

13th Sept 2017

Dear Woolgrower

You may have seen the recent media coverage relating to a focus group that was conducted on Australian Wool Innovation's (AWI's) behalf by Axiom Research. I am writing to you directly to lay the facts on the table and give a clear understanding of what occurred.

In June, AWI employed an independent professional consulting company to facilitate a genetics consultation day. The purpose was to hear detailed views from a range of stud breeders on AWI's ongoing investment in genetics. The consulting company regularly conducts focus groups and consumer research using a contemporary strategy where participants are together in a room and the client observes behind a one-way mirror so as not to influence participant responses. AWI has never held a focus group in this style before; it is however current normal practice in market research and focus groups. It is important to note that the breeders attending the day knew representatives from AWI were observing the focus session, without participating. The AWI Board and CEO were unaware the focus group was being conducted in this fashion.

In his role as Chairman, Wal Merriman feels a strong duty to have a good understanding of the attitude and feelings of growers (and shareholders) to AWI direction and strategy, particularly on matters that may be contentious within the industry. For this reason he commonly joins such focus groups and AWI-organised consultation events, giving enormous amounts of his time. On this occasion, his presence at the day was requested by some breeders and once arrived, he asked the facilitator of the day if he could be in the room, face to face with the participants (as was his usual practice), but he was instead directed to sit behind the mirror with other AWI representatives.

Unfortunately, as an oversight, the facilitator did not directly inform the participants of Mr Merriman's arrival or individual presence, which the company accepts as inadvertent error, and has written to participants to apologise. There was no subterfuge intended, nor any mal-intent. As an AWI representative observer, the Chairman was clearly bound by confidentiality as were all other AWI representatives. His presence was in no way a contravention of his fiduciary duty as a Board member.

At AWI, we strive for openness, transparency, and high-quality woolgrower consultation, and we regret the outcome in this event. We will continue to consult regularly and widely with woolgrowers about how we should invest – be it animal health, welfare, genetics, or the wool selling system - however we have elected not to use this method of performing research focus groups in the future.

In the meantime, I am extremely proud of the enormous gains AWI has made across research, development and marketing since becoming CEO in 2010. The wool industry is enjoying a period of optimism and prosperity not seen in a generation, growing from a \$1.9 billion industry (2010) to a \$3.3 billion industry today. Our role at AWI is to stay focused on delivering against our [Strategic Plan](#) and do our best to continue to build demand for your product, develop more innovative fabrics and to make wool-growing easier and more productive.

I trust this provides a level of acknowledgment and clarification around this matter and look forward to continuing to report on gains made across the company and the globe for the benefit of Australian woolgrowers.

Your sincerely

A handwritten signature in blue ink, consisting of a series of loops and a long horizontal stroke.

Stuart McCullough
Chief Executive Officer