issues facing members include:
  o Wild dog control, particularly around the pastoral areas, and would like to see the current work being done extended.
  o Finding the right species for grazing to get more out of winter feed.
  o Difficulty of getting shearers and wool handler teams out to remote areas.
  o High cost of fencing. Would like to see an innovative solution in the virtual fencing space.
  o Effective extension programs for R&D.

Update from Department of Agriculture, Water and Resources

• The ICC was advised that the government’s drought package had been recently expanded with initiatives such as the appointment of a drought coordinator, increasing the loan size of the Regional Investment Corporation to $5 million,
providing $75 million for the drought communities program through councils, providing money for the Bureau of Meteorology to support forecasting, and undertaking a review of the Farm Household Allowance.

- The Minister recently commissioned EY to undertake a review of the rural innovation system. Minister is focused on innovation and commercialisation of R&D. EY are working with DAWR on the review, which is looking broadly at innovation across the industry, and not at the RDC structure. EY will be projecting out more than 40 years to determine whether the current system is fit for purpose moving forward. While there is no shortage of products around, the aim is to get to single shared vision and ensure the system is fit for delivering that vision.

- AWI noted its concern around relations with China, not only due to the trade war between the United States and China, but also diplomatic relations between Australia and China. Concerns have been raised with AWI from across the supply chain, including Italian brands and large Chinese buyers.

**AWI report back - current activities and finances**

AWI briefed ICC members on the following:

- Update on AWI’s on-farm R&D activities in the Sheep Production portfolio, in particular:
  - In relation to the Merino Lifetime Productivity (MLP) project, there has been progress in drafting licence agreements with relevant parties, albeit slow. AWGA raised concerns around rumours the MLP trial had lost hundreds of sheep. AWI noted there were losses in the Australian Merino Sire Evaluation Association (AMSEA) trial, but no significant losses from the MLP trial.
  - Negotiations are currently underway with CSIRO to develop a vaccine for flystrike.
  - The commercial party that was looking at SkinTraction as a breech modification alternative has pulled out. AWI is not looking at the project without commercial investment.
  - There is anecdotal advice that resistance to CliK is building. AWI is requesting woolgrowers send in samples of maggots to test for resistance.
  - CSIRO are investigating a gene test for flystrike risk (similar to the breast cancer gene test) and believe they have identified the gene for resilience. They are looking at isolating the gene and identifying a marker gene to assist with flystrike management.
  - The wild dog alert system is progressing and there is commercial interest.
  - In reproduction, results are coming in from AWI’s lamb mob size trial. Future projects will look at maximising the benefits of maidens and lamb survival with results to be used to develop extension programs, like what has already occurred with AWI’s Winning With Weaners and RAMping Up Repro workshops.
  - The virtual fencing joint RDC project has established that livestock can be trained from electronic collars and visual clues, and the project is now investigating environmental challenges.
  - AWI currently have two investments in automated wool harvesting – a fully-automated system with three operators, and a semi-autonomous system working with robotics.
  - Life Cycle Assessment project is looking at biodegradability and microplastics in water ways and comparing wool with synthetics. This builds on current environmental movements and is supported by science. Research will feed into marketing campaigns.
Currently looking at how wool sportswear and uniforms can affect mental performance, with research dressing elite decision makers in wool and seeing how it affects their cognitive capacity.

- Update on AWI's marketing activities and insights into how The Woolmark Company's new global consumer campaign - Live & Breathe – is tracking. See presentation attached.
- Update on the latest developments and releases for WoolIQ. See presentation attached.
- Update on WoolPoll 2018.
  - The financial information included in the Voter Information Memorandum has moved significantly since the figures were finalised back in May 2018 so that AWI could seek approval from the Minister and meet the strict statutory timelines.
  - Since May, wool prices have risen, however the drought has had a significant effect on production and supply, which is expected to impact the market and AWI's income for the next two to three years.
  - AWI acknowledges criticism that the industry and market updates it is hosting around the country should have been held before voting opened.
  - There is misunderstanding around AWI's reserves, with AWI's 'untouchable' reserves including the intangible value of the Woolmark and the amount required to close down the company if woolgrowers voted 0%.
  - When asked what investments would be cut if the levy was reduced from 2% to 1.5%, the CEO noted that projects would be reduced equitably across all portfolios.
  - AWGA inquired what AWI’s plans were to increase wool production. AWI noted that the key incentive was price, so it is focused on marketing to increase demand and woolgrower extension programs to increase production.
  - AWGA asked whether there was any way the WoolPoll budget numbers could be updated. AWI noted that the timing is dictated by the WoolPoll Regulations and the financial figures reported in the Voter Information Memorandum are the best available at that point in time to help inform woolgrowers’ decision at WoolPoll. The AWI board are constantly monitoring volume, value and expenditure and making adjustments to the budget throughout the year.
- Update on the independent review of AWI’s performance undertaken by EY
  - AWI have agreed to 75 recommendations out of the 82, with five recommendations to go to shareholders for decision and two agreed in principle.
  - AWI have a statutory obligation to develop an implementation plan and present it to the government by the 19th of October. This will include more detail on how each recommendation will be implemented.
  - AWI have developed an online Review of Performance Implementation Portal to report its implementation progress in real time to woolgrowers and government. Detail from the implementation plan will be uploaded onto the Portal once it has been approved by the Board. AWI encouraged the ICC to provide feedback on the portal.
  - AWGA raised concerns that the ICC have not been kept abreast of developments with the ROP. AWI committed to directly communicate the implementation plan to the ICC, including whether recommendations for shareholders be put to them at the AGM or an EGM next year, and provide regular updates at future ICC meetings.
  - AWGA questioned whether the consultation workshop held with woolgrower groups on 9th October was the right process, and suggested it would be better to look at what is world’s best practice for consultation and whether the appropriate people were involved in the workshop. AWI noted that this was
just the start of an iterative process to improve its consultation processes and that key principles, rather than a model, were agreed to by participants. AWI wants to ensure the new model is structured so that information is communicated better back to woolgrowers. ASWGA noted that all woolgrowers were represented through different areas and were pleased with the outcome of the workshop.

- AWGA requested that the ICC be involved in developing the 10-year strategic plan. AWI noted that would be the case.
- WPA asked whether the recommendation to move WoolPoll from three to five years was agreed to. AWI noted that this recommendation was with the government to action as it pertains to the WoolPoll Regulations which are within the government's remit. DAWR noted that the recommendation was to review how often WoolPoll is held, rather than make the change without consulting industry.

- AWGA requested meeting papers be sent out sooner.