



Independent Review of Australian Wool Innovation Limited

28 June 2018



EY

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28 June 2018

Mr Andrew McDonald
Assistant Secretary
Department of Agriculture and Water Resources
18 Marcus Clarke St.
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Dear Andrew

INDEPENDENT REVIEW OF THE PERFORMANCE AND GOVERNANCE OF AUSTRALIAN WOOL INNOVATION LTD

I have pleasure in providing you with EY's Independent Review of the Performance and Governance of Australian Wool Innovation Ltd ("AWI"), the levy-payer and Government funded industry research, development and marketing body for Australian woolgrowers.

The review was announced by the Minister for Agriculture and Water Resources, the Hon David Littleproud MP, on 27 February 2018.

The Australian wool industry has a history dating back well over 200 years. Today it involves tens of thousands of farm enterprises, mainly family businesses, spread across the south of our continent and in Tasmania. The modern day industry provides employment to approximately 200,000 people. Its product, while not entirely homogeneous, is largely exported for processing and conversion to high quality, indeed luxury, apparel products.

There has been a long history of research and innovation in the wool industry, and growers have provided part of their incomes for this purpose over many decades. AWI, established in 2001, is the latest of several bodies that have operated for the industry in providing these services.

The Australian Government also provides significant funding to match growers' contributions for research and development.

AWI also undertakes marketing activities for the wool industry, and currently spends 60% of levy-payers' funds on that activity.

AWI is required to be the subject of a review of its performance every three years, in advance of the WoolPoll, in which levy payers are able to vote on what percentage of their wool income is the subject of the compulsory levy. The levy rate has been 2% for many years. The next WoolPoll will occur later this year and this Review is the required performance review.

This Review thus examines AWI's performance over the period 2015-2018. However, we were also asked to examine and comment on several aspects of AWI's governance arrangements. Our Terms of Reference are outlined in an early section of our report.

Our review has been detailed and wide-ranging.

We engaged extensively with AWI, and interviewed all Board Members and senior executives, and a number of their consultants. We were also provided with extensive documentation on their operations and governance. We met with dozens of stakeholders who have a role in the industry both in Australia and internationally, and received over 50 written submissions. We conducted a market survey that directly contacted over 400 woolgrowers and asked for their views and experiences on a number of issues associated with AWI. I was able to attend the annual International Wool Textile Organisation Conference and meet with many people involved in the industry internationally. I also visited Nanshan in the PRC, where AWI collaborates with a major processor of Australian superfine wool.

The result of our Review is that we have made many findings and offer many recommendations to strengthen AWI and prepare it to play an important role in the future of the industry.

Our consultations, including our direct survey of over 400 woolgrowers, revealed that many stakeholders believe that AWI has performed well in many regards, and believe that it should be recognised for its marketing, research and development initiatives. However, many also believe that there are a number of areas where performance must be improved, to better address the risks and embrace the opportunities that the future holds.

In some respects, the Review noted that there also seems to be a "perception gap", between what AWI has done, and what some stakeholders perceive. We also observed that views on some issues, such as mulesing, are strongly held, but are often divergent. This indicates that there is no common view within the industry on the best way or ways to approach a number of key issues.

One particular area that the Review believes requires early and major improvement, is the transparency and quality of AWI's communication and relationships with industry representative organisations and other stakeholders, and with current or potential research collaborators. Another area to focus on immediately is the development of a 10 year Strategic Plan for AWI, to provide a long term vision for its investments, to be developed in close consultation with those representative organisations, research bodies, and other stakeholders.



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We also recommend that, in view of continuing developments in expectations of Board performance and corporate governance in Australia, a number of significant changes should occur to AWI's governance arrangements. This is particularly so because AWI should not merely ensure compliance with relevant laws and standards, but rather should continually aim for nothing less than excellence in its governance to ensure that woolgrowers are provided with the best possible research and marketing organisation. We make this particular observation because AWI is wholly funded by what is, in practical effect, a compulsory increase in the income tax payable by woolgrowers, and also through a contribution by the Australian Government using taxpayers' funds.

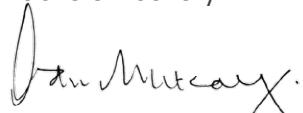
We believe that these changes should be implemented with vigour and in a consultative manner, in a way that would be expected of a public organisation of this type. These changes will need to take place in a dynamic and increasingly competitive global fibre market. As a result, AWI will not be afforded the opportunity to 'slow down' the value it is already delivering to the industry, nor the pace of reform it has already established. Given the substantial nature of our recommendations, we believe that their implementation will require strong leadership and collaboration. We believe these changes could help to unite and to shape the future of this great industry for the next decade and beyond.

We would like to thank the AWI Board and its staff, the Department of Agriculture and Water Resources, the Project Administration Committee, and the many other stakeholders who engaged with us, for their assistance with and contributions to the Review. The findings and recommendations of this Review are EY's alone, in keeping with the requirement that our Review has been independent.

It is very clear, through the passion that they display, that the many people engaged in the wool industry care deeply about it, and have great pride in their product. It has been a great privilege for us to undertake this Review, and in doing so meet some of the people involved in producing, selling and marketing Australian wool.

I would also like to thank my EY colleagues, led by Andrew Sprague, who assisted me to undertake this Review.

Yours sincerely



Andrew Metcalfe AO

Independent Review Lead

EY Federal Government Lead Partner

Release notice

Ernst & Young ("**Consultant**") was engaged on the instructions of the Department of Agriculture and Water Resources ("**Client**") to review the performance and governance of AWI in delivering research, development, extension and marketing services and provide appropriate recommendations ("**Project**"), in accordance with the Order for Services Deed Reference Number 127074-276007, made in accordance with the Deed of Standing Offer for Consultancy & Business Services SON1700081 including the General Terms and Conditions ("the **Engagement Agreement**").

The results of the Consultant's work, including the assumptions and qualifications made in preparing the report, are set out in the Consultant's report dated 28 June 2018 ("**Report**"). You should read the Report in its entirety including the transmittal letter, any disclaimers and attachments. A reference to the Report includes any part of the Report. No further work has been undertaken by the Consultant since the date of the Report to update it.

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User guide to this report

This Report provides our Independent Review against the Terms of Reference, and is structured as follows:

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3	Contextual Analysis	Provides a contextual and detailed overview of Australia's wool industry and AWI.	31
4	Survey Results and Submissions	Provides a summary of the results of the independent woolgrower survey and written submissions.	49
5	Summary of Findings and Recommendations	Provides a summary of findings and recommendations for each of the Terms of Reference.	64
6	A Way Forward	Provides a point of view to assist the industry and AWI to go forward from here. It also provides broader views on the proposed shifts AWI could consider with regard to its long term sustainability and success.	105
Annexure 1	Independent Assessments	<p>Outlines detailed analyses addressing the Terms of Reference in the following structure:</p> <ol style="list-style-type: none"> 1. An overview of AWI's current state in relation to the specific Terms of Reference 2. Stakeholder opinions on the specific Terms of Reference 3. Assessment of AWI's performance relating to the specific Terms of Reference 4. Findings and recommendations on the specific Terms of Reference <p>This structure is reflected in the navigation tool on the top right hand corner of each page.</p> <p>The Terms of Reference were examined in the following sub-Annexures:</p> <p>Annexure 1.1: Legal compliance (TOR 1a)</p> <p>Annexure 1.2: Governance performance assessment (TOR 1b)</p> <p>Annexure 1.3: Strategic plan performance assessment (TOR 1c)</p> <p>Annexure 1.4: Benefits assessment (TOR 1d)</p>	<p>118</p> <p>128</p> <p>136</p> <p>151</p>

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Chapter 1: Executive Summary



Executive summary

Purpose of the Review

This Independent Review is based on the Terms of Reference (TOR) provided by the Department of Agriculture and Water Resources (DAWR) on 23rd March 2018 and is the required three yearly performance review of AWI prior to the WoolPoll. The Terms of Reference are in accordance with the Statutory Funding Agreement (SFA), and were agreed in consultation between AWI and the Government. They have provided the framework for EY to report on AWI's performance and governance in delivering research, development, extension and marketing services, and to provide appropriate recommendations.

The wool industry

Wool is a strong, growing Australian agricultural sector that delivers a premium product globally. There are currently record high prices being enjoyed by growers of superfine Merino wool. A range of global forces will continue to shape the industry, including both demand and supply factors. These include trends in consumer demand, global markets, the market access environment for Australian agricultural products, the relative cost of production, Australia's economic transition, the industry's social licence to operate, technology innovation and digital disruption. Consumer demand appears to be driving a shift to sustainable fibres, at least in the higher priced apparel market. Many consumers increasingly care about product origin and ethical production. Within the next decade, this is set to have an even stronger bearing on consumer choice.

Global demand for wool is impacted by its competitiveness with other fibres, fashion trends and the apparel industry as a whole. Ongoing developments in synthetic fibres means that wool now has fewer unique properties, which has contributed to fluctuating export demand for wool over the past five years (IBISWorld Wool Wholesaling in Australia, October 2017). Growth in the Global Apparel Manufacturing industry is primarily determined by two factors: global per capita disposable income and global population growth. Consumers purchase clothing out of necessity and to convey a desired image. Demand from emerging markets is expected to rise, albeit at a faster rate. Therefore, global apparel manufacturing industry revenue is expected to grow at an annualised rate of 4.5% to \$696.0 billion over the next five-year period (IBISWorld Global Apparel Manufacturing Industry Report, March 2017). Stakeholders have raised the question: how does the wool industry successfully tap into these growth opportunities to increase demand?

As a result, the Review believes that it is critical to have ongoing investment to maintain and improve the relevance of wool (including its role as a luxury fibre) in a highly competitive global fibre market. There is strong support from woolgrowers and their representative organisations that marketing and RD&E investments are required in order to sustain and grow the industry. However, there are strongly held and divergent opinions across the industry regarding how these funds should be best invested.

Executive summary

Australian Wool Innovation (AWI)

AWI exists pursuant an Act of Parliament and receives income from a 2% compulsory levy from wool growers and a direct contribution of taxpayer funds. Woolgrowers do not have the option of individually opting out of what is effectively a 2% income tax surcharge. AWI is a not-for-profit, industry-owned RDC with a total revenue of \$88,026,000 in 2016-17. It is responsible for delivering research, development and marketing for the Australian wool industry, operating in a primarily pre-competitive environment with a number of other RDCs.

AWI is governed by a Board comprising seven Directors, who are elected by shareholders. As of 31st March 2018, AWI employed 175 staff, with its head office in Sydney. 89 of those staff are employed in 14 other locations elsewhere in Australia, and overseas. As a result of a Board decision made in 2012, 60% of AWI's expenditure is on marketing activities, and 40% is on R&D activities.

Governance trends

There is a trend of increasing expectations from regulators and the community for companies to not just comply with the minimum standard of governance, but to be always observed as operating in the spirit of good governance. The Governance Institute of Australia describes the foundations of good governance as "accountability, integrity, stewardship and transparency."* The current Financial Services Royal Commission is placing a stronger spotlight on quality of corporate governance.

Inputs to this Review

This Review was provided with significant stakeholder input and feedback, as well as information from AWI:

- ▶ An independent woolgrower survey undertaken by EY Sweeney, a fully integrated research business of EY, which explored perspectives of 415 Woolgrowers who were otherwise unlikely to have made a written submission to the Review
- ▶ 56 written submissions were received, and 49 of these submissions were published on the [DAWR's website](#)**
- ▶ 110 stakeholders were interviewed face to face or via teleconference, including AWI Directors and staff, Government stakeholders, woolgrowers, industry representative bodies; and others across the wool supply chain, including a number of major international players in the wool industry
- ▶ Over 1300 documents were provided by AWI

* Source: Governance Institute of Australia <https://www.governanceinstitute.com.au/resources/what-is-governance/governance-foundations/>

** Of the 56 submissions received by EY, seven have not been published because:

- ▶ 2 authors requested their submissions not be published
- ▶ 2 authors provided no information in their submission
- ▶ 1 earlier submission was withdrawn by a later submission
- ▶ 1 author requested an interview
- ▶ 1 submission was a duplicate

Executive summary

Independent assessment against the Terms of Reference (TOR)

Overview

AWI has performed well in many regards, but, as with most organisations, many opportunities exist for its improved performance in the future. Some highlights include:

- ▶ Woolgrowers perceive the key strengths of AWI are the promotion / marketing (37%) of wool products, and representing woolgrowers' best interests (19%). However, only one in seven (14%) woolgrowers nominate research and development as a key strength of AWI
- ▶ AWI has a strong reputation for its marketing activities. AWI is the custodian of the internationally recognised Woolmark brand and its work with international fashion designers, innovations in product development and promotion of the properties of wool have supported the promotion of wool in the apparel industry
- ▶ The Strategic Plan has a well-defined portfolio structure covering five investment areas that align to AWI's focus on marketing and research activities. These investments include many areas of important innovation across the whole wool supply chain. The diversity of these projects ranges from shearing education to collaborations with global high end fashion designers
- ▶ AWI has increased its number of engagement, consultation and communication initiatives since the last Strategic Planning period via the introduction of the Yarn podcast, WOOL online magazine and e-newsletter and industry and student educational events. The addition of these methods has strengthened AWI's ability to connect with wool industry stakeholders. AWI also has strong grass roots engagement with woolgrowers through attendance at wool industry events across the country. However, the Review concludes that much more needs to be done by AWI to ensure effective consultation with industry representative organisations and other stakeholders
- ▶ AWI's 2015-16 Annual Operating Plan detailed the marketing measurement model. This is a positive step toward delivering effective measurement and evaluation for stakeholders, inclusive of a quantitative benefit metric
- ▶ In 2016-17 AWI collaborated to a certain extent with various RDCs and other research entities, such as industry organisations, CSIRO, universities, commercial partners and the Department of Agriculture and Water Resources - however, this is also an area identified by the Review as requiring major improvement
- ▶ AWI's employees are of a high calibre, with a strong commitment in delivering high quality innovations and experience that spans the entirety of the wool industry value chain. We met a wide range of AWI staff both locally and overseas, and were impressed by their strong passion for wool and the success of the industry

Executive summary

There are a large number of areas where change is required to address risks and pursue opportunities, to ensure that performance is improved in the future. These are detailed below against each of the Terms of Reference.

TOR 1a) Statutory Funding Agreement Compliance

Of 70 obligations outlined in the Statutory Funding Agreement 2016-20, the Review has concluded that AWI is compliant with 62, partially compliant with four and not compliant with three obligations. We were unable to assess one obligation due to insufficient information. AWI should take steps to achieve and maintain compliance. AWI should strengthen compliance reporting against the SFA to ensure that reporting is against all obligations so that it can be appropriately monitored.

TOR 1b) Use and management of Funds

Stakeholders and our independent woolgrower research indicated that Return on Investment (ROI) transparency is a key area for improvement for AWI. Some concerns were expressed relating to lack of alignment regarding the role of AWI within the industry. There is an opportunity for AWI to better define its purpose and provide definitions and boundaries on what kind of investment activities are considered within their remit as a levy and tax payer funded, not-for-profit organisation.

TOR 1c) Strategic plan performance

For AWI's current Annual Operating Plan 2017-18, there were 12 programs where progress was not reported at the executive level in the latest Program Activity Report dated December 2017 (e.g. wool harvesting & quality preparation) which meant that the Review was unable to assess AWI's progress against these targets. For AWI's previous Strategic Plan 2012-13 to 2015-16, AWI has been considered to be on track for its strategic targets, except for 17 Partly Achieved targets and two strategic targets with minor slippage. There are opportunities for AWI to strengthen reporting on progress against their Strategic Plan targets.

TOR 1d) Benefits

The assessed benefits generated from AWI's total investment over 2013-14 to 2015-16 represents a return of \$2.70 on every dollar invested. This Review has identified that benefits for the period 2016-17 and 2018-19 could not be determined as AWI is transitioning from benefit assessments conducted externally to an internally managed model. Definition of benefits should include clear investment objectives (including ROI) as well as how investment in services supports all sectors of the industry and delivers benefits to all levy payers. More explicit and transparent communication is required regarding how AWI incorporates levy payer input and how decisions which are made. There is an opportunity to strengthen the focus and specification of how projects and programs will deliver benefits to growers in measurable ways.

Executive summary

TOR 1e) Engagement, consultation and communication

AWI's relationship with the wool industry is imperative to its success. The Review recommends that AWI takes steps to significantly improve the quality and trust of its relationships with the industry including:

- ▶ Enhanced industry input into AWI's operations is required to better reflect the needs of the industry
- ▶ Improved transparency of projects delivered and their benefits will enable trust to grow between AWI and its stakeholders

Questions have been raised by stakeholders through consultation of this Review relating to the structure of RDC bodies and their responsibilities. These are broader than the scope of this Review and for the Government to consider if an additional process is warranted to review this issue.

The Review concludes that ultimate accountability for AWI's performance and operations should rest in its Board of Directors, which is accountable to the company's shareholders and to the Government. As such, we do not agree that there should be any "oversight" bodies established that would derogate from the Board's role. However, we believe that AWI needs to substantially improve the depth and quality of its engagement and relationships with industry representative organisations and other stakeholders. The Review notes that AWI provides a stakeholder engagement plan to the public, which is available on its website; and that AWI has increased stakeholder engagement and consultation in the latest Strategic Planning period - this was particularly noted by international stakeholders. However, feedback from this Review's independent woolgrower research, and obtained through many interviews and written submissions from industry representative organisations, indicates that there is a strong need for AWI to develop more effective, respectful and meaningful engagement and relationship processes.

TOR 1f) Monitoring and evaluation

The Monitoring and Evaluation framework has not been updated in over four years and is not being used consistently across AWI. There are opportunities to strengthen monitoring and evaluation as data collection is primarily done manually and is not easily accessible to support decision making. There is a need for AWI to assess outcome delivery and introduce explicit requirements for achieving a minimum confidence level (e.g. 95%) in evaluations of projects.

Executive summary

TOR 1g) RDC Collaboration

Feedback and justification on collaboration opportunities is often unclear to potential collaboration partners. The need for more efficient and effective spend through collaboration with other RDCs and research bodies was a strong theme in stakeholder interviews. The Review's independent woolgrower research showed that 45% of woolgrowers believe that AWI collaborates well with other agricultural Research and Development bodies. Research collaboration should be included as a key element of the proposed 10 year Strategic Plan to be broader, more systematic and promote a collaboration-first approach to make the most of opportunities of common interests across RDC's and other research bodies. Particular areas of focus cited by several stakeholders goes to collaboration regarding the genetics of wool traits in sheep, and greater efforts to address areas vulnerable to social licence concerns.

TOR 2) Effectiveness of implementing recommendations of the 2012-15 performance review

Five recommendations have been completed, or alternative actions taken, from the 2012-15 performance review. The remaining three recommendations are incomplete within the timeframe specified in AWI's Response & Implementation Plan. These relate to formalising succession planning, revising governance policy on conflicts of interest and embedding a process of measurement and evaluation in the organisation. AWI should implement each of the identified uncompleted recommendations from the 2012-15 performance review, as those recommendations are consistent with findings made in this Review.

TOR 3a) - f) Governance

There is a clear need for an ongoing investment into research, development and marketing for wool, to ensure its continuing success as a product. AWI is an industry owned body and the Review concludes that it should continue to be one. AWI should remain governed by a Board of Directors who are elected by shareholders. The Board of Directors should comprise of individuals with the breadth of requisite skills to govern a research, development and marketing entity of this type.

Executive summary

The SFA sets out a range of required skills including:

- ▶ corporate governance
- ▶ production and/or processing in the wool industry
- ▶ finance and business management
- ▶ legal and compliance
- ▶ domestic and international market development, marketing and international trade
- ▶ technology and technology transfer, commercialisation and adoption
- ▶ administration of research, development and marketing

The Review noted that AWI has already taken several steps towards achieving a skills based Board including:

- ▶ secured and maintained grower representation on the Board
- ▶ put in place a skills assessment in order to identify major skills gaps

As a result of this, AWI was able to identify additional skills and secure some Board Directors with requisite experience in these areas (e.g. brand, fashion and marketing).

Grower representation on the Board is required as per the skills outlined in the SFA and will be important to the success of AWI. The Review notes that additional skills are also critical including digital, market access and supply chain innovation. The continuing development of a broad skills based AWI Board is critical to the industry's long term success, because it will enable the company to navigate a path for the industry in what is a diverse, complex, highly competitive and continuously evolving global fibre market. This is consistent with good governance practices and a range of other research and development corporations.

The Review recommends that Directors be limited to 10 year tenure, with a minimum two year "roll off" period if they seek to return to the Board. AWI also needs to demonstrate both frameworks and behaviours that lead to stronger accountability, transparency, stewardship and integrity. The Review recommends that a further review be conducted to reflect any recommendations arising from the Financial Services Royal Commission.

Executive summary

TOR 4a) - c) Constitution

AWI's Constitution should be updated to remain relevant with the current purpose of the organisation and reflect best practice in corporate governance. This should be renewed based upon the recommendations of this Review and following extensive stakeholder input. The Review recommends that Rule 13.3(d) of the AWI Constitution (that specifies Director candidates obtain the requisite 100 eligible shareholder signatures required to seek nomination) be deleted. Only those candidates shortlisted by the Board Nomination Committee should be included in the Director Election process. This would make the AWI Director selection process aligned with other RDCs who do have a broader skills based Board. Industry representation should remain a key requirement for the AWI Board and the skills matrix under clause 14.3(b) of the SFA specifically mentions this as a requirement. The purpose of the recommendation is to recalibrate and broaden the balance of skills on the AWI Board.

TOR 5 Replaceable rules

The replaceable rules are sections of the *Corporations Act 2001* that organisations can choose to exclude from their Constitution. It is good corporate governance practice to have a Constitution instead of relying on the replaceable rules, particularly for a company that is required to comply with the ASX Corporate Governance Principles. This Review includes 19 recommendations for AWI to improve how the principles of the replaceable rules are incorporated into their Constitution.

TOR 6 Assessment of proxies and Board Nomination Committee (BNC) member selection process

The lack of transparency in how proxies are used, particularly for the election of Directors, has led to an amount of stakeholder distrust and is not in line with good governance behaviours. Whilst it has been procedurally adequate, the use of open proxies should be more transparent in the future. The current process for member selection of the BNC is inappropriate as the Chair of the Board has a substantial influence over the membership of the Committee, which then reviews potential candidates for Director roles. Combined with the issues of the use of proxies, this means that stakeholders do not have confidence in the Board process and the ability for the Board to effectively implement a broader skills based Board. The BNC should be strengthened and become more independent. The Review makes recommendations for a new BNC process that includes updates to Rule 13.3(d) of the Constitution, specific rules on BNC membership, and its role.

TOR 7a) - c) Employment practices

AWI has no formal policy or process regarding how contractors are engaged or managed. Based on a comparison with a selection of other organisations and standards, AWI's redundancy benefits and policy appears to be appropriate for an organisation of its type. At an aggregate level, AWI's executive remuneration is above the median when compared against matching positions in companies with an annual turnover between \$20 and \$100 million. There are opportunities to enhance employment practices in these areas.

Executive summary

Other issues - Funding of AWI by levy payers

Sources of, and use of, funding have emerged as issues that need to be addressed. A successful RDC would have access to stable sources of funding over the longer term in order to promote sustained investments in areas of greatest need. We suggest that the WoolPoll process be modified, to occur every five years. This would need to be implemented through industry consultation and once the recommendations in this Review have been satisfactorily reflected.

Executive summary

The Review makes 82 recommendations which broadly fit into the following 12 themes.

1. AWI's purpose and role in the industry should be better defined

A 'purpose statement' that clearly outlines the role of AWI in the industry will benefit both AWI and their key stakeholders. AWI should ensure that it is making investments in areas where market failure has been demonstrated and will continue to occur in alignment with their role as an RDC.

4. Monitoring and evaluation should be improved

There will need to be improved disclosure of the methodology and assumptions made in monitoring and evaluation of projects, and better disclosure and strong links between investment dollars and benefits and outcomes for all groups of levy payers. The M&E framework should be systematically and explicitly used to improve decision making regarding levy payer funds.

7. The Director nomination and election processes should change to enable a broader skills based Board

The implementation of a broader skills based Board should be accelerated through a more independent Board Nomination Committee. Open proxies should be voted in favour of Board candidates recommended by the BNC.

10. Risk and compliance practices should be strengthened

There is an opportunity to strengthen compliance reporting against the SFA to make sure that reporting is against all obligations, so that it can be appropriately monitored.

2. AWI should prepare a long term Strategic Plan

The world is rapidly changing and successful organisations need to develop a long term strategy to sustain growth. Longer term 10-year Strategic Planning will enable AWI and the industry to co-design the future of the research and marketing needs of the industry. Research and marketing priorities should seek to mitigate risks and optimise opportunities across the entire industry. This plan should be regularly reviewed.

5. There should be more and better collaboration with other RDCs and research bodies for improved efficiency of research spending

Adoption of a "collaboration first" approach should be a strategic pillar of AWI. Enhancing the quality of AWI's relationships with potential research collaborators will enable AWI to collaborate in more ways with other relevant RDCs and research bodies, to better invest woolgrower and taxpayer funds, and see better research outcomes.

8. Constitutional changes are required to support good corporate governance

Changes to the Constitution would support high levels of good governance in the organisation. This is a requirement given the clear expectations of regulators and the community of Board performance, especially as AWI is funded by compulsory levies and tax payer funds.

11. Implementation of the recommendations in this Review should be regularly assessed and reported upon

The effective implementation of the recommendations in this Review requires a culture and behaviours that embrace uplift. There should be an implementation progress review commissioned by DAWR and AWI in 12 months' time, with the results published in advance of the 2019 AWI AGM.

3. Stakeholder consultation arrangements should be improved

Enhancing the quality of AWI's communication and relationships with key industry representative organisations and other stakeholders should be a priority, as this impacts many other aspects of AWI and its operations. Effective and respectful stakeholder engagement should be a key corporate asset for AWI. The current ICC arrangements should be significantly improved.

6. Governance arrangements should be updated

A number of significant changes should occur to AWI's governance arrangements in order for woolgrowers to have the best possible RD&M organisation, and in view of continuing developments in expectations of Board performance and corporate governance in Australia. This includes a maximum of 10 year terms for Directors. Specific examples are included in themes 7 and 8.

9. Employment practices should be updated and strengthened

Updated policies are required relating to engagement of former staff as contractors, particularly those staff who have been made redundant. More regular remuneration benchmarking will make sure that executive salaries remain in line with the AWI remuneration policy.

12. AWI funding by levy payers

A shift in the WoolPoll mechanism could be contemplated to reduce the frequency from three years to five years. This would give longer term funding certainty to AWI, encourage long term investments in research, and reduce the costs of the WoolPoll. DAWR should consult with industry representative organisations and directly with woolgrowers about this.

Executive summary

A way forward

The changes recommended by the Review should be implemented with vigour and in a consultative manner, in a way that would be expected of a public organisation of this type. The change will need to take place in a dynamic and increasingly competitive global fibre market. As a result, AWI will not be afforded the opportunity to 'slow down' the value it is already delivering to the industry, nor the pace of reform it has already established. Given the substantial nature of our recommendations, their implementation will require strong leadership and collaboration. These changes could help to unite and shape the future of this great industry for the next decade and beyond.

The Review has identified some key success factors for the implementation of these recommendations. These include:

- ▶ Embracing a culture of change
- ▶ Strong leadership and collaboration
- ▶ Clear ownership
- ▶ Good governance to manage the implementation of these changes
- ▶ Robust and regular reporting on progress
- ▶ Regular and frequent stakeholder consultations

AWI should continue with its existing services and projects whilst addressing the recommendations. Together, the recommendations the Review has made are intended to deliver an organisation that is high performing and delivers benefits to members. Changes should not just be implemented through additional roles and cost. Most of our recommendations relate to the conduct of existing roles, processes and behaviours. It is critical for AWI to transform how these are done as the successful implementation should result in a range of benefits (e.g. efficiency and quality of implementation).

Executive summary

The following key milestones should be used to communicate progress against the recommendations made in this Review:

1. **2018 AGM** - share the implementation plan with stakeholders and provide advice of progress to date
2. **12 months** - independent checkpoint review of progress against the recommendations of the Review
3. **Next Review of Performance** - all recommendations should be fully implemented

Governance

Ongoing dialogue should be maintained between the Department and AWI. This would provide significant value and support to the transformation outlined in the Review by providing clarification of the intent of the Report, open dialogue on the timing of implementation, and monitoring and management of risks.

Factors that may impact the implementation timing include:

- ▶ The need to sustain current operations and delivery of the Strategic Plan
- ▶ The highly consultative way in which the recommendations should be implemented
- ▶ Formal approvals, for example via shareholder vote in some cases
- ▶ The sequencing and dependencies between recommendations. For example, it would be beneficial to establish the enhanced ICC process early to leverage it for ongoing consultation relating to the implementation of the recommendations in this Review
- ▶ Potential consequential impacts if delays occur
- ▶ The need to enable cultural reform

Chapter 2: Introduction



2.1 Introduction

Introduction

AWI is a registered corporation declared as the industry services body for the Australian wool industry. AWI exists pursuant to a Commonwealth Act (the “*Wool Services Privatisation Act 2000*”) and primarily receives income from a 2% compulsory levy from woolgrowers, and Government matching payments. As one of the rural Research and Development Corporations, AWI is required to meet accountability and reporting requirements in line with the Statutory Funding Agreement 2016-20, Wool Services Privatisation Regulations 2003, and its own defined norms and resolutions (including its Strategic Plan).

Under its funding model, AWI has a statutory obligation through the Statutory Funding Agreement (SFA) to undergo a triennial independent performance review and is required to report this to levy-payers and the Government prior to each WoolPoll event, where its levy percentage is determined by eligible levy payers. Eligible levy paying woolgrowers who voluntarily decide to become shareholders of AWI, directly elect the Board of AWI.

AWI last underwent an independent performance review in 2015, covering performance over the preceding 3 years 2012-2015. This was reported to Woolgrowers and the Government prior to WoolPoll 2015. The results of the Review, as with those of previous years, are available on the company’s website, as well as recommendations, and AWI’s recommendation implementation plans that demonstrate its progress.

On the 27 February 2018, following the [statement](#) by the Hon. David Littleproud MP (the Minister for Agriculture and Water Resources), EY was engaged by the Department of Agriculture and Water Resources to conduct an Independent Review of AWI, into its performance and governance. This Review forms part of AWI’s normal statutory reporting requirements, covering the period of 2015-18 and is in accordance with the Statutory Funding Agreement (SFA).

2.2 Terms of Reference

Terms of Reference

The Review has been undertaken in accordance with the following Terms of Reference:

“The Review will consider the Terms of Reference (TOR) below, which are in accordance with the Statutory Funding Agreement (SFA) and have been agreed in consultation with the Government. These TOR require a review of AWI’s performance and governance in delivering research, development, extension and marketing services, as well as corporate governance, the Constitution, the Replaceable Rules, handling and reporting of proxies, the Board Nomination Committee selection, and employment practices. Appropriate recommendations were provided based on the findings on the Terms of Reference.

Performance Review

1. Consider AWI’s performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in:
 - a. meeting its obligations under its Statutory Funding Agreement 2016-20 with the Commonwealth and the *Wool Services Privatisation Act 2000*
 - b. Implementing governance arrangements and practices that ensure proper use and management of funds
 - c. Meeting the planned outcomes and targets of its Strategic Plan
 - d. Delivering benefits to woolgrowers and, where appropriate, the community in general (including the achieved value for money and return on investment and the contribution of its investments to increasing farm-gate returns)
 - e. Engaging, consulting, and communicating with stakeholders, including the opportunities for levy payers and industry representative bodies regarding the investment of levies
 - f. Monitoring and evaluation of investments (including whether its current framework is adequate and links to its current Strategic Plan)
 - g. Cross-RDC collaboration.
2. Consider AWI’s effectiveness in addressing and implementing the recommendations from the 2012-2015 performance review.

Terms of Reference

Additional Matters

3. Consider whether AWI's corporate governance framework (including the Board Charter and the charters, codes of conduct and policies approved by the Board under its Charter):
 - a. is appropriate for a company of its type
 - b. is effective, transparent and accountable
 - c. has appropriately drawn upon the ASX Corporate Governance Principles (or other relevant better practice guides) when applicable to AWI
 - d. is appropriately documented and provides adequate guidance for company officers to effectively implement governance requirements (such as in avoiding and managing conflicts of interest and addressing potential breaches of the Code of Conduct)
 - e. has been appropriately implemented
 - f. provides for an appropriate definition of Independent Director and has effective procedures for determining the independence of Directors.
4. In considering AWI Corporate Governance Framework, (term of reference 3), specifically consider whether AWI's Constitution:
 - a. is appropriate for a company of its type
 - b. appropriately covers the company's current activities
 - c. in conjunction with the SFA - supports the selection of a skills-based Board with skills relevant to undertaking its roles and functions for the benefit of woolgrowers.
5. Consider whether the replaceable rules in the *Corporations Act 2001* should apply under the AWI Constitution.
6. Consider whether AWI's handling of proxies and reporting of proxies, and the manner in which Board Nomination Committee members are selected is appropriate for a company of its type (as outlined above) and sufficiently transparent.
7. Consider whether AWI's employment practices are appropriate, including whether the:
 - a. engagement of former staff as contractors is undertaken appropriately for a company of its type
 - b. redundancy benefits and policies are appropriate for a company of its type
 - c. executive level remuneration is appropriate for a company of its type."

2.3 Stakeholder Consultation

Stakeholder consultation and inputs to the Review

This Independent Review was conducted in a consultative, collaborative and transparent manner. We sought to be balanced, forward-looking and evidence based. We listened to and sought to understand the viewpoints from AWI, and its many stakeholders across the supply chain, in addition to conducting independent research and analysis. Stakeholder engagement involved interviews, surveys and open submissions. A full list of stakeholders engaged and submissions received is included in Annexure 13. The following provides an overview of the inputs that supported this Review:

AWI	Independent grower research	Submissions
<p>Interviews with 27 AWI Board members and executives, including:</p> <ul style="list-style-type: none"> ▶ 7 Directors ▶ 18 of the executive and management team ▶ 2 independent contractors ▶ Over 1,300 documents provided in response to EY's document request 	<ul style="list-style-type: none"> ▶ 415 woolgrower surveys were undertaken by EY Sweeney ▶ Research participants were recruited from a complete list of 42,200 woolgrowers from LINK market services Ltd ▶ Survey participation quotas across States were set to match the distribution of AWI levy payers ▶ Calls to woolgrowers continued until 415 interviews were completed ▶ This sample size provides a maximum margin of error of +/- 5 percentage points (at the 95% confidence interval) 	<ul style="list-style-type: none"> ▶ EY issued 2 media releases to raise awareness, prompting 25 mentions through media outlets ▶ 56 written submissions were received and 49 are now published on the Department's website. 7 have not been published because: <ul style="list-style-type: none"> ▶ 2 authors requested their submissions not be published ▶ 2 authors provided no information in their submission ▶ 1 earlier submission was withdrawn by a later submission ▶ 1 author requested an interview ▶ 1 submission was a duplicate

Interviews

110* stakeholders were interviewed with stakeholders selected in consultation with members of the Project Administration Committee, including:

- | | | |
|---|--|--|
| <ul style="list-style-type: none"> ▶ 11 Government stakeholders ▶ 21 Woolgrowers ▶ 8 RDC representatives ▶ 1 Shearing entity ▶ 1 Brand, retailer and association | <ul style="list-style-type: none"> ▶ 11 Wool industry representative body representatives ▶ 8 Other industry representative body representatives ▶ 1 Early stage processors | <ul style="list-style-type: none"> ▶ 1 Spinner/weaver ▶ 5 Buyers and traders of wool ▶ 15 Others (including, international stakeholders in fashion, retail, and other stakeholders across the supply chain) |
|---|--|--|

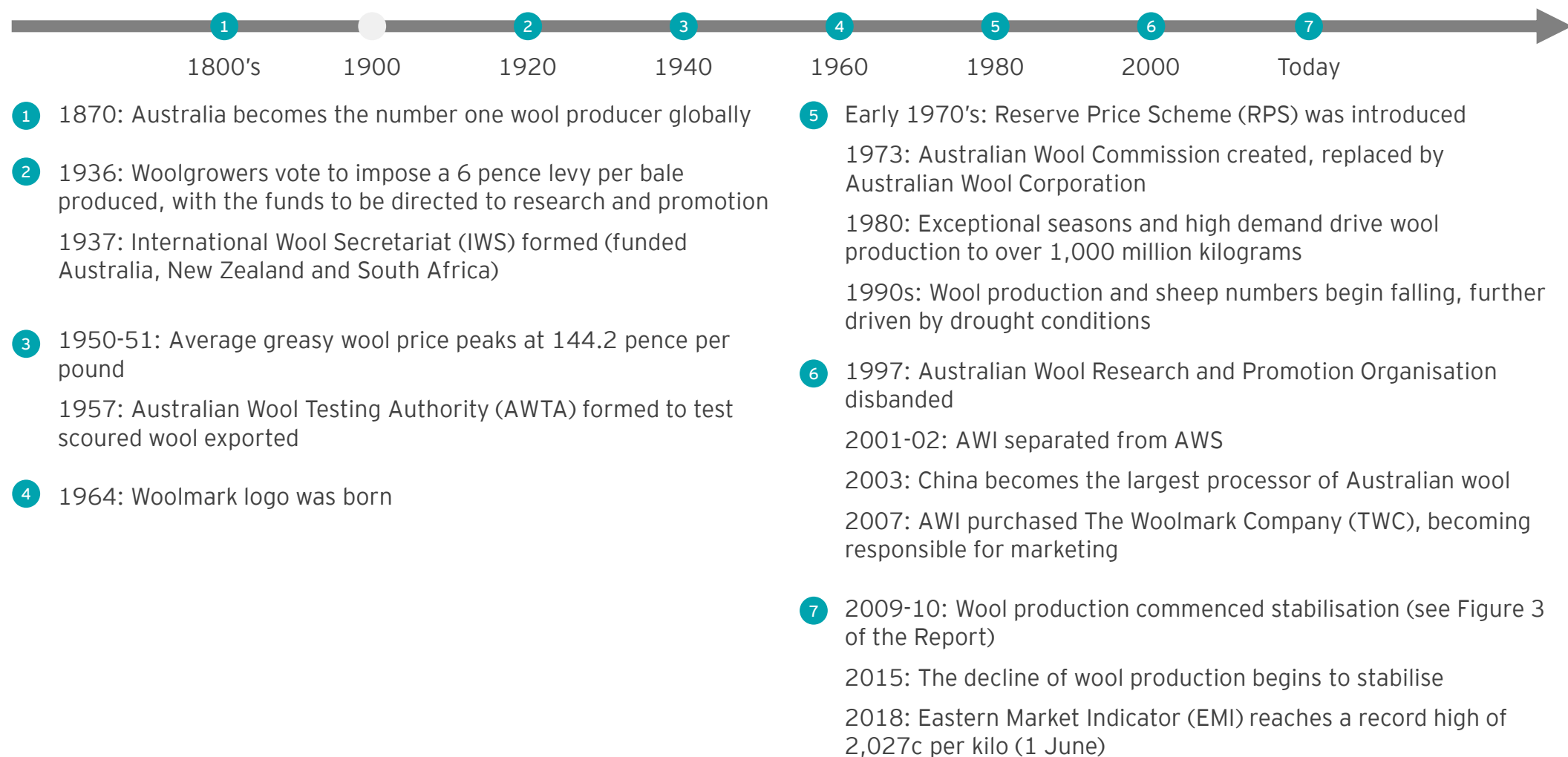
Chapter 3: Contextual Analysis



3.1 The Wool Industry

The Australian wool industry has had a long and rich history spanning over 200 years and is renowned globally for producing a high quality product

History of the Australian Wool Industry



The Australian wool supply chain

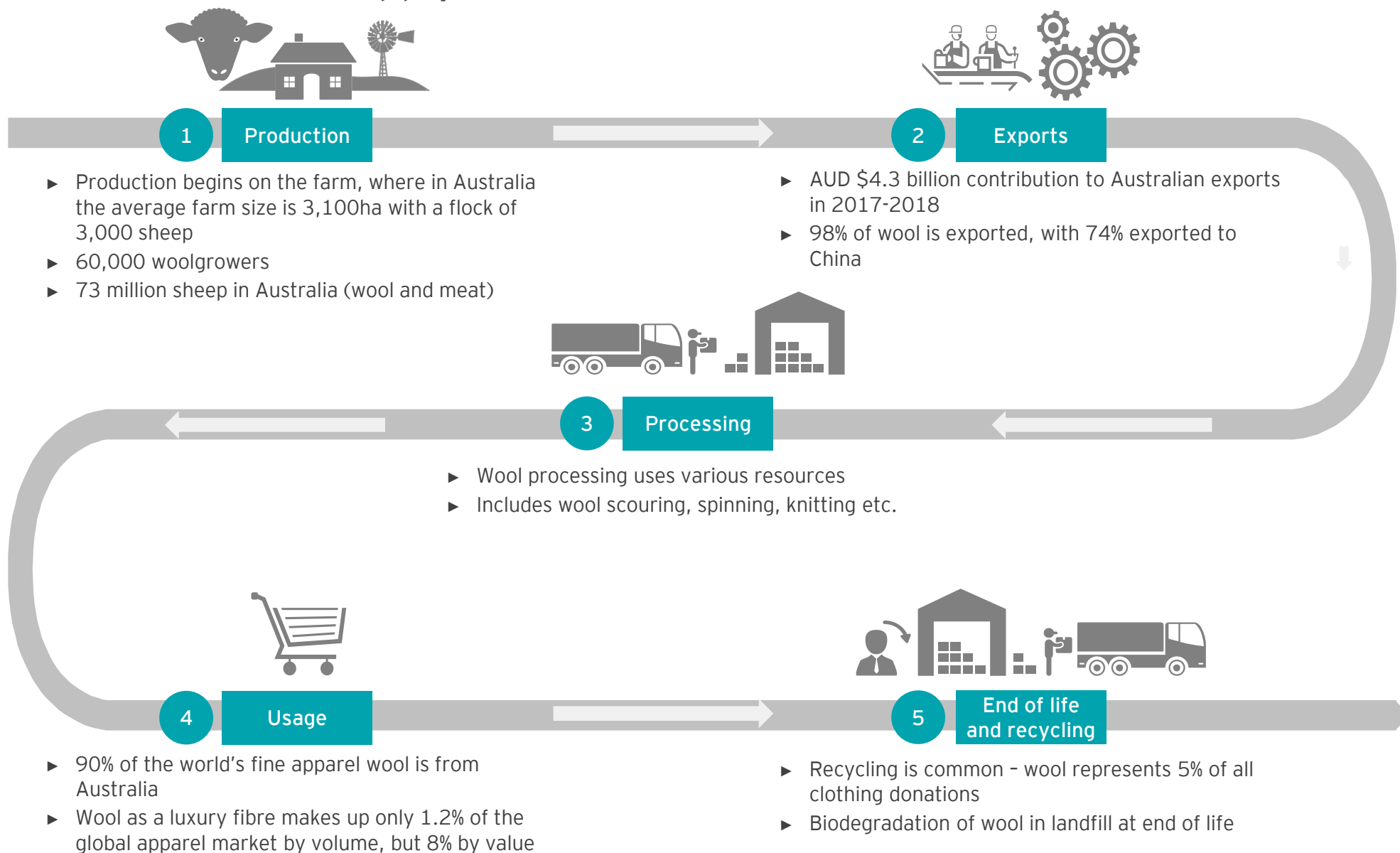


Figure 1: Supply chain of the Australian wool industry

Source: Information from Australian Wool Innovation, dated May 2018

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The wool industry is an important contributor to the Australian economy



Figure 2: Economic and workforce effects of Australian wool industry

Source: Information from Australian Wool Innovation, dated May 2018

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Forces affecting the Australian wool industry

**1**

Evolution of the processing sector

China has become the dominant buyer of Australian greasy wool as processing cost efficiencies are driven by lower labour costs. 74% of Australian wool is exported to China.

**2**

Growing demand for high performance wool

Product innovation: Sports and outdoor fabric development has seen manufacturing volume grow 10% year on year and generated 1 million kg of demand.

**3**

Consumer trend towards responsible wool

Consumers are increasingly preferring sustainable fibres, and some brands prefer using non-mulesed wool for their products. Such preferences are monitored by voluntary organisations such as 'The Responsible Wool Standard' (RWS).

**4**

Fashion and design trends

Designer brands are increasingly responding to changing consumer preferences, such as consumers' desire for sustainable fibres. There is increasing competition with other fibres that can be used as materials for clothing.

**5**

Digital

Digital disruption (e.g. big data, blockchain, robotics) is changing the traditional operations and supply chain of the wool industry - such as AWH's plan to digitally track the entire wool supply chain by 2020.

**6**

Emerging markets

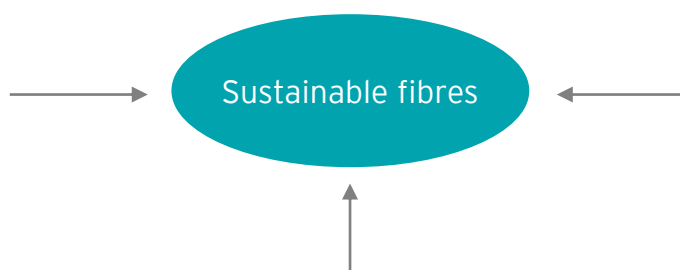
The growth of the middle class in developing countries is driving local demand for premium products. Overseas wool companies have the potential to exploit new markets with low operating costs.

Consumer demand is driving a shift to sustainable fibres

- ▶ There is an increasing focus on ethical standards and animal welfare. Many brands have developed the Responsible Wool Standards, an independent and voluntary standard to ensure that sheep are treated with respect and that best practices in the management and protection of the land are applied
- ▶ There is a need for the industry to recognise consumer and supply trends, and other factors that are influencing the trajectory of sustainability, as outlined below:

Consumer trends

- ▶ Responsible Wool - driven by industry and consumer demand to improve land management and the welfare of sheep raised for food and fibre. The Responsible Wool Standard guides industry best practice
- ▶ As Asia is an increasingly important market for fashion brands, being able to label goods as "Grown in Australia" is a major selling point
- ▶ Women's fashion - womenswear now accounts for 27% of world trade in wool clothing, with women's overcoats being the largest category



Other factors influencing sustainability

- ▶ Shifting the way wool is marketed globally is consistent with the changes in consumer trends
- ▶ Companies are willing to spend money on premium products, instead of sourcing wool at a lower price
- ▶ A number of brands that rely on fine Merino wool are opting to deal directly with farmers in order to implement their own animal welfare standards and avoid the volatility of open cry wool auction

Trends in production

- ▶ UK-based brand ashmei produces top quality running and cycling apparel made from Australian Merino wool. Their suppliers are selected on their ability to produce products with the highest level of performance
- ▶ A new collaboration was formed between The Woolmark Company and an iconic Italian sportswear brand Australian, initiated during the Internazionali BNL d'Italia tennis tournament
- ▶ Smartwool and Ortovox launched new outer jackets with wool fillings, as opposed to the usual synthetic or down fillings.
- ▶ Craft, a leading European brand in apparel for cross country, alpine, running and bike wear launched a new Merino seamless base layer range

The total value of Australian wool production 2010-11 to 2016-17

- ▶ The figure below shows that the total value of Australian wool exports has seen a small amount of growth between 2010 and 2017 from \$2,370m to \$3,011m
- ▶ This can be predominantly attributed to strong price growth, as production rates have been declining
- ▶ RD&E and marketing plays a central role to the long term viability of the wool industry

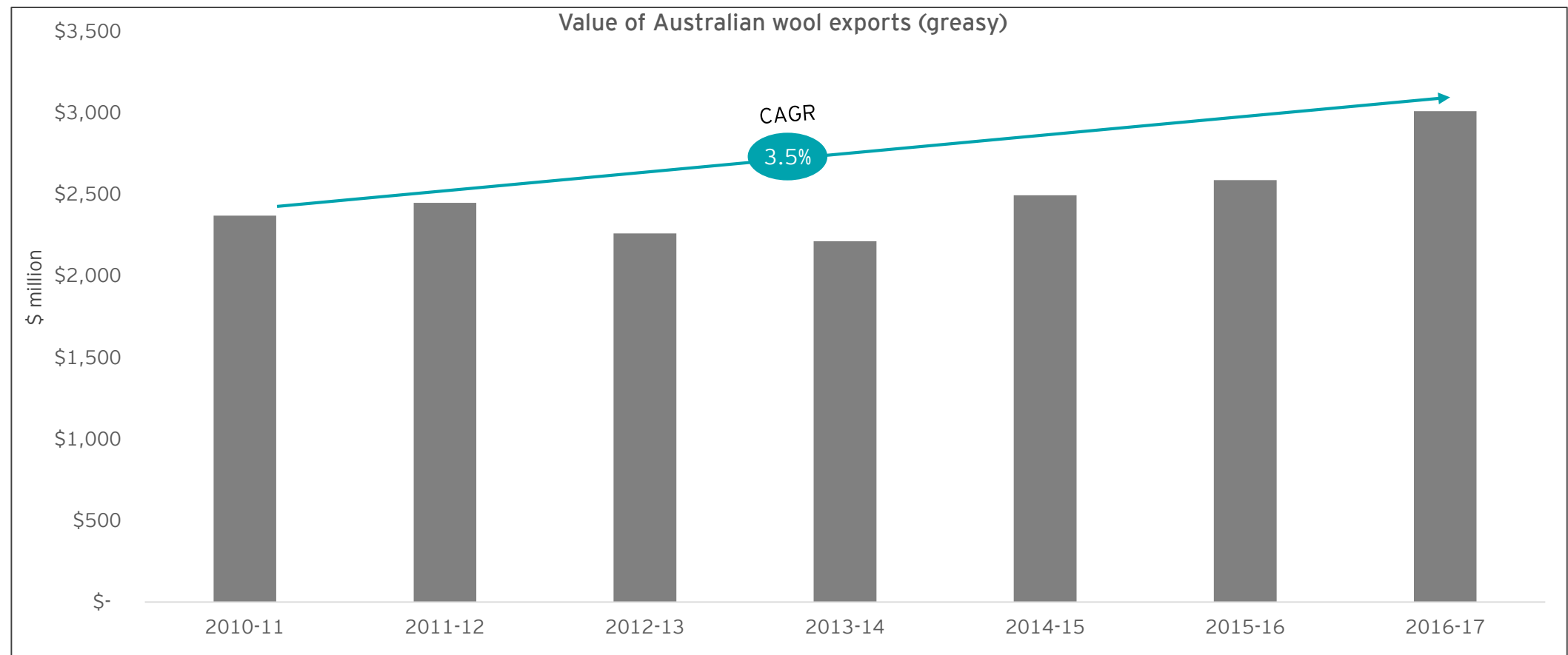


Figure 3: Value of Australian wool exports (2010-11 to 2016-17)

Australian wool price fluctuations from 1982-83 to 2017-18

- ▶ Australian wool, measured in the Eastern Market Indicator (EMI), fluctuated significantly from 516c/kg in 1982-83 through to a record high of 2,027c/kg in June 2018. This is 2.92 times higher than the levels observed in early 1980's
- ▶ Figure 4 provides a view of how the EMI price has fluctuated compared to the real wool price, which is calculated as the EMI taking into consideration inflation
- ▶ The low point of 519c/kg highlighted in 1992-93 aligns with the start of the wool production and sheep number decline shown on the following page
- ▶ There has been strong growth since 2007 in the wool price compared to nominal inflation

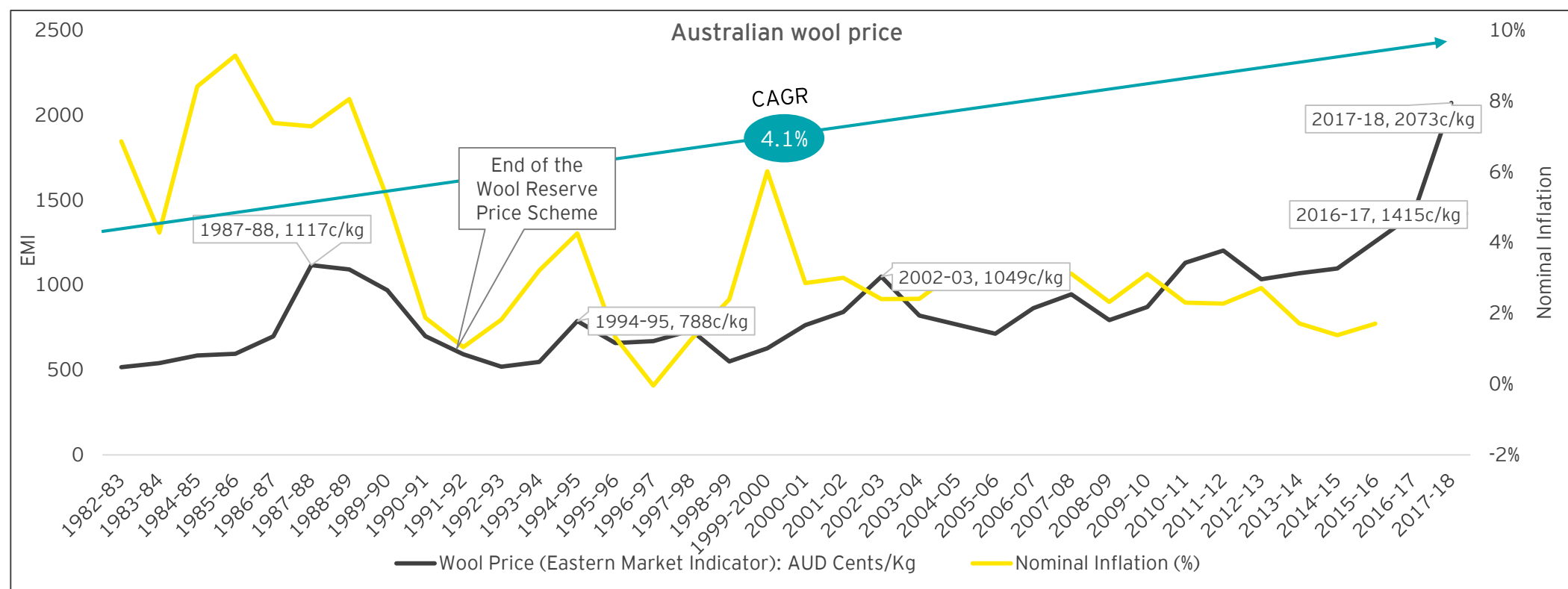


Figure 4: Australian wool price (1982-83 to 2016-17)

Source: EY Analysis; ABARES; Reserve Bank of Australia; AWI

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Volume market prices for Australian wool

- ▶ All volume market prices have risen in the period between 2010 to 2017, ranging from a growth of 90 cents/kg to a growth of 432 cents/kg for the different micron ranges
- ▶ The strongest growth in recent years has been in the superfine to medium micron fibres, with coarse wool (30 micron) experiencing a decline back to the 2011-12 price point

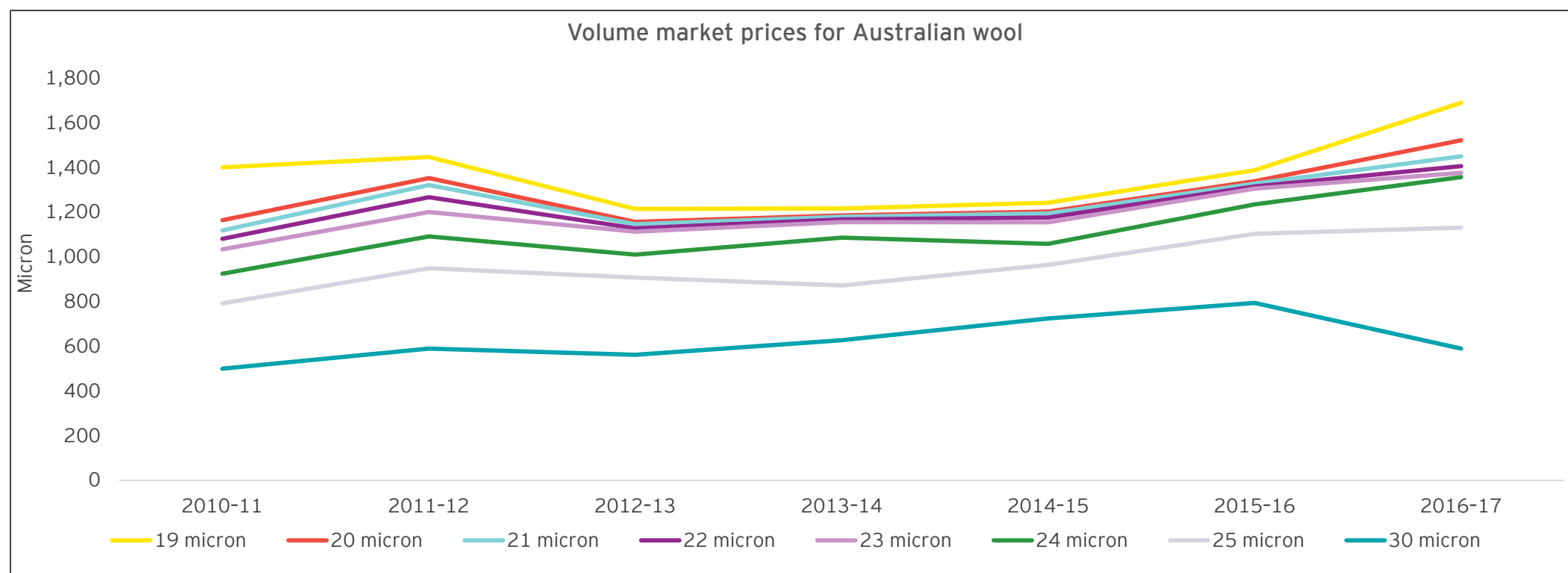


Figure 5: Volume Market prices for Australian wool, by micron category AUD Cents/Kg

Australian wool production and shorn sheep numbers

- ▶ Between the early 1990's and 2010, both Australian wool production and sheep numbers have declined over 50%
- ▶ This reduction coincided with the Australian Wool Realisation Commission's disposal of the nation's 4.75m bale stockpile, which occurred in 2003-04
- ▶ Since 2010, volumes appear to have stabilised at an aggregate level

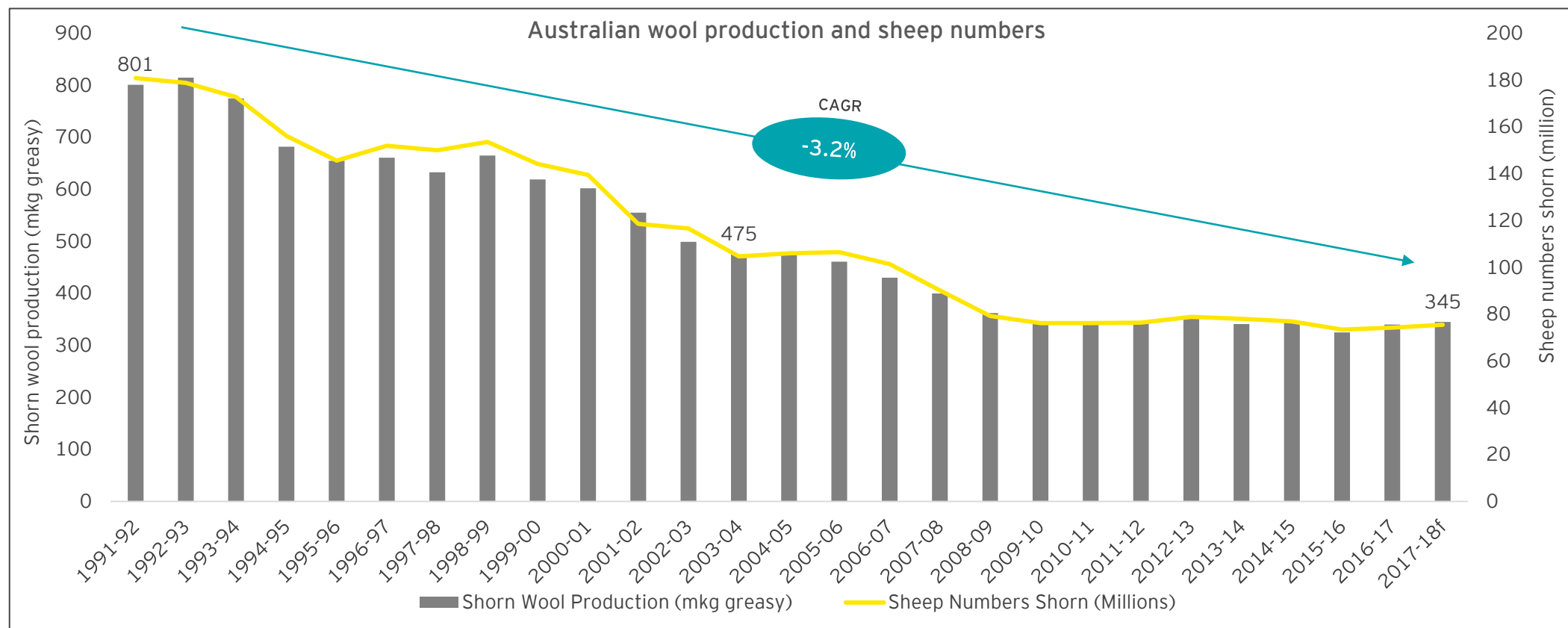
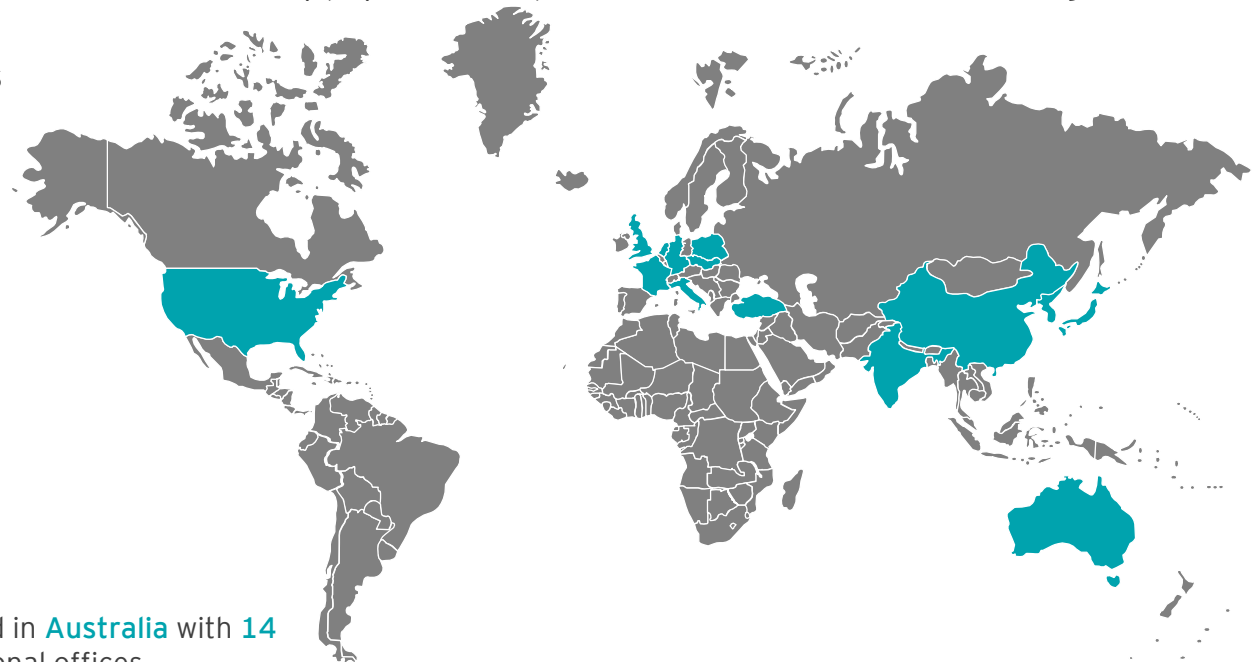


Figure 6: Australian wool production and sheep numbers

3.2 Australian Wool Innovation Ltd

Australian Wool Innovation Ltd

- ▶ AWI is a not-for-profit, industry-owned RDC with a total revenue of \$88,026,000 in 2016-17. It is responsible for delivering research, development and marketing for the Australian wool industry, operating in a shared environment with a number of other RDCs
- ▶ Headquartered in Sydney, AWI operates globally with 14 regional offices, as illustrated in Figure 7
- ▶ AWI is owned by Australian woolgrowers. AWI investments are funded through a wool levy paid by woolgrowers and a matching contribution from the Federal Government for eligible R&D activities. Wool levy and Government contributions respectfully made up \$60,211,000 and \$14,742,000 of AWI revenue in 2016-17. The remaining \$13,073,000 is made up of licence fees, interest, royalties, sales of goods and services, rents and sub-lease rentals, and other operating revenue
- ▶ For more information on AWI's funding model, please refer to Annexure 1.2 Governance performance assessment. The levy rate of 2% is based on sale proceeds, as opposed to cents per head or cents per kilogram, which contrasts with other agricultural industry levies (e.g. livestock transaction levy for cattle is \$5 per head)
- ▶ AWI sits in the Australian rural R&D corporation system and interacts with levy payers, RDCs, providers, and stakeholders, including Australian and several state governments
- ▶ AWI owns a number of key assets and operating vehicles
- ▶ The Woolmark Company Ltd is a subsidiary of AWI
- ▶ AWI makes investments in the global supply chain for Australian wool to deliver outcomes that will benefit Australian woolgrowers
- ▶ WoolQ is the final product of a 3-year wool industry review and consultation, after originating from the Wool Selling System Review (WSSR) in October 2014. The Wool Exchange Portal (WEP) was the major recommendation of the review, developed after 12 months of consultation and a business case submission. The WEP was renamed WoolQ

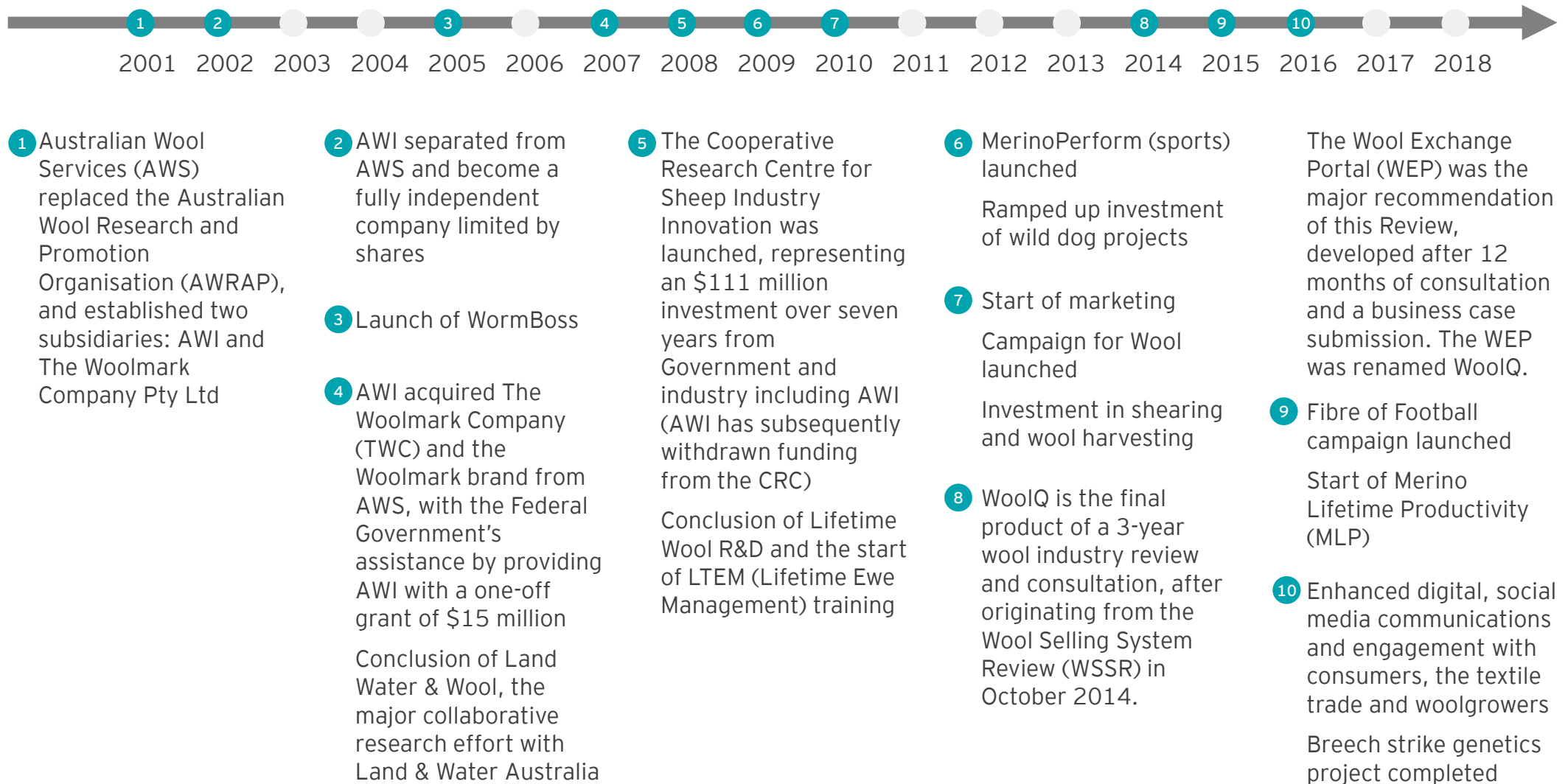


Headquartered in **Australia** with **14** regional offices

Figure 7: Australian Wool Innovation offices

History of AWI

AWI has responsibilities for delivering research, development and marketing for the Australian wool industry. The timeline below illustrates the history of AWI:



AWI's Operations

Figure 8 below summarises our interpretation of AWI operations and how they relate to the Terms of Reference of this Review, based on information provided by AWI and stakeholder consultation. This figure is referenced throughout the Report to illustrate how each of the Terms of Reference fits in AWI's operations.

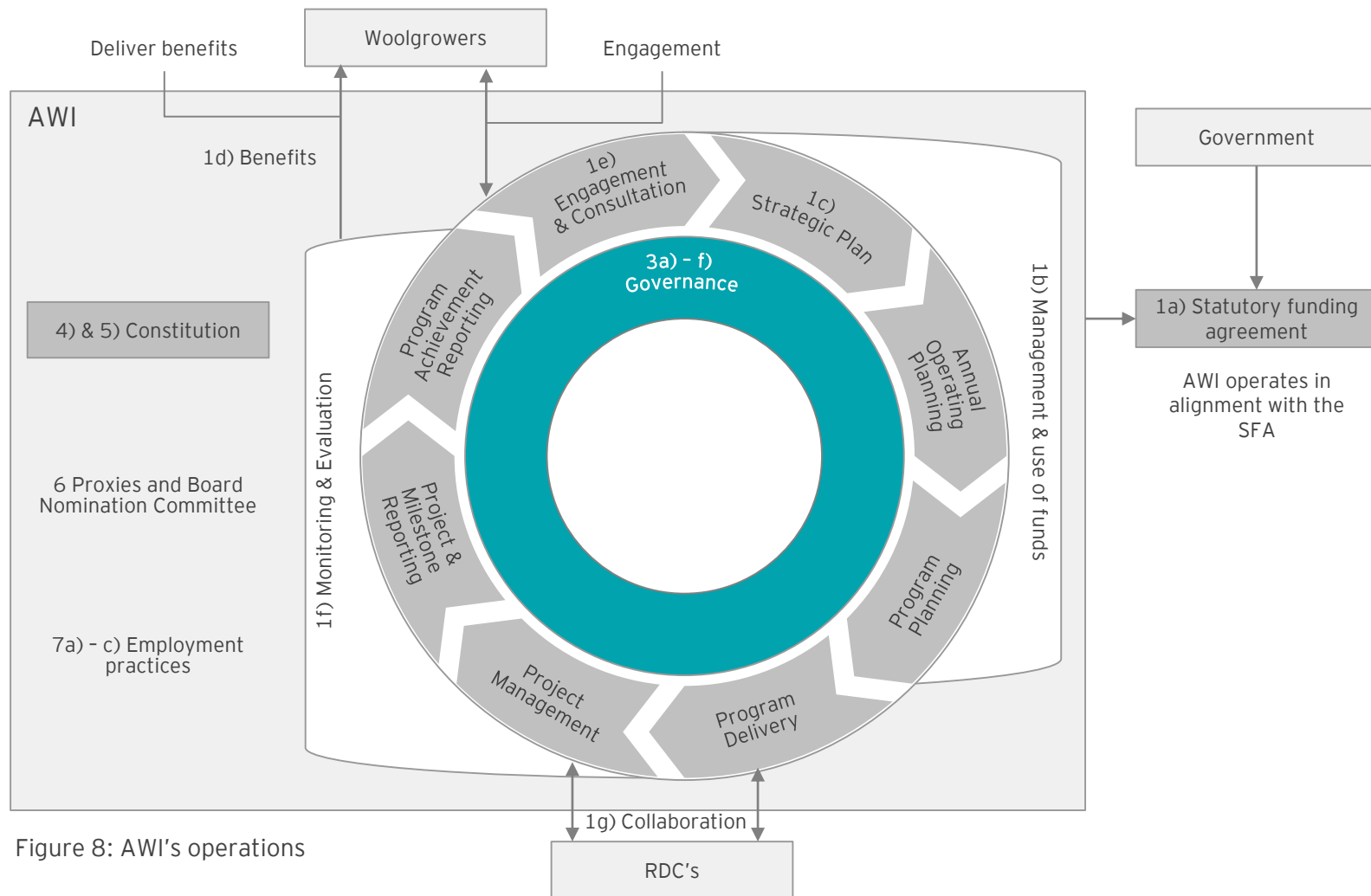


Figure 8: AWI's operations

Case study: The Woolmark Company is an iconic brand and integral part of AWI

AWI has built a strong reputation internationally for its marketing efforts. A large part of this is driven through the strength of The Woolmark Company, which as part of AWI, delivers a range of innovation, education and collaboration services in Australia and across the globe.

Innovation	Education	Collaboration
<ul style="list-style-type: none"> ▶ The Woolmark Company actively conducts research into innovations along the wool supply chain that delivers benefits for end users. Recent developments include: <ul style="list-style-type: none"> ▶ Seamless garments ▶ Footwear ▶ High thread density apparel ▶ The bi-annual Wool Lab publication is a seasonal guide to inform the textile industry, fashion professionals and retailers about the latest trends and technological innovations associated with wool ▶ The Wool Resource centre, located in Hong Kong, is a multi-purpose space for all partners of The Woolmark Company along the wool supply chain to collaborate and innovate ▶ The Woolmark Performance Challenge is a competition aimed at tertiary students. The event provides an opportunity for students to showcase their idea for an innovative application of Australian Merino wool to a product related to the sports and performance market 	<p>The Woolmark Company website details a wide range of information regarding:</p> <ul style="list-style-type: none"> ▶ The science behind Merino wool ▶ Manufacturing processes ▶ Care guides for products made from Merino wool ▶ The health benefits of Merino wool based products over other fibres ▶ History of Australian Merino wool farming ▶ Learning resources include: <ul style="list-style-type: none"> ▶ Learn About Wool - Website and kit directed at primary and secondary students plus teacher support materials ▶ WOOL4SCHOOL - secondary school design competition plus teacher support materials ▶ Naturally Inspiring Seminars - directed at tertiary students ▶ Woolmark Wool Education Courses - directed at tertiary design and textile engineering students and trade ▶ Wool Appreciation Course - directed at students and trade ▶ Retail Training Programs - directed at brands and retail staff 	<ul style="list-style-type: none"> ▶ The Woolmark Company licenses the Woolmark Logo to leading fashion houses worldwide to use on products that pass independent testing which endorses the quality of the wool used in the given product. The logo has been used by wool product producers for over 50 years to symbolise the high quality of their products to customers ▶ The International Woolmark Prize celebrates the best talents in fashion that use Australian Merino wool in their creations. It is a highly prestigious accolade within the global fashion industry and highlights the quality of Australian wool on a global stage



3.3 Changing governance landscape

Changing governance landscape

There is a trend of increasing expectations from the community for organisations to not just comply the minimum standard of governance, but to be always observed as operating in the spirit of good governance. The Governance Institute of Australia describes the foundations of good governance as accountability, integrity, stewardship and transparency.

There are a number of reviews occurring now that are reshaping the standards of corporate governance based on their findings. These include:

- ▶ The Royal Commission into misconduct in the Banking, Superannuation and Financial Services industries
- ▶ APRA's [Prudential Inquiry into the Commonwealth Bank of Australia dated 30 April 2018](#)
- ▶ APRA's letter to [registrable superannuation entities on 17 May 2018](#) of its thematic review of superannuation Board governance practices

While these three investigations pertain directly to financial services, the findings are relevant to the operation of corporations in every sector.

Directors need to focus on the **effective operation of the Board** and **contribution of Directors**, ensure direct management accountability for both financial and non-financial risks, link accountabilities directly to pay, develop a better appreciation for the realities of front-line staff and reflect on cooperation between Board committees.

Management needs to focus on developing a corporate culture grounded in purpose driven decision making (“should we”, not “can we”) while supporting enhanced risk identification and mitigation at every level.

For AWI, this means that reputation and standards should be held above all other decisions. AWI should also ensure that the highest regard is held for corporate governance.

Chapter 4: Survey results and written submissions



4.1 Results of the independent woolgrower survey

Independent woolgrower survey: research objectives



The overall aim of the study:

To contribute to the Independent Review by exploring the perspectives of woolgrowers who are unlikely to have made a submission to the Review.

Specific research objectives

1

Engaging, consulting and communicating

- ▶ The effectiveness of the performance of AWI in engaging, consulting, and communicating with stakeholders
- ▶ Opportunities for levy payers and industry representative bodies regarding the investment of levies

2

AWI's strengths and value

- ▶ The value or benefits that AWI delivers to the industry and how this is evidenced
- ▶ Key strengths of AWI
- ▶ Key weaknesses and changes that are needed and why

3

AWI's opportunities

- ▶ Strategic opportunities and risks facing the industry
- ▶ Aspirations for a world class research sector to support the industry

4

Woolgrower perceptions

- ▶ Governance performance: proper use of funds
- ▶ Corporate governance: effective, transparent and accountable, documented, and implemented
- ▶ Appropriateness of Proxy use
- ▶ Employment practices: contractors, redundancy benefits, executive level remuneration

Independent woolgrower survey: methodology

Methodological approach

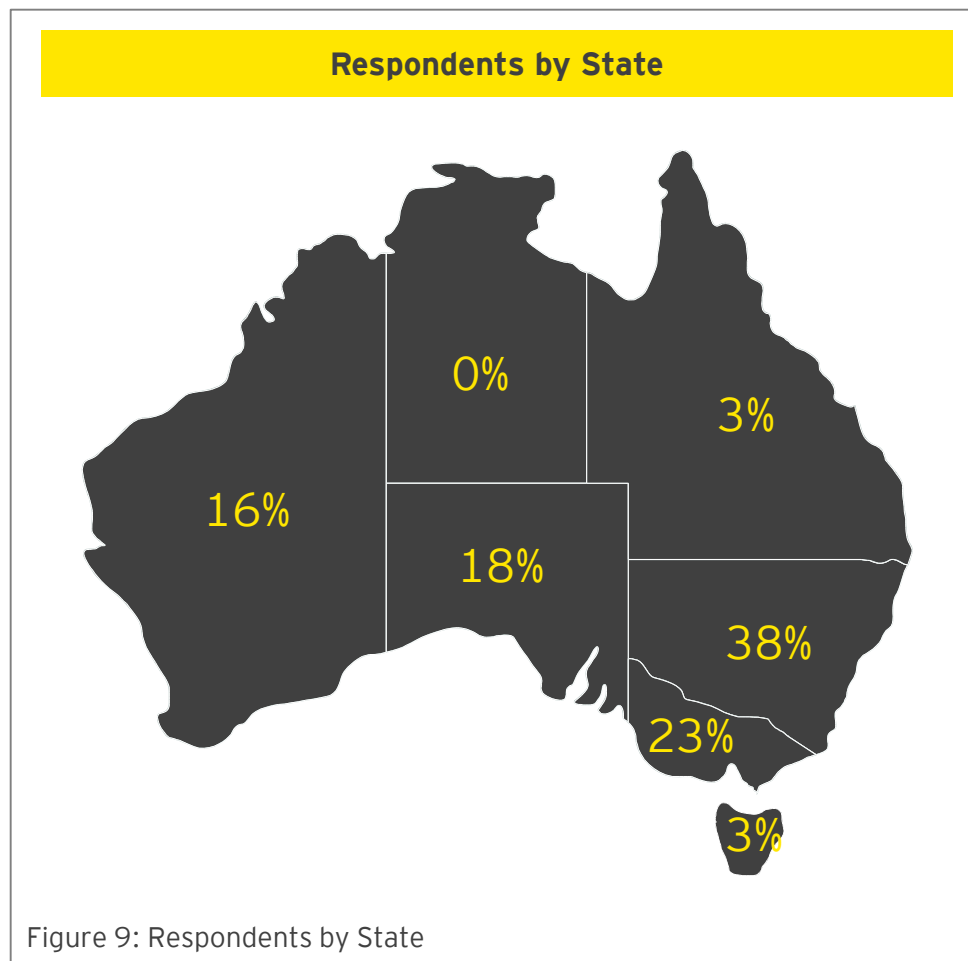
- ▶ The research objectives outlined called for a methodology which accessed the perspectives of grass roots woolgrowers who may not take the initiative to make a submission to the Independent review. These growers are busy wool farmers, who perform a broad range of tasks and may not have the time or inclination to contribute their perspective to the Review. However, the Department was very clear that it sought a research process which encouraged their contribution
- ▶ EY Sweeney initiated contact with woolgrowers by telephone to seek their participation. Calls to woolgrowers continued until 415 interviews were completed across a broad range of woolgrowers, this sample size provides a maximum margin of error of +/- 5 percentage points (at the 95% confidence interval). Given the regional locations of these farmers, telephone interviews were the ideal approach to get access to these respondents
- ▶ Research participants were recruited from a complete list of 42,220 woolgrower 'shareholders' and 'eligible levy payers' obtained from LINK market services Ltd. Emails and other industry communications were used to explain the upcoming research to the target audience, to raise awareness and interest. Quotas for each segment of the woolgrowers based on their business size and their location, were agreed with the leaders of the Independent Review

Research approach: A semi-structured methodology

- ▶ The interview structure was designed to gather the grower's responses to a range of questions relating to the Terms of Reference
- ▶ To secure these woolgrower views required a conversation based on a carefully structured set of questions, some to be scored by woolgrowers, others answered as open-ended questions. These questions were agreed with the leaders of the Independent Review
- ▶ Many of the questions posed to woolgrowers were open-ended questions affording them the opportunity to express their own point of view, rather than selecting from a range of options. These diverse sentiments were then summarised for common themes. Very often these would extend to approximately 15 themes, however typically 6 - 8 of these themes would represent the most common points of view expressed by the woolgrowers
- ▶ Many woolgrowers expressed a number of points of view when responding to any open-ended question, for this reason total responses will exceed 100% of respondents. In summarising the respondents points of view, all the views expressed are reported

The perspectives of a diverse set of woolgrowers have been included in this study

- ▶ An important priority of this survey was to access the perspectives of grassroots woolgrowers, including those who may not make a submission
- ▶ The survey participation quotas across States were set to match the distribution of AWI levy payers across the States



Respondents by Woolgrower Size

Woolgrower's Approx. annual bales	Size	% of survey respondents	n= number of survey respondents
0.64 - 5.8 bales	S	26.7%	111
6.4 - 31.4 bales	M	35.7%	148
32 - 63.4 bales	L	18.6%	77
64 bales +	XL	19%	79
Total		100%	415

Independent woolgrower survey: summary

Opportunities for the industry and AWI's role

Markets

- ▶ 42% of Australian woolgrowers considered the current tight supply and demand balance as the biggest opportunity for Australian growers. At the same time 26% consider maintaining and pursuing markets a big opportunity
- ▶ 18% see 'further uses for our wool' as the product development opportunity

Research and development

- ▶ One in six woolgrowers (17%) see 'improving the quality of our wool' as a big opportunity and 13% growing sustainable natural clean wool. In response, 22% of woolgrowers see AWI's role as driving research and development as a priority

Industry progress

- ▶ Five specific roles are identified for AWI in supporting industry progress: acting as a selling platform (16%), identifying and informing farmers of current trends (11%), promoting ethical practices of the industry (10%), improving training and workshops within the industry (6%), and supporting industry members (5%)

Industry Risks

- ▶ Woolgrowers perceive the biggest risks facing the woolgrower industry are; animal welfare organisations about mulesing (27%) or live export (11%), the lack of staff and the cost of staff secured (24%), climate change (21%) and potential for a drop in demand for wool in the face of synthetic fibres (21%)

Value or benefits of AWI

Woolgrowers were asked: *'What value or benefits does AWI deliver to you and the woolgrower industry?'*

- ▶ 47% acknowledge AWI's marketing/promotion of the benefits of wool domestically and overseas
- ▶ 32% of Woolgrowers nominate AWI's research and development activities as a value or benefit to farmers
- ▶ 18% recognise AWI's setting of standards and regulating the selling environment for intermediaries of wool. 17% value the informative and frequent publications, and 10% value AWI acting to support the best interests of woolgrowers
- ▶ However, one in four woolgrowers (23%) see little or no value in the work AWI performs

Independent woolgrower survey: summary

Strengths of AWI

Four perceived strengths of AWI emerged:

- ▶ 37% of Woolgrowers highlighted the performance of AWI in the promotion / marketing of wool products
- ▶ 19% highlighted that AWI is effective at representing woolgrowers best interests
- ▶ 14% of Woolgrowers nominate research and development as a key strength of AWI
- ▶ 8% highlighted the communication with farmers to keep them updated as a strength of AWI



Weaknesses of AWI

Eight perceived weaknesses of AWI emerged:

1. 18% of Woolgrowers are concerned by perceived infighting and Board governance issues.
2. 13% of Woolgrowers highlight the need for increased communication and consultation with themselves and suggest increased interaction between AWI and woolgrowers will support this.
3. 13% are concerned by money wasted on staff and publications
4. 8% of Woolgrowers are concerned that they are not getting value for money for their levy
5. 6% believe insufficient promotion of wool products
6. 5% nominated issues with the Chairman
7. 5% believe AWI needs to do more about mulesing - such as explaining to the public why it is necessary
8. 5% are concerned that AWI is focused on high-end fashion in its promotion

Independent woolgrower survey: summary

Concerns expressed by woolgrowers

- ▶ When prompted specifically about five potential areas of concern, 54% are concerned about 'redundancy benefits paid to those leaving AWI', of these concerned woolgrowers, 53% consider benefits are too high and 27% expressed an opinion that redundancy benefits should not be paid at all
- ▶ 51% of woolgrowers are concerned about 'employees of AWI becoming contractors', of these 52% consider this abusing the system by using inside contacts to make a financial gain and 25% consider it encourages a culture of nepotism
- ▶ 48% of woolgrowers have concerns about 'AWI executive level salaries and benefits'. Of these concerned woolgrowers, 66% perceived that executive salaries and benefits were too high, and 34% considered executives earn too much and do too little
- ▶ Woolgrowers are divided on whether AWI invests grower and Government funds effectively or not, with as many concerned (44%) as unconcerned (43%). Of the 44% of growers concerned about 'the effectiveness of AWI investment of funds', 30% think investments should be reaping better returns and 29% need more information as to where the funds are being invested
- ▶ Half of woolgrowers have no concern about how proxy votes are used in the AWI AGM. However, amongst the largest woolgrowers - those with 100 voting rights or more, a significant 59% are concerned about how proxy votes are used. 37% of the woolgrowers concerned about proxy voting, think the Chairman has too much power, 37% described the proxy vote system as either 'abused', 'nepotistic' or 'unfair', and 15% think more transparency is needed

AWI's approach to fulfilling its responsibilities

- ▶ Woolgrowers were asked 'to what extent they would agree with' the following statements:

AWI approach to responsibility	% that agree
AWI's WoolPoll is a fair approach to determining the levy rate	66%
AWI is accountable to the woolgrowers that pay levies	62%
AWI communicates well with levy payers about what's happening	56%
The effectiveness of AWI spending decisions is fairly evaluated	47%
AWI is open and accountable about the investment decisions it makes	46%
AWI collaborates well with other agricultural Research and Development bodies	45%
AWI gives me opportunities to have my say about what they do	43%
AWI listens to woolgrowers before making its decisions	37%

Full results can be seen in Annexure 11 Independent grower research

4.2 Written submissions

Written submissions

As part of this Independent Review, any interested stakeholders had the opportunity to express their view on AWI's performance and governance via a written submission. Written submissions were invited to enable the Review to consider the most relevant issues, in line with focus areas as specified below. When uploading their submissions, individuals were asked to agree to the terms and conditions of making their submission publishable. Stakeholders were encouraged to provide any relevant materials to support their written submissions. The Minister for Agriculture and Water Resources announced EY were appointed to lead the Review on 21st March 2018 and submissions were closed on 4th May 2018. 56 written submissions were received over a six-week period, and 49 of these submissions were published on the [DAWR's website](#).*

Questions that the Independent Review is asking...

Obligations under the SFA	Do you have any concerns that AWI is not meeting its obligations under the SFA 2016-2020 with the Commonwealth and <i>the Wool Services Privatisation Act 2000</i>
Governance arrangements	How would you describe the effectiveness of the current governance arrangements?
Planned outcomes	What are your expectations of AWI and are they meeting these expectations? Would you consider AWI to be on track to meet its planned outcomes and targets outlined in their strategic plan 2016/19?
Benefits	What benefits does AWI deliver? Are there barriers to some stakeholders receiving these benefits?
Engagement approach	Does AWI engage, consult and communicate effectively with its stakeholders?
Implementing recommendations	How effectively has AWI addressed and implemented the recommendations of the 2012-2015 performance review?
Collaboration with RDC's	Does AWI collaborate well with other Research and Development Corporations?
Corporations Act 2001	Should the replaceable rules in the <i>Corporations Act 2001</i> apply under the AWI Constitution?
AWI employment practices	Are AWI's employment practices appropriate, including whether the engagement of former staff as contractors is undertaken appropriately?

Figure 10: AWI performance review questions

Source: AWI Performance Review 2018 Online Submissions

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Submissions received by stakeholder category

Stakeholder category	Submissions
Industry Representative bodies - other than wool	2
Industry Representative bodies - wool specific	12
NGOs	1
Others	4
Service sector	1
Wool industry association	1
Woolgrowers	35
Total	56

* Of the 56 submissions received by EY, seven have not been published because:

- ▶ 2 authors requested their submissions not be published
- ▶ 2 authors provided no information in their submission
- ▶ 1 earlier submission was withdrawn by a later submission
- ▶ 1 author requested an interview
- ▶ 1 submission was a duplicate

Common themes

Individual submissions can be found on the Department of Agriculture and Water Resource's [website](#).

Category	Common key themes
Performance	
Effectiveness of marketing activities	<ul style="list-style-type: none"> ▶ Effective marketing Strategic Plan has been acknowledged by stakeholders ▶ Diverse marketing directions have delivered benefits to a wider stakeholder group ▶ AWI's marketing initiatives have contributed to the high wool prices vs. this may be a correlation rather than causation
Effectiveness of AWI's consultation, communication and engagement processes	<ul style="list-style-type: none"> ▶ There are opportunities for AWI to improve consultation activities and provide forums for woolgrowers to have their say regarding the investment of levies ▶ Effectiveness of consultation process - the extent to which stakeholders believe their comments are being heard by AWI, and their level of influence on funding, and whether it goes to marketing or to research and development ▶ The necessity of a recognised, transparent consultation process with industry representatives and the rationale of investment decisions made by the AWI Board ▶ Opportunities for AWI to improve in meeting the consultation plan developed under the 2016 SFA ▶ Transparency of the ICC attendees selection process ▶ Effectiveness of ICC meeting minutes documentation ▶ The ICC meetings and interactions organised by the AWI to discuss projects and research outcomes in matters of mutual interest are appreciated by stakeholders and AWI is encouraged to provide more frequent updates ▶ Appreciation of a wide range of communication methods including website, media publication, social media communication, ICC meetings etc.
Shareholder / levy payer ability to influence direction of AWI	<ul style="list-style-type: none"> ▶ Ability for shareholders to influence the direction of AWI, especially considering that they are not able to sell their shares ▶ Opportunities for stakeholder groups to attend meetings with other industry representatives to discuss relevant industry issues, in particular in relation to the fly strike prevention issue

Common themes

Category	Common key themes
Performance	
Transparency and effectiveness of decisions: how levy funding are used, and the benefits delivered through these investments	<ul style="list-style-type: none"> ▶ Transparency of the way levy payments are used for research and marketing initiatives and the value delivered ▶ Implementation of governance arrangements and practices to ensure proper use and management of funds ▶ Opportunity for AWI to improve transparency and detailed rationale on activities are funded and what is not in the the annual call of proposals by AWI
Transparency of decision investing in WoolQ	<ul style="list-style-type: none"> ▶ Greater communication and justification of the funding and promotion of the development of WoolQ ▶ Concerns were raised regarding the effectiveness of WoolQ - some stakeholders believe the current WoolQ system increases the cost and workload for woolgrowers
Whether AWI are acting within their remit as a not-for-profit research organisation	<ul style="list-style-type: none"> ▶ Concern associated with WoolQ has the potential to develop into a platform that would enable AWI to function in the trade space. There are questions on whether this initiative is within the remit of AWI ▶ AWI is not bound by the ASX Principles & Recommendation since it is not a listed organisation. Submissions have noted that the Board indicated their desire to adapt these principles to 'achieve the highest standards in governance'
Research and development on industry-wide issues (e.g. mulesing, animal welfare, social licence, sustainability etc.)	<ul style="list-style-type: none"> ▶ Opportunities to develop innovation within the on-farm R&D portfolio and call for a balance of short, medium and long term research programs, which address industry issues ▶ Transparency and effectiveness of AWI's initiative addressing industry issues on mulesing, animal welfare, social license, sustainability etc. ▶ Opportunities to improve the quality of research outcomes, particularly on the research of managing breech strike without mulesing

Common themes

Category	Common key themes
Performance	
Quality and quantity of cross-RDC collaborations	<ul style="list-style-type: none"> ▶ Effectiveness and rationale of decisions on quantity and quality of cross RDC collaborations, especially on the way in which AWI communicates with other RDCs ▶ Encourage AWI to form a closer integration with MLA and other RDCs, and greater transparency in situations where AWI ceased funding from existing cross-RDC collaborations ▶ Opportunities to improve operations with other RDCs
Research sufficiency in areas such as genetics and alternatives to shearing	<ul style="list-style-type: none"> ▶ Greater investment opportunities for research into alternatives to shearing, and methods such as needling and sheep nets are desired ▶ The necessity of additional research and development in areas such as genetics, mulesing, moving breeding forward from antiquated ways ▶ Improve communication and research program investment plan to prevent additional expenditure due to duplicate research and extension programs
Effectiveness delivering benefits in AWI activities to stakeholder groups and where appropriate, the community in general	<ul style="list-style-type: none"> ▶ Other AWI activities that benefit a wider range of stakeholder groups, such as prevention of stock thefts ▶ Initiate activities to assist the response of increasing demand for Merino wool, with the increasing premium for non-mulesed wool ▶ Importance of AWI to incorporate all views from levy payers and their feedback for AWI's initiatives ▶ Encourage AWI to conduct activities to enhance wool producers' sustainability profile ▶ Opportunities to standardise and reduce the complexity of sustainable certification process for woolgrowers ▶ Opportunities to develop affordable tools for all growers such as DNA testing
Effectiveness addressing the objectives in AWI's Strategic Plan	<ul style="list-style-type: none"> ▶ There is a need to demonstrate AWI's mid-to-long term strategy (e.g., there is no clear roadmap for the next 5 to 10 years) ▶ Stakeholders acknowledge the successful funding of both on-farm and off-farm projects - including wild dog control, shearer training, and marketing ▶ AWI's initiatives to meet the Strategic Plan in areas such as investment in R&D projects, marketing and developing on sustainability have contribute to the increased financial profitability of stakeholders ▶ Opportunities to improve communication of all project budgets and return of investment for stakeholders to determine AWI's performance against AWI's Strategic Plan

Common themes

Category	Common key themes
Performance	
Effectiveness of Statutory Funding Agreement	<ul style="list-style-type: none"> ▶ Level of enforcement by the Government, particularly regarding to the agri-political issues and consultation ▶ Sufficient response regarding to SFA potential breaches and issues ▶ Overall stakeholders are satisfied that AWI is meeting SFA obligations. However, concerns were raised in certain areas such as AWI level of investment in research projects could lead to AWI not being a majority Research organisation as prescribed under the SFA
Other matters	
Diversity of skills and adequate experience amongst Board members	<ul style="list-style-type: none"> ▶ Skill based matrix and the diversity of skills of Board members ▶ Qualification of Board Committees and whether they have the right skills and experience to address digital disruptions and other megatrends impacting the wool industry
Appropriateness of the Chairman's behaviours, in particular whether certain incidents breached the Code of Conduct and Business Ethics	<ul style="list-style-type: none"> ▶ Behaviour of the Chairman and associated reports on the media, and the way in which this was dealt by the AWI Board. There are concerns of the appropriateness of the Board to conduct the review of the Chairman's behaviour, and the rationale for the conclusion that was drawn from the review ▶ Concerns on Chairman's behaviour associated in previous AGMs and voting progress for Board members ▶ Appropriateness of Chairman's action observing stud breeders in focus groups
Effectiveness of Code of Conduct and Business Ethics	<ul style="list-style-type: none"> ▶ AWI is encouraged to improve on the culture of respect and fair dealing. (e.g. response in returning phone calls, email request and providing relevant information)
Effectiveness of the AWI Board in managing Conflicts of Interest	<ul style="list-style-type: none"> ▶ Greater rationale of decision not to address the 2012-15 recommendation on Governance Policy - how Conflicts of Interests are managed ▶ Conflicts of Interest of certain Boards members and the Chair (e.g. some submission suggest a bias against supporting scientific genetic improvement of the national flock).
Governance of the WoolPoll	<ul style="list-style-type: none"> ▶ Capability of AWI in the WoolPoll panel - WoolPoll panel is controlled by AWI and concerns are raised that AWI can choose to ignore stakeholder's recommendations ▶ The necessity of introducing a separate body within the Levy Collections Units to be responsible for the Levy rate selection and the voting process for levy payers for all RDC's

Common themes

Category	Common key themes
Other matters	
Effectiveness and transparency in AWI's governance practices	<ul style="list-style-type: none"> ▶ Transparency in AWI's governance practices, particularly in relation to how proxy votes are used, how Board Committee members are selected, and the procedure for when Conflicts of Interest arise ▶ Effectiveness of governance policy execution ▶ Whether replaceable rules should be applied ▶ Effectiveness of the governance arrangements - the extent to which stakeholders believe the AWI election process is democratic compared to other associations ▶ Acknowledgement of AWI sharing corporate governance documentation with stakeholders ▶ Effectiveness of a regulated wool producer representative body overseeing AWI
Transparency of how proxy votes are used	<ul style="list-style-type: none"> ▶ Ability for the AWI Board to decide on absentee votes ▶ Calls for further transparency in the using proxies and the process (e.g., the AGM in 2011 was the last time that the AWI Chair informed shareholders how proxy votes were cast. Since then, there has been a lack of transparency.)
Transparency of the Board Nomination Committee selection process	<ul style="list-style-type: none"> ▶ Greater rationale of selected Board Nomination Committee members by the chairman and transparency in the selection process
Length of Chairman and Director terms	<ul style="list-style-type: none"> ▶ The need to introduce capped terms to the length of Chairman and Directors
Appropriateness of ex-gratia payments to individuals who were made redundant	<ul style="list-style-type: none"> ▶ Value of ex-gratia payments has been noted as well above the National Employment Standards and the Australian Public Service. (e.g., a total of ~\$170,874.13 was paid to two former employees as ex-gratia payments) ▶ Concerns were raised whether these payments align with AWI's Redundancy Policy and the lack of transparency on the rationale for these payments ▶ The necessity to include information regarding to the remuneration and payments as part of termination of employment packages in the Annual Report
Appropriateness and effectiveness determining the independence of Director	<ul style="list-style-type: none"> ▶ The need for greater guidance on independence of Directors - one commonly cited incidence was related to Will Wilson, who was running as a candidate for the Board nomination while being contracted to AWI as the WEP Working Group Chair

Chapter 5: Summary of Findings and Recommendations



Summary of findings and recommendations

In addressing each of the Terms of Reference for this Review, as described in Chapter 2, a number of findings and recommendations have been identified. The following pages provide a summary view of these, with the supporting analysis being presented in Annexures 1.1-1.13, and the relevant supporting documents in Annexures 2-15.

To guide AWI in prioritising its actions to address these recommendations, a criticality level has been assigned to each recommendation, using the following definitions. These criticality levels are assigned based on the assessment outcomes specified in Annexure 1 for each of the Terms of Reference:

Criticality level	Definition
Mandatory	Required to be implemented in order for AWI to meet all legal and regulatory obligations. This is the highest level of criticality in the Review.
Critical	Considered the highest priority of non-mandatory recommendations. The recommendations are expected to result in significant and material benefits, is material to AWI's role or is expected to have significant impact on stakeholders.
Recommended	Recommended to make the shift towards good practice to ensure that AWI operates at a high standard expected of a company of its type. This is the lowest level of criticality in the Review.

Statutory Funding Agreement compliance – findings and recommendations

Findings	Recommendations	Criticality	
Performance			
TOR 1a. Consider AWI's performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in meeting its obligations under its Statutory Funding Agreement 2016-20 with the Commonwealth and the <i>Wool Services Privatisation Act 2000</i>			
1.1.1	<p>The Review was unable to assess section 4.8 of the SFA due to a lack of evidence to demonstrate that licence for material shared with the Commonwealth is obtained. AWI confirmed that their practice for complying with this obligation is that they do not licence any third party intellectual property. However, this is not documented. Better and standard practice is for companies to maintain a register of third party IP that outlines copyright and licences.</p>	<p>Document the current process of maintaining a register for licences and regularly review it to confirm that when material is shared with the Commonwealth that this obligation is satisfied.</p> <p>Maintain a register for third party IP that outlines copyright and licences. Use this register to track licences obtained from third parties and confirm that licences have been obtained for the Commonwealth where this information is provided to the Commonwealth. This should be implemented by 31st July 2019.</p>	Recommended
1.1.2	<p>AWI does not fully comply with section 14.1 of the SFA as they do not adequately maintain, implement and regularly review a framework of good corporate governance practice (as assessed in section 7.9 Corporate governance). Governance documents are reviewed annually however this process is not documented and the Constitution has not been updated since 2011, which is prior to the introduction of the ASX Corporate Governance Principles in 2014.</p>	<p>Strengthen corporate governance framework in line with the recommendations and timeframes 1.9.1 - 1.9.10 recommended in Annexure 1.9 Corporate governance. This needs to consider clear ownership of Board review, Government framework and approach to regularly refresh frameworks. It should be developed through extensive stakeholder consultations. Updates should be made available on AWI's website. This should be implemented by 31st July 2019.</p>	Critical
1.1.3	<p>AWI does not fully comply with section 14.2 of the SFA as the documented rules on Board appointments and composition does not include requirements for diversity, renewal and succession planning.</p>	<p>Update the Board Charter to include requirements for diversity, renewal and succession planning. We recommend that diversity is an additional characteristic to be considered as part of the assessment of key skills for the Board. This should be implemented by 31st January 2019.</p>	Mandatory

Statutory Funding Agreement compliance – findings and recommendations

Findings		Recommendations	Criticality
Performance			
TOR 1a. Consider AWI's performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in meeting its obligations under its Statutory Funding Agreement 2016-20 with the Commonwealth and the <i>Wool Services Privatisation Act 2000</i>			
1.1.4	AWI does not fully comply with section 14.3 of the SFA as the assessment completed of the Board skills does not include legal and compliance.	Ensure that the skills being assessed are in alignment with those outlined in the SFA, and in conjunction with other recommendations relating to implementation of Board skills matrix. This should be implemented by 31st January 2019. Please also refer to recommendation 1.10.5 for recommended amendment to the Constitution.	Mandatory
1.1.5	AWI does not fully comply with section 14.4 of the SFA as the Board Nomination Committee Charter conflicts with the requirements of the SFA as it does not have membership of a majority of Independent Directors. The BNC Charter states membership should have two independent Directors and three persons who are not Directors.	Amend section 14.4 of the SFA in line with recommendation 1.12.3 for the Board Nomination committee in Annexure 1.12 Assessment of proxies and Board Nomination Committee. This change should be implemented by 31 st January 2019.	Mandatory
1.1.6	The Review notes AWI are compliant with clause 15.1 however the SFA is broad and no specific measures are provided. The review has identified a number of significant opportunities to improve engagement and consultation processes which are outlined in the engagement evaluation in Section 7.5. Submissions received by the Review and our independent woolgrower research indicated that there are opportunities for AWI to develop more effective, respectful and meaningful engagements: <ul style="list-style-type: none"> ▶ 56% of sampled woolgrowers indicated that AWI communicates well with levy payers about what's happening ▶ 43% said that AWI gives me opportunities to have my say about what they do ▶ 37% indicated that AWI listens to woolgrowers before making its decisions 	Strengthen engagement in line with recommendations and timeframes recommended in Annexure 1.5 Engagement assessment. These include: <ul style="list-style-type: none"> ▶ 1.5.1 stakeholder engagement plan with measurements of performance ▶ 1.5.2 review and update of the ICC to better incorporate the interests of stakeholders and levy payers This change should be implemented by 30 th April 2019.	Critical

Statutory Funding Agreement compliance – findings and recommendations

Findings		Recommendations	Criticality
Performance			
TOR 1a. Consider AWI's performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in meeting its obligations under its Statutory Funding Agreement 2016-20 with the Commonwealth and the <i>Wool Services Privatisation Act 2000</i>			
1.1.7	AWI does not fully comply with section 18.2 of the SFA as they did not agree the Terms of Reference for this performance review at least six months prior to the commencement of the Review. They did however commence negotiations approximately six months prior to the Review commencement.	Agree Terms of Reference for the next performance review with the Commonwealth at least six months prior to the Review commencing. Amend the SFA to include an option to vary the Terms of Reference through agreement between AWI and the Department. Implement this change beyond 2019.	Recommended
1.1.8	AWI does not fully comply with section 30.2 of the SFA as its Strategic Plan does not include budget costs over the life of the plan.	Update the current Strategic Plan and ongoing Strategic Plans to include expected spending across the life of the plans. Review budget allocations with the ICC and publish these updates by 31 st January 2019.	Mandatory
1.1.9	AWI does not comply with sections 31.1 and 31.2 of the SFA as they did not update their evaluation framework within six months of the agreement date.	Review and update the evaluation framework by 31 st January 2019. The framework should be developed in consultation with the Commonwealth and AWI should participate in any Commonwealth or collective RDC evaluation projects relevant to its operations.	Mandatory
1.1.10	AWI's internal SFA compliance reporting is not against all obligations and not all information required to demonstrate compliance is outlined in the reports.	Strengthen compliance reporting against the Statutory Funding Agreement so that non-compliance is identified more proactively by AWI and actions are able to be taken sooner. This change should be implemented by the next reporting period following this Review and by 31 st January 2019.	Recommended

Use and management of funds – findings and recommendations

Findings	Recommendations	Criticality	
Performance			
TOR 1b. Consider AWI's performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in implementing governance arrangements and practices that ensure proper use and management of funds.			
1.2.1	<p>Independent woolgrower research indicated that ROI transparency is a key area of improvement for AWI:</p> <ul style="list-style-type: none"> ▶ 44% of sampled woolgrowers are concerned about the effectiveness of AWI investment of funds ▶ Of this, 30% indicated that investments should be reaping better returns, 29% asked for greater transparency on where the funds are being invested 	<p>Develop by 30th April 2019:</p> <ul style="list-style-type: none"> ▶ A 'purpose statement' that clearly outlines AWI's role in the industry moving forward as part of an industry-wide, longer term strategy. These should be developed through stakeholder consultations and focus on pre-competitive services ▶ A consultation framework outlining how feedback from stakeholder groups will be sought and addressed in AWI's future investment decisions, in line with Annexure 1.5 Engagement assessment ▶ A collaboration plan with RDCs in cases where AWI and other RDCs can play to each other's strengths and expertise in their respective industry, in line with Annexure 1.7 Collaboration assessment. This provides an opportunity to seek collaboration with MLA on a sheep production strategy 	Recommended
1.2.2	<p>Independent woolgrower research indicated that 44% of sampled woolgrowers are concerned about the effectiveness of AWI investment of funds. Of this sample, 22% believed that AWI is investing in the wrong areas.</p> <p>Various stakeholder interviews also revealed some concerns on the lack of alignment regarding aspects of AWI's role within the Australian wool industry. For instance, some stakeholders questioned whether AWI has gone beyond its remit of a not-for-profit organisation with the development of the WoolQ.</p>	<p>Develop definitions and boundaries on what kind of investment activities are considered within AWI's remit as a levy-funded, not-for-profit organisation. This should be developed by 30th April 2019.</p>	Critical

Strategic plan – findings and recommendations

Findings	Recommendations	Criticality	
Performance			
TOR 1c. Consider AWI's performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in meeting the planned outcomes and targets of its Strategic Plan			
1.3.1	Of the 97 strategic targets in AWI's previous Strategic Plan 2013-14 to 2015-16, AWI has indicated in its 2015-16 Annual Report that it is on track for its strategic targets, except for 17 <i>Partly Achieved</i> targets and 2 strategic targets with <i>Minor Slippage</i> . In the sample of strategic targets provided to EY by AWI, we noted that AWI's progress reporting is generally consistent with the data they have provided.	Provide a progress update on all strategic targets, including those that were not considered to be achieved in line with previous Strategic Plans, in future Annual Reports. This should be based on AWI's Monitoring and Evaluation framework to ensure that a systematic process is in place for assessing and tracking progress, while ensuring that greater transparency to the public is provided. This change should be implemented by 31 st July 2019.	Recommended
1.3.2	Some strategic targets have a large quantitative component (e.g. 'develop six new global partnerships for menswear and womenswear'). Although AWI has provided qualitative evidence to support its progress, it is difficult to make inferences whether AWI will be able to deliver within the specified timeframe.	Quantify progress to date, especially for strategic targets with a quantitative component, in future Annual Reports, to provide greater transparency. These strategic targets should be linked to benefits so that they are more meaningful to stakeholders. This change should be implemented by 31 st July 2019.	Recommended

Strategic plan – findings and recommendations

Findings	Recommendations	Criticality
Performance		
TOR 1c. Consider AWI's performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in meeting the planned outcomes and targets of its Strategic Plan		
<p>1.3.3 For AWI's current Annual Operating Plan 2017-18, 12 programs were identified where progress was not reported at the executive level in the latest Program Activity Report (PAR) dated December 2017:</p> <ol style="list-style-type: none"> 1. An additional 3.5 million kgs in new demand by 2019 2. Grow the Alumni database by 60 new designers annually 3. Grow media awareness and editorial coverage by \$10 million 4. Grow the retailer partner network by 3 new retailers from a base of 11 5. Additional 1.0 million kgs of new demand 6. Effective assistance to producer groups to establish the basis for sustainable long-term vertebrate pest control programs 7. Support for programs which enhance producers ability to efficiently and effectively control Rabbits in the long term Genetic Improvement 8. Broad range of Merino types included in the MLP project representative of industry usage 9. Assess and improve the understanding and application of data collected by sensor technology 10. Develop software to maximise benefits of sensor technology for farmers 11. Continue to provide strong and recognised support for over 50 wool industry events nationwide 12. Development of train-the-trainer programs for greater and more efficient execution 	<p>Ensure that status updates are provided for all strategic targets from the next quarterly PAR. This is especially important for new targets that were introduced in AWI's 2017-18 Annual Operating Plan (AOP) as there is no baseline data available to determine progress to date. AWI should also ensure that evidence is provided for each target in their future Annual Reports. Progress reports should be available ahead of all future reviews of AWI's Strategic Plans. This change should be implemented by 31st July 2019.</p>	Recommended

Strategic plan – findings and recommendations

Findings	Recommendations	Criticality	
Performance			
TOR 1c. Consider AWI's performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in meeting the planned outcomes and targets of its Strategic Plan			
1.3.4	AWI's current Strategic Plan does not provide a strategic long-term vision. The wool industry has not adopted a long term view, which is different to RDCs in other industries (e.g. in addition to Dairy Australia's own Strategic Plan, there is a 5-year industry plan in place (Dairy Moving Forward)).	Develop a ten-year wool strategy to inform AWI's three year Strategic Plans. This will need to be developed with broad consultation across the industry, including levy payers and other RDCs. This will enable AWI to identify major long term opportunities (e.g. sustainability, provenance, productivity improvement, partnerships and risks). AWI must also address how to mitigate industry risks, such as conducting a strategic risk assessment and allocating funds accordingly (e.g. for flystrike prevention research). This plan should be reviewed regularly (e.g. every 3-5 years). This may result in a shift to fewer and higher impact projects and a need to move into the pre-competitive space and tackle bigger and higher return opportunities in a more sustained manner. This should be implemented by 31 st July 2019.	Recommended
1.3.5	The targets set out in the Strategic Plan vary in the degree to which they are clearly meaningful to key stakeholders, in that they do not all provide a clear connection to the impact an individual target will have to a woolgrower's individual business.	Ensure that all strategic targets have a clear link between the target, the projects that will support achievement of the target and the impact to woolgrowers (e.g. how it will positively impact farm gate returns). This should be introduced from AWI's 2019-20 to 2021-22 Strategic Plan and should be linked to AWI's Monitoring & Evaluation framework in order to facilitate a systematic process for assessing and tracking progress on each strategic target. This should be implemented by 31 st July 2019.	Recommended

Benefits delivery – findings and recommendations

Findings		Recommendations	Criticality
Benefits Delivery			
TOR 1d. Consider AWI's performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in delivering benefits to woolgrowers and, where appropriate, the community in general (including the achieved value for money and return on investment and the contribution of its investments to increasing farm gate returns)			
1.4.1	Despite a formal evaluation framework being in existence, benefits are not reviewed frequently enough to effectively communicate results of projects to industry stakeholders.	Undertake a Post-Implementation Review at the completion of each project instead of at the end of the Strategic Planning cycle. This should be implemented by 30 th April 2019. This review should also include a calculation of the estimated and actual financial returns achieved on the investment using objectively assessable calculations.	Critical
1.4.2	<p>There is no clear documented view of the total value of investment and returns delivered to each stakeholder group. This information would enhance the ability of AWI to provide transparency of expenditure. According to the Review's independent woolgrower research, there are opportunities for AWI to increase transparency of benefits delivery:</p> <ul style="list-style-type: none"> ▶ 47% noted that the effectiveness of AWI spending decisions is fairly evaluated ▶ 46% indicated that AWI is open and accountable about the investment decisions it makes 	Identify key stakeholder groups, and subsequently develop a clear view of investment and return by these groups. Results should be published annually in the Annual Report. This should be implemented by 31 st July 2019 for inclusion in the 2018-2019 Annual Report.	Critical
1.4.3	Based on EY's analysis of documentation received and interviews with AWI stakeholders, it appears that the majority of reporting is manually prepared, with limited ability to easily access or understand performance at a program or whole-of-organisation level. This limitation restricts the ability of AWI to make high quality decisions in a timely manner.	As part of the future Monitoring and Evaluation framework, AWI should include a range of standardised metrics that are tracked and monitored, supporting timely and quality decision making. This should be completed by 31 st January 2019.	Critical

Benefits delivery – findings and recommendations

Findings	Recommendations	Criticality	
Benefits Delivery			
TOR 1d. Consider AWI's performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in delivering benefits to woolgrowers and, where appropriate, the community in general (including the achieved value for money and return on investment and the contribution of its investments to increasing farm gate returns)			
1.4.4	AWI's current Monitoring and Evaluation framework appears to be out-of-date and no longer in use. Although AWI has advised that a new framework is being developed and implemented throughout the current Strategic Planning period, EY has not been able to objectively assess or review any work in progress documentation to verify this.	Update and publish the new Monitoring and Evaluation framework on AWI's website by 31 st January 2019 and in line with recommendation 1.1.9. Also regularly release results achieved throughout the Strategic Planning periods in order to keep stakeholders informed.	Recommended
1.4.5	<p>Although monitoring and evaluation is a core capability for R&D organisations, no one in AWI is specifically appointed to own this framework. Further, there is no clear documented view of the total value of investment and returns delivered to each stakeholder group. This information would enhance the ability of AWI to provide transparency of expenditure. There is an opportunity for AWI to increase organisational transparency, particularly relating to benefit delivery. According to independent woolgrower research, of woolgrowers interviewed:</p> <ul style="list-style-type: none"> ▶ 29% need more information as to where the funds are being invested ▶ 22% believe they are investing in the wrong areas 	<p>Develop by 31st July 2019:</p> <ul style="list-style-type: none"> ▶ Report on the value of investment and returns by stakeholder group in their Annual Report each year. This should be included in the 2018-2019 Annual Report ▶ Appoint individuals within AWI to be accountable for understanding monitoring and evaluation of investment activities, and propagate this understanding in AWI and ensure that the M&E framework is effectively implemented ▶ Educate employees such that there is a consistent understanding of their obligations relating to monitoring and evaluation of investment activities across AWI 	Recommended

Stakeholder engagement and communication process – findings and recommendations

Findings	Recommendations	Criticality	
Engagement evaluation			
TOR 1e. Consider AWI's performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in engaging, consulting and communicating with stakeholders, including the opportunities for levy payers and industry representative bodies regarding the investment of levies.			
1.5.1	<p>AWI provides a stakeholder engagement plan to the public, available on its website. AWI has increased stakeholder engagement and consultation in the latest Strategic Planning period. However, submissions received by the Review and our independent woolgrower research indicated that there are opportunities for AWI to develop more effective, respectful and meaningful engagements.</p>	<p>Develop by 30th April 2019:</p> <ul style="list-style-type: none"> ▶ Develop a stakeholder engagement plan that includes measurements of performance. This plan should be flexible enough to allow for modification to lift performance as required ▶ Invest in multichannel stakeholder feedback consultation to facilitate two-way conversations and more interactive dialogue (e.g. digital means, such as social media). Develop channels that enable AWI to become more explicit in terms of how decisions are formed 	Mandatory
1.5.2	<p>There is scope for AWI to improve its engagement and consultation feedback review process via standardisation. There is currently no standard process for documenting and reviewing feedback from stakeholders, nor notification to feedback providers of any action. This significantly inhibits organisational transparency.</p>	<p>Redefine the ICC arrangements to ensure a more independent advisory body. This upgraded advisory body should provide independent advice to AWI on investments made, and to identify and recommend opportunities for AWI to consider. The ICC should be renamed to signal these changes. This should occur by 31st January 2019.</p>	Critical

Monitoring & evaluation framework – findings and recommendations

Findings	Recommendations	Criticality	
Monitoring and evaluation			
TOR 1f. Consider AWI's performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in monitoring and evaluation of investments (including whether its current framework is adequate and links to its current Strategic Plan)			
1.6.1	The Monitoring and Evaluation framework does not provide guidance on standardised metrics for projects and programs. As a result, this Review was not able to compare projects within the project portfolio and identify AWI's effectiveness in tracking and reporting on progress. This also limits AWI's ability to have a clear view of the returns being achieved on investments. In many cases, a high frequency is warranted in order to enable better reporting and assessment of AWI performance management and decision making. AWI has advised that a new Monitoring and Evaluation framework is current being developed.	Where possible, introduce standardised, quantitative performance metrics as part of the Monitoring & Evaluation framework to enable comparison across AWI's project portfolio and transparency regarding benefits delivered to woolgrowers. These metrics should be monitored and assessed against progress on a regular basis under AWI's new M&E framework to allow for systematic tracking of AWI's progress. This should occur by 31 st January 2019.	Critical
1.6.2	Analysis of return on investment is only completed at the end of the strategic period.	Calculate woolgrower related performance metrics on an annual basis and measure actual performance against estimated performance. This will provide insights to stakeholders on how the investments are performing against targets and enable AWI to reallocate funding and resources if necessary to maintain desired risk levels. This should occur by 30 th April 2019.	Critical

Monitoring & evaluation framework – findings and recommendations

Findings	Recommendations	Criticality	
Monitoring and evaluation			
TOR 1f. Consider AWI's performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in monitoring and evaluation of investments (including whether its current framework is adequate and links to its current Strategic Plan)			
1.6.3	<p>The Monitoring and Evaluation framework does not have an explicit owner. As such, there are opportunities to encourage greater ownership of the framework within AWI to ensure that the framework is applied consistently. AWI has advised that a new Monitoring and Evaluation framework is currently being developed. AWI should provide greater transparency on ROI, BCR, detailed assumptions for the analyses conducted, and the economic effects on stakeholders other than woolgrowers. Other RDCs seem to be further progressed than AWI in this respect.</p>	<p>By 31st January 2019:</p> <ul style="list-style-type: none"> ▶ Introduce explicit requirements for achieving a minimum confidence level (e.g. 95%) in evaluations of projects ▶ Establish governance of the M&E framework and link the implementation of this framework to Executive performance to motivate greater ownership and responsibility amongst AWI Executives ▶ Disclose methodology for evaluation of investment portfolios, assumptions for the analyses, and benefits on stakeholders on AWI's website to provide greater transparency 	Critical

Cross-collaboration – findings and recommendations

Findings	Recommendations	Criticality	
Performance			
TOR 1g. Consider AWI's performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in cross-collaboration.			
1.7.1	<p>While AWI already has a level of communication with cross-collaborators, the current engagement and communication approach is mostly tactical and on a project-by-project basis. There is an opportunity for AWI to lift the overall commitment and engagement level across their collaboration network by applying a more strategic, longer-term, collaborative approach that is appropriate for the type of organisation.</p>	<p>In line with recommendation 1.7.3, establish a more sustained, systematic and broader engagement approach for the end-to-end cross-collaboration in order to create deeper and greater levels of engagement and relationships across AWI's collaboration network:</p> <ul style="list-style-type: none"> ▶ Strengthen communication and engagement across multiple channels (e.g. enhance the quality of briefings and feedback sessions to provide greater opportunities for two-way communications) ▶ Conduct an early stage dialogue with potential collaborators to provide opportunities to address queries on selection criteria and requirements ▶ Consider providing more information in feedback letters (e.g. greater explanation on the rationale for AWI's decision, more context on the specific issue) <p>This should be implemented by 31st January 2019.</p>	Recommended
1.7.2	<p>AWI has developed procedures for selecting parties for collaboration. However, through written submissions and stakeholder interviews, some stakeholders indicated a perception that these practices on party selection were not always followed through.</p>	<p>Comply with procedures for selecting parties for collaboration and implement a tracking system to monitor the process and ensure that procedures are correctly and consistently followed through. This should be implemented by 31st January 2019.</p>	Recommended

Cross-collaboration – findings and recommendations

Findings	Recommendations	Criticality	
Performance			
TOR 1g. Consider AWI's performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in cross-collaboration.			
1.7.3	<p>Independent woolgrower research showed that 45% of woolgrowers believe that AWI collaborates well with other agricultural Research and Development bodies.</p>	<p>Develop a cross-RDC collaboration model as part of the long-term industry strategy, detailing the following:</p> <ul style="list-style-type: none"> ▶ definition and role of cross-RDC collaboration (e.g. MLA) ▶ ownership of IP ▶ governance and structure ▶ method of sharing resources ▶ sponsorship from Executives ▶ method of accessing different markets ▶ Reporting of progress and outcomes ▶ funding allocation <p>This should be developed through extensive consultation with levy payers and implemented by 30th April 2019.</p>	Critical
1.7.4	<p>Measurement and evaluation data collection is primarily done manually and is not easily accessible to support cross-collaboration decision making.</p>	<p>Establish a repository to better capture research data and create knowledge for AWI and cross-RDC collaborations through sharing of research outcomes. This would ensure that AWI is not replicating research, and enable output of research to be accessible by other RDCs. This should be implemented by 31st January 2019.</p>	Critical

Implementing recommendations from the 2012-15 performance review

Findings	Recommendations	Criticality	
Performance			
TOR 2. Consider AWI's effectiveness in addressing and implementing the recommendations from the 2012-2015 performance review			
1.8.1	<p>Three recommendations are incomplete within the timeframe specified in AWI's Response & Implementation Plan. First, AWI has not addressed Conflicts of Interest in its Corporate Governance Policy (Recommendation 4). Second, although AWI has a Board Nomination Committee to assess candidate nomination, there is no evidence of a formal succession planning process in place to identify skill gaps for AWI's Board in the future (Recommendation 5). Third, the M&E framework is not sufficient to ensure that the process for measurement and evaluation is sustainably embedded into AWI (Recommendation 8). AWI has advised that it is considering mechanisms to inform Government on the progress against the 2015 Response & Implementation Plan.</p>	<p>Implement each of the uncompleted recommendations from the 2012-15 performance review by 31st January 2019:</p> <ul style="list-style-type: none"> ▶ Conflicts of Interest in its Corporate Governance Policy (Similar to recommendation 1.9.6 in this Review) ▶ Formal succession planning process in place to identify skill gaps for AWI's Board in the future (Similar to recommendation 1.1.3 in this Review) ▶ The M&E framework (Similar to recommendation 1.1.9 in this Review) <p>Each of these have been made as other recommendations as part of this Review.</p>	Mandatory
1.8.2	<p>Of the 8 recommendations in the 2012-15 performance review, one recommendation is complete. Specifically, AWI has incorporated communication of strategic benefits in its Strategic Plan and other engagement channels (Recommendation 2)</p>	<p>In AWI's next future Response & Implementation Plan, specify and report the underlying activities that are required to address each recommendation outlined in this Review. AWI should allocate accountability and responsibility to individuals, and link implementation progress of the Plan to Board performance evaluation in order to encourage individuals to take ownership by 31st October 2018.</p>	Critical

Implementing recommendations from the 2012-15 performance review

Findings	Recommendations	Criticality	
Performance			
TOR 2. Consider AWI's effectiveness in addressing and implementing the recommendations from the 2012-2015 performance review			
1.8.3	<p>Adjustments were made to five of the recommendations, such that AWI has made alternative arrangements to the development of a strategic benefit framework, Board skill matrix, the hiring of a COO / CoE, and the Deed of Delegation (Recommendations 1, 3, 6, and 7). AWI has advised that post 2015 ROP period the Department streamlined its SFA meetings with the RDC's, to ensure consistency and appropriate monitoring and reporting against the SFA requirements. This included the requirement for AWI to report against its implementation and progress implementation to then previous ROP. In 2017 in discussion with the Department, AWI reported a change in its implementation plan.</p>	<p>Set out measureable and objective targets that can be tracked over time, and communicate justifications for the adjustments of recommendations in this Review with both the Department and levy payers. AWI should communicate and agree the adjustments with the Department by 31st January 2019. Communication mechanisms may include reporting justifications in AWI's future Annual reports and to the ICC and the Department.</p>	Recommended

Corporate governance – findings and recommendations

Findings	Recommendations	Criticality	
Other Matters			
<p>TOR: 3a-f. Consider whether AWI's corporate governance framework (including the Board Charter and the charters, codes of conduct and policies approved by the Board under its Charter):</p> <ol style="list-style-type: none"> Is appropriate for a company of its type Is effective, transparent and accountable Has appropriately drawn upon the ASX Corporate Governance Principles (or other relevant better practice guides) when applicable to AWI Is appropriately documented and provides adequate guidance for company officers to effectively implement governance requirements (such as in avoiding and managing conflicts of interest and addressing potential breaches of the Code of Conduct) Has been implemented Provides for an appropriate definition of Independent Director and has effective procedures for determining the independence of Directors 			
1.9.1	<p>There is no maximum length of directorship for Board members. Better practice indicates that leaping tenure can impact the independence of an individual. The ASX Corporate Governance Principles outline there should be consideration for the length of time someone has been the Director of the entity where his or her independence may have been compromised. It also outlines that after 10 years due consideration should be given to whether or not a Director remains independent.</p>	<p>Implement maximum periods of Board Membership including for the Board Chair. We recommend ten years. We also recommend a minimum roll off period of two years (period of time Directors must remain off the Board before standing for re-election). The fact that a Director has served on a Board for a substantial period can mean that they have become too close to management and previous Board discussions to be considered independent. This recommendation should be reflected in the Constitution and applied in practice during the next Director election cycle.</p>	Critical
1.9.2	<p>There is inadequate guidance for implementation of the Code of Conduct. There is no reference made to external communication, social media channels. Further, there is a lack of examples provided in plain language and mechanism for people to seek advice. No reference is made to a whistleblowing policy, mechanism and consequences.</p>	<p>Review and update the Code of Conduct to incorporate gaps identified from better practice:</p> <ul style="list-style-type: none"> ▶ Provide external communication ▶ Provide social media channels ▶ Provide examples in plain language ▶ Provide a mechanism for persons to seek advice ▶ Provide a reference to a whistleblowing policy, mechanism and consequences <p>These should be implemented by 31st January 2019.</p>	Recommended

Corporate governance – findings and recommendations

Findings		Recommendations	Criticality
Other Matters			
1.9.3	There is opportunity to improve the process followed in a potential breach of the Code of Conduct. In line with good governance principles, more transparency of the investigation and recommendations for a potential Code of Conduct breach by a Director would be expected. Independent reviews are commonly used for potential breaches of the leadership of large organisations.	Develop an escalation matrix to support treatment of potential breaches of the Code of Conduct. This should include specific guidance on processes and escalations dependent on the role of the person and the severity of the potential breach. The highest escalation of potential breaches, including for Board Members, should be the subject of independent investigation by a reputable third party. These updates should be made by 31 st January 2019.	Recommended
1.9.4	AWI has a document that outlines each Director's skills against those in the SFA in their Board skills matrix. This is currently not publicly available; however, AWI indicated that this matrix will be included in its Annual Report 2017-18 and thereafter. As outlined in Annexure 1.1 Legal compliance the skills are also not in alignment with those in the SFA.	Publicly disclose the Board skills needed by the Board. Consider if this is disclosed as a narrative, a table, or a combination of narrative and a table. The Board skills matrix should be publicly disclosed by 31 st July 2019. As a minimum, ensure that the skills are in alignment with the SFA. This should be disclosed on the AWI website and the Board skills matrix should then be reviewed annually. Please also refer to recommendation 1.10.4 and 1.1.4 for related recommendations about achievement of a skills based Board. This recommendation is in alignment with the practices of Dairy Australia which is included as an example in Annexure 14.	Recommended

Corporate governance – findings and recommendations

Findings		Recommendations	Criticality
Other Matters			
1.9.5	<p>AWI currently engages the services of an independent governance advisor who provides advice to the Board on it being a skills-based Board. He also conducts the annual performance review of the Board as a whole and as against each individual Director (assessing also their skills).</p> <p>However, there is no documented guidance in terms of how to implement a skills based Board. The process to assess the skills of the Board is not outlined and the current assessment is done at a high level.</p>	<p>Develop guidelines for implementation of a skills-based Board. These should include how the competencies of each Board Member should be reviewed and assessed, either following completion of a questionnaire by each Director or by some other method. This should be implemented by 31st January 2019.</p>	Critical
1.9.6	<p>The Conflicts of Interest policy is outlined in the Code of Conduct and the Review identified the following opportunities for improvement based on better practice guidelines:</p> <ul style="list-style-type: none"> ▶ Has a brief definition and does not describe what real and perceived conflicts are. It does provide examples of when conflicts of interest may occur. ▶ Does not provide an overview of Directors' duties ▶ Does not describe the process for disclosure including the register and a standing agenda item at Board meetings ▶ Does not provide direction as the point at which conflicts are so material that they effectively prohibit the individual from performing in their roles ▶ Does not describe what is expected of a Director if the conflict is significant 	<p>Review and update the Conflict of Interest policy to incorporate:</p> <ul style="list-style-type: none"> ▶ More comprehensive definition of a conflict of interest ▶ An overview of Directors' duties ▶ Point of contact for guidance on conflicts, including guidance on how to manage conflicts and consult when the situation changes ▶ Description of the process for disclosure including the register and a standing agenda item at Board meetings ▶ Direction as the point at which conflicts are so material that they effectively prohibit the individual from performing in their roles ▶ Describe what is expected of a Director if the conflict is significant <p>Current practice to manage conflicts of interest, including general and perceived conflict, can be further strengthened by providing greater clarity and transparency to growers. This should be implemented by 31st January 2019.</p>	Recommended

Corporate governance – findings and recommendations

Findings		Recommendations	Criticality
Other Matters			
1.9.7	The executive performance review process has no guiding documentation that outlines this process and provides guidance to company officers. Evidence of the outcome of executive performance reviews was provided to the Review. It is the responsibility of the Remunerations and Appointments Committee to ensure AWI has an effective process as outlined in its Charter.	Develop documentation that outlines the executive performance review process and provides guidance to company officers. More generally AWI should review policies and procedures that support the implementation, transparency and effectiveness of governance arrangements. These updates should be implemented by 31 st January 2019.	Critical
1.9.8	AWI largely complies with the ASX Corporate Governance Principles based on review of all governance documentation and activities, however they are lacking a Board diversity policy. Note: the alignment of the Constitution with ASX principles has been assessed separately.	Where AWI does not align with the ASX Corporate Governance Principles, include documented statements in order to be transparent on where alternative approaches are intentionally being taken to achieve an equivalent outcome. Please refer to recommendation 1.1.3 for recommendation specifically relating to adding a Board Diversity Policy. This update should be implemented by 31 st January 2018.	Recommended

Corporate governance – findings and recommendations

Findings		Recommendations	Criticality
Other Matters			
1.9.9	<p>There is an opportunity to strengthen governance mechanisms of accountability of the Board to levy payers.</p>	<p>Strengthen the mechanisms of accountability of the Board to levy payers, including:</p> <ul style="list-style-type: none"> ▶ a new requirement in the Constitution regarding explicit Board performance criteria and a requirement for reporting on performance in the Annual Report. Performance measures should be both annual and strategic for the conduct and operation of the Board, relating to how it discloses its accountabilities to shareholders and levy payers. ▶ modification of section 18 of the SFA to require the Review of Performance to be commissioned by the Department and the Terms of Reference to include an evaluation of Board contribution to performance <p>This should be implemented by 31st October 2018.</p>	Recommended
1.9.10	<p>The definition of an independent Director as outlined in AWI's Board Charter is generally compliant with the guidance outlined in the ASX Corporate Governance Principles. However, there are two areas where there are opportunities to strengthen this definition:</p> <ul style="list-style-type: none"> ▶ There is currently no clause that considers the length of directorship which is one of the considerations in the ASX Corporate Governance Principle ▶ AWI is slightly different to an ASX listed company as its shareholding is similar to a company limited by guarantee as opposed to a company limited by shares only. As the voting entitlement fluctuates with the WoolPoll, this means no individual shareholder could reach a 5% substantial voting entitlement test 	<p>Enhance the definition of an independent Director included in the Board Charter to:</p> <ul style="list-style-type: none"> ▶ Include a clause relating to the length of directorship in line with recommendation 1.9.1 ▶ Revise the clause relating to voting entitlements to better reflect that a Directors role as a Woolgrower can impact their independence <p>Include these changes in the Board Charter by 31st October 2018.</p>	Recommended

Constitution – findings and recommendations

Findings	Recommendations	Criticality	
Other Matters			
<p>TOR 4 a-c. In considering AWI Corporate Governance Framework, (term of reference 3), specifically consider whether AWI's Constitution:</p> <ul style="list-style-type: none"> a. Is appropriate for a company of its type b. Appropriately covers the company's current activities c. In conjunction with the SFA - supports the selection of a skills-based Board with skills relevant to undertaking its roles and functions for the benefit of woolgrowers. 			
1.10.1	<p>Our review of the AWI Constitution showed a number of areas where it could be improved - to better reflect ASX's Corporate Governance Principles and Recommendations, <i>the Corporations Act (Cth) 2001</i> or to incorporate provisions from other RDC constitutions that better express good corporate governance and are more appropriate for a company of its type.</p>	<p>Review and update the AWI Constitution and SFA obligations to reflect the recommendations set out in Annexure 2 and 9. The Constitution should be updated regularly to remain relevant with the current purpose of AWI and reflect better practice governance standards. This should be renewed following extensive stakeholder input and tabled at the 2019 Annual General Meeting, with proposed amendments to be circulated well in advance.</p>	Recommended
1.10.2	<p>Clause 15.4 of the SFA requires AWI to consult with the Commonwealth on amendments to the AWI Constitution. While this is a consultation requirement, it may act as a veto power.</p>	<p>Consider further amendments to clause 15.4 of the SFA in order to allow for greater flexibility in proposing amendments to AWI's Constitution. This should be implemented by 31st January 2019.</p>	Recommended
1.10.3	<p>AWI's Constitution should be reviewed to reflect the corporate governance recommendations arising from the Financial Services Royal Commission once it has concluded.</p>	<p>Review and update the AWI Constitution in light of the further and final recommendations arising from the Financial Services Royal Commission following its conclusion. This should be completed by 31st July 2019.</p>	Recommended

Constitution – findings and recommendations

Findings	Recommendations	Criticality	
Other Matters			
1.10.4	<p>AWI needs to more actively monitor whether its Constitution and governance practices support a broader skills based Board.</p> <p>Rule 13.3(d) of the AWI Constitution represents a dilemma for how the Board of AWI is structured in terms of balancing a desire to have deep representation of the wool industry with a requirement of public company independence of Directors and to satisfy its obligations in the SFA to have a broader skills based Board. It is possible that appropriate candidates that satisfy a skills-based matrix would not be able to easily obtain the requisite 100 eligible shareholder signatures required to seek nomination.</p>	<p>Publish the Board's skills matrix and emphasise to shareholders the importance of a broad skills based Board in all Director election material in line with recommendation 1.9.4.</p> <p>Delete Rule 13.3(d) of the AWI Constitution that specifies candidates obtain the requisite 100 eligible shareholder signatures required to seek nomination. This would make the AWI Director selection process aligned with other RDCs who do have a broader skills-based Board. Industry representation is still a key requirement for the AWI Board and the skills matrix under clause 14.3(b) of the SFA specifically mentions this as a requirement. The purpose of the recommendation is to recalibrate the balance of skills on the AWI Board. This should be implemented by 31st October 2018.</p> <p>Please also refer to and implement in conjunction with recommendation 1.11.3.</p>	Critical
1.10.5	<p>Clause 14.3 of the SFA requires AWI to have a skills-based Board however this is not reflected in the Constitution.</p>	<p>Include a rule in the AWI Constitution that requires a skills-based Board. This should be completed by 31st October 2018.</p>	Critical

Replaceable rules – findings and recommendations

This section is presented differently to other Terms of Reference as each recommendation on the AWI Constitution was made in relation to provisions that applied as replaceable rules. All of these recommendations should be implemented by 31st January 2019.

Provisions that apply as replaceable rules			AWI Constitution		
	Officers and Employees	Section	Findings	Rule	Recommendation
1.11.1	Negotiable instruments	198B	Not contained in the AWI Constitution.	N/A	Section 198B be included so that a negotiable instrument is only signed, drawn, accepted, endorsed or otherwise by two or more Directors.
1.11.2	Managing Director	198C	Consistent. Section 198C also provides that the Board may vary a conferral of powers on the managing Director (which is not covered in Rule 14.1).	14.1	The powers to vary be included.
1.11.3	Company may appoint a Director	201G	Rule 13.3 provides that a Director will be elected at AGMs. However, only a person who is nominated by the Board or by more than 99 shareholders (or a lesser number prescribed by law) who are entitled to vote is eligible to be appointed a Director. This has restricted the number of persons who are eligible to be elected at AGM to be a Director.	13.3	Rule 13.3 is amended so that any shareholder can nominate a person to be elected as Director.
1.11.4	Alternate Directors	201K	Not contained in the AWI Constitution	N/A	While section 201K would ordinarily be included in a company's Constitution to give the Director the flexibility to appoint an alternate if necessary, this is usually on the basis that the Director is representing a particular shareholder or group of shareholders. Given the shareholding structure and purpose of RDCs and AWI in particular, it is not appropriate for AWI to include an equivalent of section 201K in its Constitution.

Replaceable rules - findings and recommendations

Provisions that apply as replaceable rules			AWI Constitution		
	Officers and Employees	Section	Findings	Rule	Recommendation
1.11.5	Termination of appointment of managing Director	203F	<p>Section 203F(1) provides that a person ceases to be a managing Director if they cease to be a Director. Rule 14.1 provides that the managing Director ceases to be a managing Director upon him or her ceasing to hold office as a Director if the Board so resolved.</p> <p>Section 203F(2) provides that the Directors may revoke or vary an appointment of a managing Director.</p>	14.1	Rule 14.1 be amended to incorporate section 203F(1) so the managing Director automatically ceases to be a managing Director upon him or her ceasing to hold office as a Director, and to include the rights of Directors under section 203F(2).
1.11.6	Terms and conditions of office for secretaries	204F	Not contained in the AWI Constitution.	N/A	Section 204F be included to make it clear that a secretary holds office on the terms and conditions (including remuneration) that the Directors determine.
1.11.7	Circulating resolutions of companies with more than 1 Director	248A	<p>Section 248A(1) provides that the Directors may pass a resolution without a meeting if all of them entitled to vote on the resolution sign a document stating that they are in favour of the resolution set out in the document.</p> <p>Rule 15.8 provides that a resolution is valid if it was signed by:</p> <ul style="list-style-type: none"> ▶ All Director, or ▶ A majority of the Directors entitled to vote if notice has been given to all Directors. 	15.8	To demonstrate good corporate governance, Rule 15.8 be amended so that a resolution is only passed without a Directors' meeting if all the Directors (as opposed to a majority of Directors) entitled to vote sign the resolution.

Replaceable rules – findings and recommendations

Provisions that apply as replaceable rules			AWI Constitution		
	Officers and Employees	Section	Findings	Rule	Recommendation
1.11.8	Chairing Directors' meetings	248E	<p>Consistent to a large extent except that section 248E(2) also provides that the Directors must elect a new Chair if a previously elected Chair declines to act (as opposed to merely not present at the meeting).</p> <p>Section 248E(2) used the term “must” which connotes a mandatory requirement for a new Chair to be elected while Rule 15.4 used the term “may” which connotes an optional requirement.</p>	15.4	Rule 15.4 be amended to be consistent with section 248E(2) to ensure that any meeting will be chaired.
1.11.9	Quorum at Directors' meetings	248F	<p>Section 248F provides that unless the Directors determined otherwise, the quorum for a Directors' meeting is 2 Directors and the quorum must be present at all times during the meeting.</p> <p>Rule 15.1(b) provides that the quorum is 2 Directors or 50% of the number of Directors if the company has more than 4 Directors. The only exception to this requirement is that when the Directors appoint a new Director to increase the number of Director so that it is sufficient to constitute a quorum. It also requires a quorum to be present at the meeting.</p>	15.1(b)	Rule 15.1(b) be amended to require a quorum to be present “at all times during the meeting”.

Replaceable rules – findings and recommendations

Provisions that apply as replaceable rules			AWI Constitution		
	Officers and Employees	Section	Findings	Rule	Recommendation
	Meetings of members				
1.11.10	When notice by post or fax is given	249J(4)	<p>Section 249J(4) provides that a notice of meeting sent by fax or other electronic means is taken to be given on the business day after it is sent.</p> <p>However, Rule 17.2 provides that such notice is considered to have been served when the transmission is sent.</p>	17.2	Rule 17.2 be amended so that a notice sent by electronic means is taken to be given on the business day after it is sent. This may avoid disputes or complaints when the notice is sent outside the normal business hours.
1.11.11	When notice under paragraph 249J(3)(cb) is given	249J(5)	<p>Section 249J(5) provides that a notice of meeting given to a member by electronic means nominated by the member is taken to be given on the business day after the day on which the member is notified that the notice of meeting is available.</p> <p>However, Rule 17.2 provides that such notice is considered to have been served when the transmission is sent.</p>	17.2	Rule 17.2 be amended so that a notice sent by electronic means is taken to be given on the business day after it is sent. This may avoid disputes or complaints when the notice is sent outside the normal business hours.
1.11.12	Notice of adjourned meetings	249M	Not contained in the AWI Constitution.	N/A	Section 249M be included.

Replaceable rules – findings and recommendations

Provisions that apply as replaceable rules			AWI Constitution		
	Officers and Employees	Section	Findings	Rule	Recommendation
1.11.13	Quorum	249T	<p>Section 249T(1) provides that the quorum for a general meeting is 2 members and the quorum must be present at all times during the meeting. Rule 11.2(a) provides that the quorum is 60% of all shareholders or 50 shareholders (whichever is lesser) and that no business may be transacted unless a quorum is present at the commencement of the meeting.</p> <p>Section 249T(2) sets out how quorum is determined. There is no similar provision in the AWI Constitution.</p> <p>Sections 249T(3) and (4) provide that if quorum is not present within 30 minutes after the meeting time, the meeting is adjourned to the date, time and place as specified by the Director (otherwise the same date, time or place). Rule 11.2(b) provides that the meeting is dissolved if quorum is not present within 30 minutes unless the Chairman adjourns the meeting. The adjourned meeting will be dissolved if no quorum is present at the adjourned meeting.</p>	11.2	<ul style="list-style-type: none"> ▶ Rule 11.2(a) be amended to require a quorum to be present “at all times during the meeting” (as opposed to only at the commencement of the meeting) ▶ Section 249T(2) be included, and ▶ Rule 11.2(b) be amended to be consistent with sections 249T(3) and (4).
1.11.14	Business at adjourned meetings	249W(2)	Not contained in the AWI Constitution.	N/A	Section 249W(2) be included.

Replaceable rules – findings and recommendations

Provisions that apply as replaceable rules			AWI Constitution		
	Officers and Employees	Section	Findings	Rule	Recommendation
1.11.15	How many votes a member has	250E	<p>Section 250E(1) provides that at a meeting of members of a company with a share capital, each member has 1 vote on a show of hands, and 1 vote for each share they hold on a poll. Rule 12.1(b) and Rule 5.3 provide that on a poll, each shareholder has 1 vote for each whole \$100 Rolling Wool Levy Amount registered by the Company at the time of the vote. The Board will make its determination not later than 35 days before the AGM.</p> <p>Section 20E(3) provides that the Chair has a casting vote and any vote they have in their capacity as a member. Rule 5.3 provides that the Chairman does not have a second or casting vote if he or she is a shareholder.</p>	12.1 5.3 11.7	Rule 5.3 be amended so that the Board make its determination before any general meeting (as opposed to AGM only).

Replaceable rules – findings and recommendations

Provisions that apply as replaceable rules			AWI Constitution		
	Officers and Employees	Section	Findings	Rule	Recommendation
	Transfer of shares				
1.11.16	Transmission of shares on death	1072A	<p>Section 1072A(2) provides that the personal representative is entitled to the same rights as the deceased shareholder whether or not registered as a shareholder.</p> <p>Rule 9 contains similar concepts. However, rule 12.2 provides that the personal representative may vote at the general meeting if he or she satisfies the Board at least 48 hours before the general meeting that he or she is a personal representative.</p>	9 12.2	Rule 12.2 be amended so the personal representative can vote at the meeting as soon as they satisfy the Board that he or she is a personal representative.
1.11.17	Transmission of shares on bankruptcy	1072B	Not contained in the AWI Constitution.	N/A	Section 1972B be included.
1.11.18	Transmission of shares on mental incapacity	1072D	Not contained in the AWI Constitution.	N/A	Section 1972D be included.
1.11.19	Registration of transfers	1072F	Section 1072F(4) provides that the Directors may suspend registration of transfer of shares.	8	Rule 8 be amended to give the Directors the flexibility to suspend registration of transfer of shares.

Handling and use of proxies – findings and recommendations

Findings	Recommendations	Criticality	
Other Matters			
TOR 6. Consider whether AWI's handling of proxies and reporting of proxies, and the manner in which Board Nomination Committee members are selected is appropriate for a company of its type (as outlined above) and sufficiently transparent.			
1.12.1	The use of open proxy votes can have the ability to change the outcome of resolutions, and the outcomes of elections of Directors. This is dependent on how many open proxies shareholders direct to the Chair of the meeting.	Open proxy votes allocated to sitting Directors for casting in elections of Directors should be exercised according to the BNC recommendation. The Rules and Procedures Governing the Election of Directors and the Board Nomination Committee Charter should be updated to reflect this change. This should be implemented at the 2018 AGM in preparation for the next cycle of Director elections in 2019.	Critical
1.12.2	AWI does not disclose the number of open proxies received by the Chair and how these votes are cast in respect to a resolution. Disclosure of this information is not required by law but it does provide transparency of the will of shareholders.	Increase the transparency of the use of open proxies. The Chair should disclose at the beginning of the meeting the number of proxies they hold, how many are directed and undirected and of the undirected ones how he or she intends to vote. This practice should be implemented for the 2018 AGM.	Critical

Board Nomination Committee member selection process – findings and recommendations

Findings	Recommendations	Criticality
Other Matters		
TOR 6. Consider whether AWI's handling of proxies and reporting of proxies, and the manner in which Board Nomination Committee members are selected is appropriate for a company of its type (as outlined above) and sufficiently transparent.		
1.12.3	<p>The current process for member selection of the Board Nomination Committee is inappropriate as the Chair of the Board has a substantial influence over the membership of the Committee, which then reviews potential candidates for Director roles.</p> <p>The Board Nomination Committee (BNC) should comprise:</p> <ul style="list-style-type: none"> ▶ A Chair independent of the wool industry and independent from AWI, initially appointed by the Secretary of the Department of Agriculture and Water Resources. This individual should be an eminent person with experience in commerce or Government but who has no commercial or family interests in the wool industry ▶ One Non-Executive Director of AWI, other than the Chair ▶ A person with significant experience in the wool industry who should be nominated by the President of the National Farmers Federation ▶ A senior executive from an international executive search firm, who should be nominated by the CEO of AWI, and subject to approval by the independent Chair <p>The intent of the BNC is to identify a pool of candidates that meet the requirements of the Board based on the Board skills assessment. For example, this would include the removal of any candidate who was assessed as not meeting sufficient requirements for the target skills sought by the Board. Potential candidates should be identified through a robust and transparent process including advertising for nominees. The BNC should also consider the independence of candidates in their review in alignment with updated independence criteria as per recommendation 1.9.10. The Board should have the opportunity to put forward candidates for the consideration of the BNC and will have the opportunity endorse the recommendations of the BNC prior to a Director election. The BNC should conduct an executive search function in addition to relying on nominations. The BNC should make a recommendation to shareholders which should be limited to the number of vacancies for Board positions. The Committee should be renewed prior to each election cycle and operate through consensus. The Chair of the Committee should have a casting vote to enable decisions to be made where the committee members are divided. Members should be remunerated according to applicable standards and parties responsible for nominating members of the BNC should consider diversity and other relevant standards for their appointees.</p>	Critical

Board Nomination Committee member selection process – findings and recommendations

Findings	Recommendations	Criticality
Other Matters		
TOR 6. Consider whether AWI's handling of proxies and reporting of proxies, and the manner in which Board Nomination Committee members are selected is appropriate for a company of its type (as outlined above) and sufficiently transparent.		
1.12.3 cont.		<p>The Chair of the BNC may decide to disclose the requisite skills gaps if they deem it suitable to do so. Open proxies should be used in alignment with recommendations of the BNC as per recommendation 1.12.1. The SFA and the Constitution should be updated to reflect these requirements as per recommendation 1.1.5. The recommendation does not intend for the BNC to remove the democratic rights of levy payers. This should be implemented by 31st October 2018 so that it is in operation for the next Director election cycle. Following the first election overseen by this model, the Independent Chair should work with AWI and Department to determine a long term model for an independent BNC without requiring a nominee from the Department.</p>

Board Nomination Committee member selection process – findings and recommendations

Findings	Recommendations	Criticality	
Other Matters			
TOR 6. Consider whether AWI's handling of proxies and reporting of proxies, and the manner in which Board Nomination Committee members are selected is appropriate for a company of its type (as outlined above) and sufficiently transparent.			
1.12.4	<p>The Board Nomination Committee selection process and Director elections are perceived by stakeholders to be 'controlled' by the current Board.</p>	<p>Board members or AWI should not be allowed to campaign for Director nominees. They should, however, be able to note if the Board supports the assessment and recommendations made by the Board Nomination Committee. This does not restrict the ability for the Board to communicate with shareholders.</p> <p>Members of the BNC should not nominate to be a Director of AWI until at least three years after their membership of the BNC ceases. Additionally, participation on a previous BNC should be included in the Director nomination materials shared with members. This is in line with behaviours of good governance and updates to the Board Nomination Committee Charter and Rules and Procedures Governing the Election of Directors should reflect this change. This update should be implemented by 31st January 2019.</p>	Recommended

Employment practices – findings and recommendations

Findings		Recommendations	Criticality
Other Matters			
<p>TOR 7. Consider whether AWI's employment practices are appropriate, including whether the:</p> <ol style="list-style-type: none"> Engagement of former staff as contractors is undertaken appropriately for a company of its type Redundancy benefits and policies are appropriate for a company of its type Executive level remuneration is appropriate for a company of its type. 			
1.13.1	AWI has no formal policy or process that outlines how contractors are engaged and managed.	<p>Update the redundancy and procurement policy to include guidelines for potential future engagement of employees who are made redundant (e.g. an employee made redundant cannot be engaged through a contract for six months after they leave AWI):</p> <ul style="list-style-type: none"> ▶ Include a policy for multiple contractors to be considered over a procurement value threshold. Another RDC indicated the threshold they applied was \$20,000 for this purpose ▶ Increase transparency of engagement of former staff as contractors, redundancy decisions and executive remuneration by increasing the disclosure of these in future Annual Reports <p>These changes should be made by 31st July 2019.</p>	Recommended
1.13.2	Based on a comparison with a selection of other organisations and standards, AWI's redundancy benefits and policy appears to be appropriate for an organisation of its type.	<p>Develop a policy for the delegation of authority regarding ex-gratia payments. This should include a cap on the financial amount on which the CEO should consult with legal counsel prior to making an ex-gratia payment. This change should be made by 31st July 2019.</p>	Recommended

Employment practices – findings and recommendations

Findings	Recommendations	Criticality	
Other Matters			
<p>TOR 7. Consider whether AWI's employment practices are appropriate, including whether the:</p> <ul style="list-style-type: none"> a. Engagement of former staff as contractors is undertaken appropriately for a company of its type b. Redundancy benefits and policies are appropriate for a company of its type c. Executive level remuneration is appropriate for a company of its type. 			
1.13.3	<p>At an aggregate level, AWI's executive remuneration is above the median when compared against matching positions in companies with an annual turnover between \$20 and \$100 million. Note this benchmarking was based on relevant domestic data and provides only an indication on the appropriateness of AWI executive level remuneration and does not consider matters such as specialised skills, roles and international staff.</p>	<p>Perform remuneration benchmarking against companies with (1) an annual turnover between \$80 and \$120 million or (2) employee headcount of 150-250 with a similar international reach on a regular basis (annually) so that it is consistent with AWI's remuneration strategy. This update should be implemented by 31st July 2019.</p>	Recommended

Other findings and recommendations

Findings		Recommendations	Criticality
1.14.1	WoolPoll can be a costly process for the same outcome, where more stability may be more beneficial for both AWI and levy payers.	Conduct an independent assessment of the WoolPoll mechanism with an eminent person and involve levy payer and Government input. Reduce the frequency from three years to five years, with a further step to be considered in the future that would remove the mandate to hold the WoolPoll at regular intervals, and instead, only conduct the poll if sufficient needs exist, as determined by levy payers. This change could promote stability in levy payer funds and also reduce costs, which could enable better investments of levy payer funds. This shift may also pave the way for more strategic conversations between the Board and the industry, increased focus on accountability of the Board to shareholders and thereby increase the level of shareholder engagement and participation. This should be implemented beyond 2019.	Recommended
1.14.2	There have been stakeholder concerns relating to investments being made in areas where there is no market failure (e.g. WoolQ). Clause 26.2 from the SFA refers to AWI being able to apply levy funds to 'Other Activities' related to the industry. This is defined as 'activities of AWI (other than Marketing Activities and Research and Development Activities) that are supported by levy payers and shareholders that relate to a function for which there is market failure'.	Provide greater levels of evidence and transparency that investments are being pursued in pre-competitive areas (e.g. where investment would not have occurred by manufacturers). This should be included in both Annual Reports and relevant communication to industry stakeholders, such as through the renewed ICC. This should be implemented by 31 st January 2019.	Recommended

Other findings and recommendations

Findings	Recommendations	Criticality
<p>1.14.3 AWI does not have a Chief Operating Officer or Chief of Staff. However, AWI has made a number of changes to the senior roles with the aim of achieving an equivalence in line with recommendations in the previous performance review. Examples of related changes include:</p> <ol style="list-style-type: none"> 1. Undertook a number of retrenchments to return autonomy to regional offices for Marketing and product development 2. Appointment of a Manager Operations and Office 3. Rationalising the number of people with a direct reporting line to the CEO <p>The CEO currently has 18 direct reports.</p>	<p>Introduce the role of a Chief Operating Officer in line with the recommendation made in the previous performance review. This will allow the CEO to focus on more strategic activities. This should be implemented by 31st January 2019.</p>	<p>Recommended</p>
<p>1.14.4 Sources of, and use of funding, have emerged as issues that need to be addressed. A successful RDC would have access to stable sources of funding over the longer term in order to promote sustained investments in areas of greatest need.</p>	<p>The Department should consider how to enable AWI to access, utilise, and arrange sources of funding, and how this could be extended to include the ability to access private capital for relevant purposes, such as investment in agreed post-competitive platforms and technologies for commercialisation. A number of RDCs created separate accounts to provide transparency of management of investments and provide effective oversight. This should be implemented by 31st July 2019.</p>	<p>Recommended</p>

Other findings and recommendations

Findings		Recommendations	Criticality
1.14.5	AWI has extensive documentation to support its operations and there are many recommendations to update this documentation as part of the Review. However, to successfully implement the change, a cultural shift is required. These changes are not just a change due to review but also in response to changes in good practice. As a result, they need to be implemented by reforming the AWI business, rather than just seeing these matters of procedure or simply adding cost.	Exhibit a cultural change required to make these changes successful. AWI needs to exhibit behaviours of good governance, including accountability, transparency, integrity and stewardship. This should start with leadership agreement to the change, followed by staff education and training. Surveys can be used to monitor the cultural change. This should be demonstrated by 31 st July 2019.	Critical
1.14.6	There are 82 recommendations included in this Review. To effectively and successfully implement them and the cultural change required to support them, capability uplift of staff is required.	Identify skills gaps relating to areas of significant change. Consider whether these gaps can be addressed through internal training or hiring of new staff and fill these gaps by 31 st January 2019.	Critical
1.14.7	Ongoing dialogue should be maintained between the Department and AWI. This would provide significant value and support to the transformation outlined in the Review by providing clarification of the intent of the Report, open dialogue on the timing of implementation and monitoring and management of risks.	Establish a governance forum for the purposes of monitoring the implementation of these recommendations. This should include representation from AWI, the Department and the industry. Any deviation from the recommendations made in the Review should be approved through this forum. This should be established by 31 st October 2018.	Critical

Chapter 6: A Way Forward



A way forward

The wool industry contributes significantly to our agricultural sector, and directly supports the livelihoods of 200,000 Australians, mainly in regional and remote areas.

AWI plays a significant role in contributing to the industry's success - this has been reflected in its performance in various marketing and research initiatives.

In view of the risks it faces, and the opportunities that exist for its further success, the wool industry needs to move forward with a more strategic and long-term approach to its research and marketing investments and activities.

The Review's recommendations have therefore primarily been designed to look to the future, recognising what AWI has delivered for to date - to help the industry progress and prosper in the next decade and beyond. In other words, to help ensure a bright future not only for this generation, but also the next generations of Australian woolgrowers. We hope these recommendations serve to focus AWI and its key stakeholders on this future, including what needs to change, how it needs to change and when it needs to change.

As the centrepiece, the Review recommends that AWI develop a 10 year Strategic Plan, which will be important to recognise the wide range of participants, issues and opportunities in the sector, guide investment decisions given the rapid changes in global demand for wool and to guide how the wool industry should best respond. AWI should develop this plan in a highly consultative way, and in doing so seek to ensure that the wool industry and its research and marketing partners work together collaboratively. This approach is important to ensure that efficiencies are realised and benefits maximised.

The Review also recommends a series of measures to improve the corporate governance of AWI. These are required to build trust in the company from key stakeholders, and to ensure that the organisation is fit for purpose into the future. As an organisation funded by compulsory levies and by the taxpayer, AWI should not just seek to meet applicable governance requirements, it should aim to be no less than "best in show".

A way forward

This chapter outlines the 12 themes that encompass the 82 recommendations (7 mandatory, 24 critical, and 51 recommended) made as part of this Review, as well as some key success factors that will aid AWI in the implementation of these recommendations.

1. AWI's purpose and role in the industry should be better defined

Various aspects of AWI's role could be better aligned within the Australian wool industry and reflected in the development of a clear 'purpose statement.' This could be achieved by developing greater clarity on the following:

- ▶ Making decisions regarding the investments of levies on behalf of levy payers or providing services to meet levy payers' needs
- ▶ Making investments in pre-competitive areas where market failure has been demonstrated and will continue to occur
- ▶ Owning technologies and IP, vs encouraging development of these
- ▶ Pursuing innovation in parts of the value chain, such as wool classing, selling and distribution

2. AWI and the industry should prepare a long term Strategic Plan

The Review strongly believes that AWI should undertake longer term Strategic Planning. The plan could include understanding of longer term demand trends, how wool can be best positioned in the market, major research and marketing technology disruptions, supply strategies, and opportunities for broad collaboration (including with other RDCs, research bodies, and governments more broadly, on matters such as market access). AWI's role could be resolved through this process.

Specifically, AWI should lead a cross industry development of a "10 year" or "2030" plan, which gets refreshed every 5 years. This would need to be synchronised with other relevant commodity strategies, such as the Sheepmeat Industry Strategic Plan. A better understanding of industry risks, such as social licence issues (e.g. mulesing), the cost of shearing, and dependence on China as our primary export market will enable AWI to better define strategies and prioritise investments to support wool growers and the industry.

A way forward

3. Stakeholder consultation activities should be improved

The stakeholder engagement framework should be strengthened, through a consultative process with industry representative organisations to determine requirements. This must achieve significant improvement in relationships with key stakeholder groups, including representative bodies, other RDCs and research bodies, and governments.

In addition, improve the ICC arrangements to ensure a more independent advisory body. This upgraded advisory body should provide independent advice to AWI on investments made, and to identify and recommend opportunities for AWI to consider. The ICC should be renamed to signal these changes.

4. Monitoring and evaluation should be improved

A consistent M&E framework across AWI should be defined, published and implemented. In doing so, AWI should establish relevant measures which demonstrate investments have achieved results relevant to levy payers, at an agreed level of accuracy and cost. The framework should also be explicit regarding how AWI will maintain this over time, including how key assumptions will continue to be market tested (e.g. assumptions regarding level of marketing impact on price):

- ▶ Appoint an executive owner whose role is to oversee the application and continuous improvement of M&E
- ▶ Maintain consolidated project performance reports
- ▶ Establish clear decision making parameters and controls regarding project performance
- ▶ Report on portfolio composition, program and project performance in the Annual Report

5. There should be more and better collaboration with other RDCs and research bodies for improved efficiency of research spending

Collaboration with other RDCs and research bodies should be enhanced through:

- ▶ A cross-RDC collaboration model as part of the long-term industry strategy
- ▶ Documented objectives and targets for each collaborative program
- ▶ Transparency of decisions made on selection of other RDCs and other research bodies for collaboration activities
- ▶ Improved tracking and monitoring of the selection of collaboration candidates

A way forward

6. Governance framework documentation and practices should be improved

While governance documents and practices have been procedurally adequate in the past, there is an opportunity to enhance the corporate governance framework to align with better practice:

- ▶ Implement maximum periods of Board membership, including for the Board Chair. We recommend ten years. We also recommend a minimum roll off period of two years. We believe this is necessary to support a forward-looking Board to ensure diversity of thought and experience, and bring new ideas and skills in a rapidly changing world
- ▶ Strengthen the accountability of the Board to levy payers through a new requirement for the Board to maintain a Board performance plan, including explicit and measurable performance goals (e.g. achieving good corporate governance, strategic goals and the performance management of the CEO) and a requirement for reporting on performance in the Annual Report
- ▶ Improve standards and controls regarding maintaining independence (at the Board and operational level), including updates to processes of managing conflicts of interest
- ▶ The application of the Code of Conduct should be strengthened to include specific guidance and escalations to an independent Board member if required. Potential breaches by a Board members should be the subject of independent investigation by an eminent third party, who has no connections to the wool industry

7. The Director nomination and election processes need improvement to enable a broader skills based Board

Our Review has found that a number of other RDCs have amended their corporate governance structures, such as their Constitutions and Board nomination process, to introduce greater independence and an ability to create broad skills based Board. The implementation of a broad skills based Board for AWI should be accelerated, ensuring a democratic process, by strengthening the Board Nomination Committee and actively seeking required Board skills. This will need to be supported with changes to the Constitution.

Rule 13.3(d) of the AWI Constitution represents a dilemma for how the Board of AWI is structured in terms of balancing a desire to have deep representation of the wool industry with a requirement of public company independence of Directors and to satisfy its obligations in the SFA to have a broader skills based Board. The Review recommends removing the requirement of 100 shareholder signatures and specifying that only those candidates shortlisted by the Board Nomination Committee are included in the Director Election process. This would make the AWI Director selection process aligned with other RDCs who do have a broader skills based Board. Industry representation is still a key requirement for the AWI Board and the skills matrix under clause 14.3(b) of the SFA specifically mentions this as a requirement. The purpose of the recommendation is to recalibrate the balance of skills on the AWI Board.

A way forward

The Board Nomination Committee (BNC) should be comprised of:

- ▶ An Independent Chair, who is an eminent person with experience in commerce or Government, to initially be nominated by the Secretary of the Department of Agriculture and Water Resources, with the chair to settle an alternative nomination process for subsequent BNCs
- ▶ A Non-executive Director of AWI, other than the Chair
- ▶ A person with significant experience in the wool industry, to be nominated by the President of the National Farmers' Federation
- ▶ A senior executive from an international executive search firm who is nominated by the CEO of AWI and subject to the approval of the Independent Chair

The intent of the BNC is to identify a pool of candidates that meet the requirements of the Board based on the Board skills assessment. For example, this would include the removal of any candidate who was assessed as not meeting sufficient requirements for the target skills sought by the Board. Potential candidates should be identified through a robust and transparent process including advertising for nominees. The BNC should also consider the independence of candidates in their review. The Board should have the opportunity to put forward candidates for the consideration of the BNC and will have the opportunity endorse the recommendations of the BNC prior to a Director election. The BNC should conduct an executive search function in addition to relying on nominations. The BNC should make a recommendation to shareholders, which should be limited to the number of vacancies for Board positions. The Committee should be renewed prior to each election cycle and operate through consensus. The Chair of the Committee should have a casting vote to enable decisions to be made where the committee members are divided.

8. Constitutional changes are required to support good corporate governance

The Constitution should be updated to remain relevant with the current purpose of AWI, playing both a marketing and R&D role. Changes should reflect better practice governance standards such as the ASX Corporate Governance Principles. The AWI Constitution should also be reviewed and updated in light of any relevant further and final recommendations relating to corporate governance arising from the Financial Services Royal Commission.

9. Employment practices should be updated and strengthened

There are opportunities to strengthen employment practices including:

- ▶ Establish a contracting policy for former staff, particularly those previously made redundant
- ▶ Annual benchmarking of Executive remuneration to ensure alignment between AWI's remuneration practice and policies
- ▶ Reconsidering the structure of the organisation, including the appointment of a COO

A way forward

10. Risk and compliance practices should be strengthened

There is an opportunity to strengthen compliance reporting against the SFA, ensuring that reporting is against all obligations so that AWI can be appropriately monitored.

11. Implementation of the recommendations in this Review should be regularly assessed and reported upon

The effective implementation of all the recommendations in this Review will rely upon a few key changes in the organisation:

- ▶ Reporting on underlying activities required to address each recommendation outlined in this Review
- ▶ Measurable and objective targets defined that can be tracked over time
- ▶ Introduction of the role of the COO to enable the CEO to focus on more strategic activities
- ▶ Exhibit behaviours of good governance
- ▶ Identify and address skills gaps in areas of significant change
- ▶ A willingness to have progress independently reviewed

12. Funding of AWI

- ▶ A shift in the WoolPoll mechanism should be contemplated to reduce the frequency from three years to five years, with a further step to be considered in the future that would remove the mandate to hold the WoolPoll at regular intervals, and instead, only conduct the poll if sufficient needs exist, as determined by levy payers. This change could promote stability in levy payer funds and also reduce costs, which could enable better investments of levy payer funds. This shift may also pave the way for more strategic conversations between the Board and the industry, increased focus on accountability of the Board to shareholders and thereby increase the level of shareholder engagement and participation. The Department should consult with industry representative organisations and directly with a selection of woolgrowers in relation to this proposal
- ▶ Sources of funding could be extended to include the ability to access private capital for relevant purposes, such as investment in agreed post-competitive platforms and technologies for commercialisation. A number of RDCs have created separate accounts to provide transparency of how they manage these type of investments and provide effective oversight
- ▶ There is a need for greater levels of evidence and transparency that investments are being pursued in areas of market failure (e.g. where investment would not have occurred by manufacturers)

Success factors for implementation of the recommendations

These recommendations are designed to ensure that AWI is a very high performing organisation and delivering the best possible services for wool producers. A number of the recommendations from this Review will ultimately require levy payers and members of the company endorsement to implement. AWI should ensure it engages extensively with them in order to support their decision making. The revamped ICC will likely play a key role to facilitate engagement with key stakeholders regarding the implementation of these recommendations.

We have identified several factors that may affect the implementation of the recommendations in a positive manner:

- ▶ A **culture** that encompasses responsiveness in implementing these changes and seeks to change in partnership with key stakeholders in a collaborative way, co-design of solutions, proactive and regular communication with all key stakeholders and always acting with behaviour that exhibits accountability, integrity, stewardship, respect and transparency
- ▶ Effective **leadership** that demonstrates the ability to embrace change, builds trust, strong communication skills, honesty, integrity and delegation and empowerment
- ▶ Clear **ownership and governance** of the implementation of these changes. We recommend allocating this to a committee of the Board that can provide regular reports to the CEO and the Board. Engagement with external stakeholders will be critical and should be fundamental to the governance arrangements. Key roles that should be defined for this transformation could include an executive sponsor, project manager and stakeholder manager
- ▶ Regular and robust **reporting** should be performed so there is regular visibility of progress
- ▶ Maintain **accountability** of the Board to levy payers and the Department throughout the implementation
- ▶ Regular and frequent and effective **stakeholder consultations**

AWI should continue with its existing services and projects whilst addressing these recommendations. Together, the recommendations the Review has made are intended to deliver an organisation that is high performing and delivers benefits to members. Changes should not just be implemented through additional roles and cost. Most of our recommendations relate to the conduct of existing roles, processes and behaviours. It is critical for AWI to transform how these are done as the successful implementation should result in a range of benefits (e.g. efficiency and quality of implementation).

Implementation timeline

Factors that may impact the timing of these recommendations include:

- ▶ The need to sustain current operations and delivery of the Strategic Plan
- ▶ The highly consultative way in which the recommendations should be implemented
- ▶ Formal approvals , for example via shareholder vote in some cases
- ▶ The sequencing and dependencies between recommendations, for example, it would be beneficial to stand up the renewed ICC process early to leverage it for ongoing consultation relating to the implementation of the recommendations in this Review
- ▶ Potential consequential impacts if delays occur
- ▶ The need to enable cultural reform

The timeline on the following pages outlines the date by which each of the recommendations from this Review should be implemented. The milestones indicate when the implementation of each recommendation should be completed.

AWI should introduce ongoing monitoring of the implementation with the Department, and consider factors that might influence the timing of implementation (e.g. the AGM, WoolPoll). Alternative arrangements should be considered for when a key milestone is missed or insufficient progress is made during the specified timeframe. AWI should consider the impact this may have to the two groups of stakeholders that the Board is held accountable for:

1. Shareholders / levy payers
2. The Department through SFA

There should be a commitment to an independent assessment of progress at key milestones such as after 12 months. Such an evaluation should be jointly commissioned by the Department and AWI. This will provide confidence to stakeholders that AWI is implementing the changes in a timely manner. Alternative pathways and actions should also be considered if progress is not made by this checkpoint review. Finally, transition arrangements should be considered, such as Board tenure and the number of roles required. Ongoing dialogue should be maintained between the Department and AWI. This would provide significant value and support to the transformation outlined in the Review by providing clarification of the intent of the report, open dialogue on the timing of implementation and monitoring and management of risks. This body should have representation from AWI, the Department and industry.

Implementation timeline

We recommend that all recommendation preparation for implementation commence immediately following the release of this Report. We believe that these changes should be implemented with vigour and in a consultative manner, in a way that would be expected of a public organisation of this type. These changes will need to take place in a dynamic and increasingly competitive global fibre market.

Activity	2018						2019												>2019		
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan		
1. There is a need to better define AWI's purpose and role in the industry							▲ 1.14.2							▲ 1.2.1 ▲ 1.2.2	To be developed ahead of starting development of the next Strategic Plan						
2. Longer term Strategic Planning would be beneficial to AWI and the industry							▲ 1.1.8								▲ 1.3.4 ▲ 1.3.5	To be developed as part of finalisation of the next Strategic Plan					
3. Improvement is required for stakeholder consultation							▲ 1.5.2							▲ 1.1.6 ▲ 1.5.1	To be developed ahead of starting development of the next Strategic Plan						
4. Monitoring and evaluation needs significant improvement							▲ 1.1.9 & 1.8.1 ▲ 1.4.3 ▲ 1.4.4 ▲ 1.6.1 ▲ 1.6.3						▲ 1.4.1 ▲ 1.6.2	To be developed ahead of starting development of the next Strategic Plan					▲ 1.3.5 To be developed with finalisation of the next Strategic Plan ▲ 1.3.1 ▲ 1.3.2 Reporting in the Annual Report ▲ 1.3.3 ▲ 1.4.2 ▲ 1.4.5		
5. Better collaboration with other RDCs is needed for improved efficiency of spend							▲ 1.7.1 ▲ 1.7.2 ▲ 1.7.4							▲ 1.7.3	To be developed ahead of starting development of the next Strategic Plan						

▲ Recommendation implementation completed

Figure 11: Implementation timeline

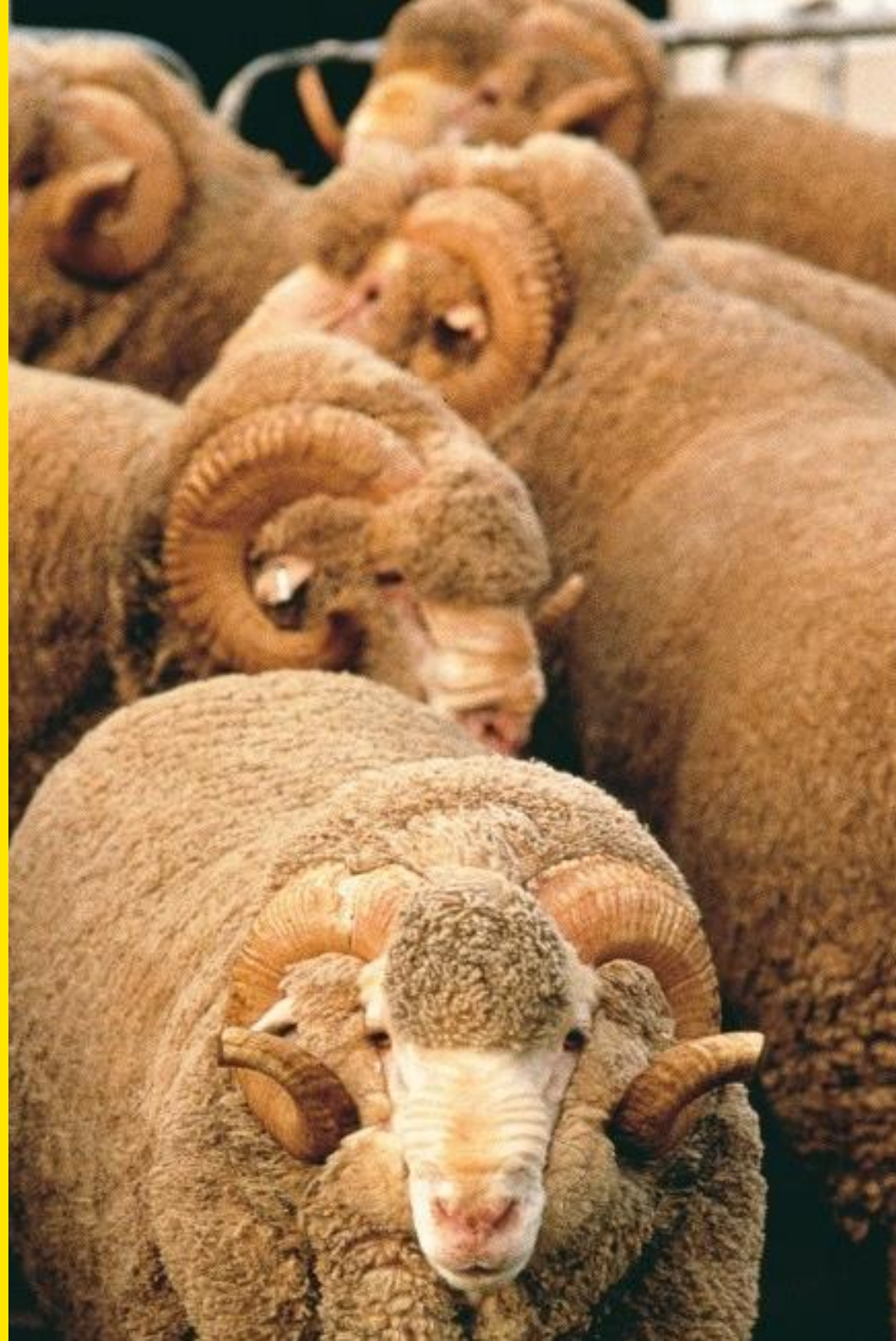
Implementation timeline

Activity	2018						2019												>2019	
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
6. The Director election processes need improvement to enable a skills based Board		Constitutional changes required to support the 2019 Director selection process to be progressed at the next AGM			▲ 1.9.1 ▲ 1.9.10 ▲ 1.10.4 ▲ 1.10.5 ▲ 1.12.1 ▲ 1.12.2 ▲ 1.12.3			▲ 1.1.3 & 1.8.1 ▲ 1.1.4 ▲ 1.1.5 ▲ 1.9.5 ▲ 1.12.4	Governance documents to support the next Director selection process to be finalised										▲ 1.9.4 Reporting in the Annual Report	
7. There is a need for improvements to governance framework documentation								▲ 1.9.2 ▲ 1.9.3 ▲ 1.9.6 & 1.8.1 ▲ 1.9.7 ▲ 1.9.8											▲ 1.1.2	
8. Constitutional changes are needed to support good corporate governance					▲ 1.9.9			▲ 1.10.2											▲ 1.10.1 ▲ 1.10.3 ▲ 1.11.1-1.11.20	
9. Employment practices can be strengthened																			▲ 1.13.1 ▲ 1.13.2 ▲ 1.13.3	
10. Strengthening risk and compliance practices								▲ 1.1.10											▲ 1.1.1	▲ 1.1.7
11. Effectively implement recommendations in this Review					▲ 1.8.2			▲ 1.8.3 ▲ 1.14.3 ▲ 1.14.6											▲ 1.14.4 ▲ 1.14.5	
12. Opportunities for the industry					▲ 1.14.7														By the end of 2020	1.14.1 ▲
13. Management of overall implementation	Ongoing governance of programs																			
	Ongoing monitoring with the Department																			
	Ongoing shareholder consultations																			

▲ Recommendation implementation completed

Annexures

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Annexure 1: Independent Assessments

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Annexure 1.1: Statutory Funding Agreement compliance

This Annexure has addressed the following Terms of Reference:

“1a. Consider AWI’s performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in meeting its obligations under its Statutory Funding Agreement 2016-20 with the Commonwealth and the Wool Services Privatisation Act 2000”

The SFA is the legal agreement between the Commonwealth of Australia and AWI

The [SFA](#) outlines the legal obligations of AWI to receive funding as outlined in the *Wool Services Privatisation Act 2000*. The current SFA has a four year term from October 2016 to October 2020. The document is developed based on a review of the previous agreement.

What is included in the Statutory Funding Agreement?

The SFA includes the following sections:

- ▶ Term and operation of this agreement
- ▶ Access to records and use of information
- ▶ Assignment
- ▶ Notice
- ▶ Corporate governance
- ▶ Role of AWI
- ▶ Notification of significant issues
- ▶ Conflict of interest
- ▶ Review of performance
- ▶ Performance management
- ▶ Consultations with the Commonwealth
- ▶ Payment of funds
- ▶ Management of the finds
- ▶ Application of the funds
- ▶ Acknowledgement of funding
- ▶ Consultations with industry
- ▶ Information on activities
- ▶ Strategic plan
- ▶ Evaluation framework
- ▶ Annual operational plan
- ▶ Annual report
- ▶ Compliance audit report
- ▶ Certification report

Compliance reporting

- ▶ AWI Annual Reports include a statement of compliance with Sections 25 and 26 of the Statutory Funding Agreement
- ▶ AWI issues six monthly SFA compliance reports to the Department of Agriculture and Water Resources outlining actions taken in regard to outcomes sought under different sections of the SFA

Stakeholder opinions relating to compliance with the SFA

Among the views expressed through written submissions received and extensive stakeholder interviews, the following comments were made and fell broadly into the following areas. Below are some examples of the words used by various stakeholder groups through written submissions and stakeholder interviews:

Generally positive

- ✓ *"We feel very strongly that Australian Wool Innovation (AWI) is meeting its obligations under the Statutory Funding Agreement 2016-2020 with the Commonwealth and the Wool Services Privatisation Act 2000. It is an audited process and as a result AWI has to comply" - woolgrower*
- ✓ *"AWI are representing us as woolgrowers, in a manner that is professional and I have no reason to believe that they are not meeting their obligations under the Statutory Funding agreement" - woolgrower*
- ✓ *"I do not have any concerns AWI is not meeting its statutory funding obligations." - woolgrower*

Generally negative

- X *"More stringent criteria for agri-political activities and safeguards against AWI breaching these criteria" - industry representative organisation*
- X *"...need for more robust criteria regarding industry consultation" - industry representative organisation*
- X *"...some areas could be strengthened, including the requirement for AWI to have a commercial Board with skills relevant to objects, to undertake research, development and innovation and other activities for the benefit of woolgrowers" - service sector organisation*
- X *....has evidence that the AWI Board has consistently interfered in the Wool Poll process, ignoring recommendations of the "independent" WoolPoll panel & grower groups in the past. This relates to the levy options put to growers as voting options. - industry representative organisation*

Others comments

- ? *"The Statutory Funding Agreement that exists for the Red Meat Industry, necessitates strong consultation between Meat & Livestock Australia (MLA) and Sheep Producers Australia (SPA), where MLA provides research, development, extension and marketing (RDE&M) initiative options and recommendations to SPA for decision. These RDE&M initiatives are not progressed or implemented by MLA without SPA/ Industry's approval... Suggests that a similar type of Statutory Funding Agreement arrangement should exist for the Wool Industry..." - industry representative organisation*

Observations: There were numerous stakeholders who identified opportunities to strengthen the Statutory Funding Agreement, and many who highlighted they had no concerns or did not have an understanding of AWI's obligations under the agreement.

Assessment of AWI's compliance with the SFA

Of 70 obligations outlined in the Statutory Funding Agreement 2016-20, AWI is compliant with 62, partially compliant with 4 and not compliant with 3 obligations. The Review was unable to assess one obligation due to insufficient evidence being provided

Our assessments of whether or not AWI is meeting its obligations under each aspect of the SFA is structured as follows:

Obligation Reference	Obligation	Evidence	Finding
Section of the SFA, Act or Regulation	Obligation as identified from review of the SFA	Evidence to support whether or not AWI has been meeting its obligation	Conclusion as to whether the obligation has been met

The following pages provide a summary of the outcome of the assessment, and the detail of the assessment in line with the structure above is provided in Annexure 2 SFA Compliance - supporting assessments.

The rating system used for this assessment is as follows:

- ▶ ✓ Compliant - AWI meets all of the requirements of the obligation outlines in the SFA
- ▶ ~ Partially Compliant - AWI meets some of the requirements of the obligation outlined in the SFA
- ▶ X Not Compliant - AWI does not meet any part of the obligation outlined in the SFA
- ▶ ? Unable to Assess - EY had insufficient information to make an assessment for the obligation outlined in the SFA

Summary of findings against obligations in the SFA

The detail of the assessment to support each finding is included in Annexure 2 SFA Compliance - supporting assessments.

SFA Reference	Finding	Page Reference
Term and Operation of this Agreement		
3.4	✓ Compliant	286
3.5	✓ Compliant	286
Access to Records and Use of Information		
4.2	✓ Compliant	286
4.4	✓ Compliant	287
4.8	? Unable to assess	287
4.9	✓ Compliant	288
Assignment		
8.1	✓ Compliant	288
Notice		
13.1	✓ Compliant	288
Corporate Governance		
14.1	~ Partially Compliant	289
14.2	✓ Compliant	289
14.3	~ Partially Compliant	290
14.4	~ Partially Compliant	290
14.5	✓ Compliant	291
Role of AWI		
15.1	✓ Compliant	291
15.2	✓ Compliant	291
15.3	✓ Compliant	292
15.4	✓ Compliant	292
Notification of Significant Issues		
16.1	✓ Compliant	292

SFA Reference	Finding	Page Reference
Conflict of Interest		
17.1	✓ Compliant	293
17.2	✓ Compliant	293
Review of Performance		
18.1	✓ Compliant	293
18.2	X Not compliant	293
18.3	✓ Compliant	293
18.4	✓ Compliant	294
18.5	✓ Compliant	294
18.6	✓ Compliant	294
18.7	✓ Compliant	295
18.8	✓ Compliant	295
Performance Management		
19.2	✓ Compliant	295
19.3	✓ Compliant	295
19.4	✓ Compliant	296
19.5	✓ Compliant	297
19.6	✓ Compliant	298
Consultations with the Commonwealth		
23.1	✓ Compliant	299
Changes to Guidelines		
23.4	✓ Compliant	300
Payment of Funds		
24.5	✓ Compliant	301
24.8	✓ Compliant	301

Summary of findings against obligations in the SFA

The detail of the assessment to support each finding is included in Annexure 2 SFA Compliance - supporting assessments.

SFA Reference	Finding	Page Reference
Management of the Funds		
25.1	✓ Compliant	301
25.2	✓ Compliant	302
25.3	✓ Compliant	302
25.4	✓ Compliant	302
25.5	✓ Compliant	303
25.6	✓ Compliant	303
Application of the Funds		
26.1	✓ Compliant	304
26.2	✓ Compliant	304
26.3	✓ Compliant	305
26.4	✓ Compliant	306
26.5	✓ Compliant	306
Acknowledgement of Funding		
27.1	✓ Compliant	306
Consultations with Industry		
28.1	✓ Compliant	307
28.2	✓ Compliant	307
Information on Activities		
29.1	✓ Compliant	308
29.2	✓ Compliant	309
29.3	✓ Compliant	309

SFA Reference	Finding	Page Reference
Strategic Plan		
30.1	✓ Compliant	310
30.2	~ Partially Compliant	311
30.3	✓ Compliant	312
30.4	✓ Compliant	312
30.5	✓ Compliant	312
30.6	✓ Compliant	312
Evaluation Framework		
31.1	X Not Compliant	313
31.2	X Not Compliant	313
31.3	✓ Compliant	313
Annual Operational Plan		
32.1	✓ Compliant	314
32.2	✓ Compliant	314
Annual Report		
33.1	✓ Compliant	315
33.2	✓ Compliant	316
Compliance Audit Report		
34.1	✓ Compliant	317
34.2	✓ Compliant	317
Certification Report		
35.1	✓ Compliant	318

Wool Services Privatisation Act 2000 and Wool Services Privatisation Act (Wool Levy Poll) Regulations 2003

AWI has been assessed and is compliant with all 13 obligations outlined in the *Wool Services Privatisation Act 2000 and Wool Services Privatisation Act (Wool Levy Poll) Regulations 2003*. The detail of the assessment to support each finding is included in Annexure 2 SFA Compliance - supporting assessments.

Wool Services Privatisation Act 2000	Finding	Page Reference
32 Setting the rate of wool levy	✓ Compliant	319

Wool Services Privatisation Act (Wool Levy Poll) Regulations 2003	Finding	Page Reference
7 Cut off and return dates	✓ Compliant	320
8 Determination of eligibility	✓ Compliant	321
9 The poll	✓ Compliant	322
10 Conduct of poll	✓ Compliant	322
11 Ballot-paper	✓ Compliant	322
12 Voting instructions	✓ Compliant	323
13 Information memorandum	✓ Compliant	324
14 Minister to approve forms	✓ Compliant	324
16A Multiple ballot papers	✓ Compliant	325
17 Returning officer	✓ Compliant	325
18 Counting votes	✓ Compliant	326
18A When must research body make rate-setting recommendations	✓ Compliant	328
19 Report to accompany research body's recommendation	✓ Compliant	328

Statutory Funding Agreement compliance – findings and recommendations

Findings	Recommendations	Criticality	
Performance			
TOR 1a. Consider AWI's performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in meeting its obligations under its Statutory Funding Agreement 2016-20 with the Commonwealth and the <i>Wool Services Privatisation Act 2000</i>			
1.1.1	The Review was unable to assess section 4.8 of the SFA due to a lack of evidence to demonstrate that licence for material shared with the Commonwealth is obtained. AWI confirmed that their practice for complying with this obligation is that they do not licence any third party intellectual property. However, this is not documented. Better and standard practice is for companies to maintain a register of third party IP that outlines copyright and licences.	Document the current process of maintaining a register for licences and regularly review it to confirm that when material is shared with the Commonwealth that this obligation is satisfied. Maintain a register for third party IP that outlines copyright and licences. Use this register to track licences obtained from third parties and confirm that licences have been obtained for the Commonwealth where this information is provided to the Commonwealth. This should be implemented by 31 st July 2019.	Recommended
1.1.2	AWI does not fully comply with section 14.1 of the SFA as they do not adequately maintain, implement and regularly review a framework of good corporate governance practice (as assessed in section 7.9 Corporate governance). Governance documents are reviewed annually however this process is not documented and the Constitution has not been updated since 2011, which is prior to the introduction of the ASX Corporate Governance Principles in 2014.	Strengthen corporate governance framework in line with the recommendations and timeframes 1.9.1 - 1.9.10 recommended in Annexure 1.9 Corporate governance. This needs to consider clear ownership of Board review, Government framework and approach to regularly refresh frameworks. It should be developed through extensive stakeholder consultations. Updates should be made available on AWI's website. This should be implemented by 31 st July 2019.	Critical
1.1.3	AWI does not fully comply with section 14.2 of the SFA as the documented rules on Board appointments and composition does not include requirements for diversity, renewal and succession planning.	Update the Board Charter to include requirements for diversity, renewal and succession planning. We recommend that diversity is an additional characteristic to be considered as part of the assessment of key skills for the Board. This should be implemented by 31 st January 2019.	Mandatory

Statutory Funding Agreement compliance – findings and recommendations

Findings		Recommendations	Criticality
Performance			
TOR 1a. Consider AWI's performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in meeting its obligations under its Statutory Funding Agreement 2016-20 with the Commonwealth and the <i>Wool Services Privatisation Act 2000</i>			
1.1.4	AWI does not fully comply with section 14.3 of the SFA as the assessment completed of the Board skills does not include legal and compliance.	Ensure that the skills being assessed are in alignment with those outlined in the SFA, and in conjunction with other recommendations relating to implementation of Board skills matrix. This should be implemented by 31st January 2019. Please also refer to recommendation 1.10.5 for recommended amendment to the Constitution.	Mandatory
1.1.5	AWI does not fully comply with section 14.4 of the SFA as the Board Nomination Committee Charter conflicts with the requirements of the SFA as it does not have membership of a majority of Independent Directors. The BNC Charter states membership should have two independent Directors and three persons who are not Directors.	Amend section 14.4 of the SFA in line with recommendation 1.12.3 for the Board Nomination committee in Annexure 1.12 Assessment of proxies and Board Nomination Committee. This change should be implemented by 31 st January 2019.	Mandatory
1.1.6	The Review notes AWI are compliant with clause 15.1 however the SFA is broad and no specific measures are provided. The review has identified a number of significant opportunities to improve engagement and consultation processes which are outlined in the engagement evaluation in Section 7.5. Submissions received by the Review and our independent woolgrower research indicated that there are opportunities for AWI to develop more effective, respectful and meaningful engagements: <ul style="list-style-type: none"> ▶ 56% of sampled woolgrowers indicated that AWI communicates well with levy payers about what's happening ▶ 43% said that AWI gives me opportunities to have my say about what they do ▶ 37% indicated that AWI listens to woolgrowers before making its decisions 	Strengthen engagement in line with recommendations and timeframes recommended in Annexure 1.5 Engagement assessment. These include: <ul style="list-style-type: none"> ▶ 1.5.1 stakeholder engagement plan with measurements of performance ▶ 1.5.2 review and update of the ICC to better incorporate the interests of stakeholders and levy payers This change should be implemented by 30 th April 2019.	Critical

Statutory Funding Agreement compliance – findings and recommendations

Findings		Recommendations	Criticality
Performance			
TOR 1a. Consider AWI's performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in meeting its obligations under its Statutory Funding Agreement 2016-20 with the Commonwealth and the <i>Wool Services Privatisation Act 2000</i>			
1.1.7	AWI does not fully comply with section 18.2 of the SFA as they did not agree the Terms of Reference for this performance review at least six months prior to the commencement of the Review. They did however commence negotiations approximately six months prior to the Review commencement.	Agree Terms of Reference for the next performance review with the Commonwealth at least six months prior to the Review commencing. Amend the SFA to include an option to vary the Terms of Reference through agreement between AWI and the Department. Implement this change beyond 2019.	Recommended
1.1.8	AWI does not fully comply with section 30.2 of the SFA as its Strategic Plan does not include budget costs over the life of the plan.	Update the current Strategic Plan and ongoing Strategic Plans to include expected spending across the life of the plans. Review budget allocations with the ICC and publish these updates by 31 st January 2019.	Mandatory
1.1.9	AWI does not comply with sections 31.1 and 31.2 of the SFA as they did not update their evaluation framework within six months of the agreement date.	Review and update the evaluation framework by 31 st January 2019. The framework should be developed in consultation with the Commonwealth and AWI should participate in any Commonwealth or collective RDC evaluation projects relevant to its operations.	Mandatory
1.1.10	AWI's internal SFA compliance reporting is not against all obligations and not all information required to demonstrate compliance is outlined in the reports.	Strengthen compliance reporting against the Statutory Funding Agreement so that non-compliance is identified more proactively by AWI and actions are able to be taken sooner. This change should be implemented by the next reporting period following this Review and by 31 st January 2019.	Recommended

Annexure 1.2: Governance performance assessment

This Annexure has addressed the following Terms of Reference:

“1b. Consider AWI’s performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in implementing governance arrangements and practices that ensure proper use and management of funds”

AWI's funding model

This Annexure examines AWI's performance in implementing governance arrangements and practices that ensure proper use and management of funds.

AWI receives compulsory levy funding from wool levy payers, and a matching contribution from the Federal Government for eligible R&D activities, which is capped at 0.5% of the value of gross national value of wool production:

- ▶ The current levy paid is 2% of the sale price received for shorn greasy wool
- ▶ Woolgrowers collectively determine the rate of levy they pay through voting in the WoolPoll, which is held once every three years on the percentage of wool sales they want invested in research and development and marketing
- ▶ The diagram below outlines the funding model adopted by AWI:

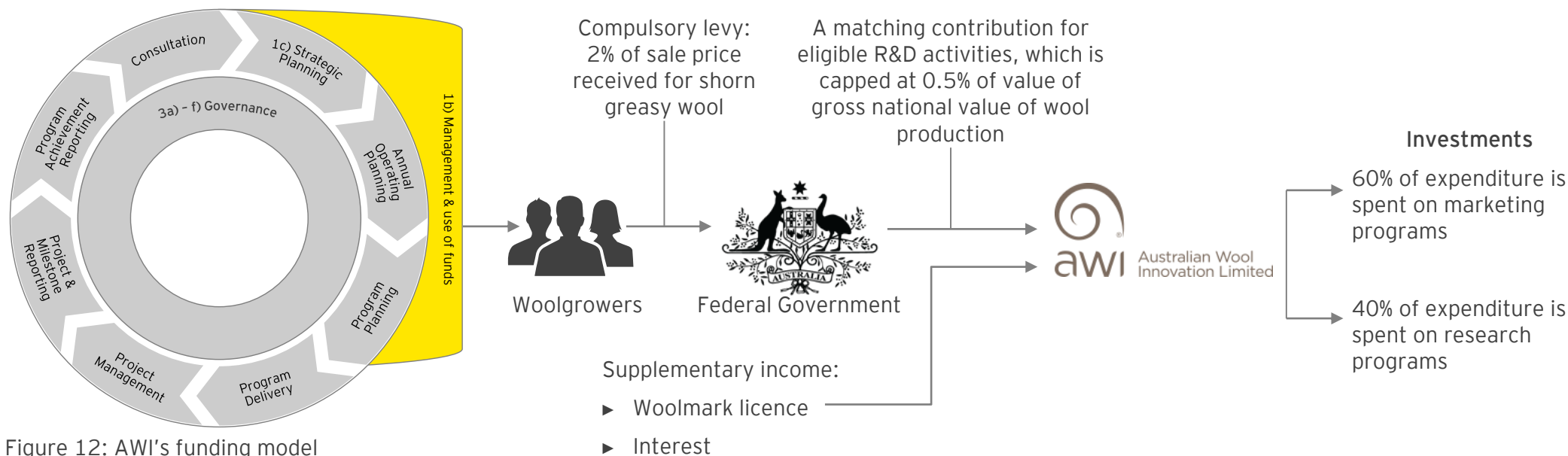


Figure 12: AWI's funding model

AWI's use and management of funds

Financial delegations

- ▶ Financial delegations and authorities were formally approved by the Board of AWI in February 2017 and revised in April 2018
- ▶ The figure below outlines the budget limit on approval of project for the 6 levels of financial authorities in AWI. Note that the CEO delegation has changed from \$250,000 to \$350,000 in April 2018
- ▶ SAP is used globally by AWI as its financial and project management system. The system has been configured to have in-built financial workflow controls based on financial delegations
- ▶ Employees are given unique SAP user IDs and passwords that link to the SAP roles that manage these approval levels
- ▶ AWI's internal audit function includes monthly reviews of the SAP management reports, reviews of cash flow requirements and any areas of concerns

Level 1	Board: Unlimited
Level 2	CEO: \$350,000 (as of April 2018)
Level 3	CFO: \$100,000
Level 4	General & Group Managers: \$50,000
Level 5	Country and Department Managers: \$20,000
Level 6	Other Delegated Approvers: Nil

Figure 13: AWI's financial delegations

Finance & Audit Committee

This committee is responsible to:

- ▶ Ensure that systems are in place to identify, minimise and manage financial risks and that those systems are working effectively
- ▶ Ensure that systems are in place to identify, minimise and manage business and legal risks and that those systems are working effectively
- ▶ Ensure that AWI has appropriate insurance coverage in place for all matters that AWI is legally obligated to insure, along with all other matters considered to be of significant risk to AWI
- ▶ Ensure that management has implemented recommendations made by internal and external audit
- ▶ Review policies for the prevention of fraud, their implementation and effectiveness

Science and Welfare Committee

This committee assists the AWI Board in fulfilling its responsibilities by providing the Board with advice and recommendations in relation to:

- ▶ AWI's policy and direction on research and development
- ▶ AWI's investment in on-farm research and development programs
- ▶ The development of on-farm research and development programs and projects
- ▶ The implementation and effectiveness of on-farm research and development programs and projects
- ▶ The implementation and maintenance of a governance framework that meets the requirements of relevant legislation and animal research and welfare codes

Stakeholder opinions relating to AWI's use and management of funds

Among the views expressed through written submissions received and extensive stakeholder interviews, the following comments were made and fell broadly into the following areas. Below are some examples of the words used by various stakeholder groups through written submissions and stakeholder interviews:

Generally positive

- ✓ *"The current governance arrangements are very effective. AWI, under its current leadership performing is superbly and delivering outstanding results to its shareholders" - levy payer*
- ✓ *"AWI is successfully funding some very important projects, both on-farm and off-farm. Some of these projects intertwine with exporter activities, particularly those that are related to animal welfare issues...there are many people who would like to see the wool industry take greater public credit for the very good work being done in this area" - industry representative organisation - wool specific*

Generally negative

- X *"...AWI has very poor governance. It has a Board that does not represent its levy payers...AWI's decision making processes is not transparent and leaves levy payers wondering if the Board and Chair do not have a range of conflicts of interest..." - woolgrower*
- X *"There are some people around ICC table who have direct links to AWI through getting sponsorship deals with AWI..." - levy payer/ woolgrower*
- X *"There needs to be options to make levy payments voluntary or smaller in amount. Currently, levy payers have got no control over how money is being spent over" - levy payer / woolgrower*
- X *"In the 2012 poll, if you voted for 2% as the preferred option, you would get 60%/40% split by default. People may not have read the entire document to understand that these were not separate processes..." - levy payer / woolgrower*

Others comments

- ? *"AWI should be held to a higher standard than industry with respect to governance than that of industry, as it is partially funded by taxpayers" - levy payer / woolgrower*
- ? *"Any investment decision over \$250,000, must go to the Board for approval, this brings into question the functioning of the Board, is it strategic or operational in its function" - research provider*

Observation: There were some positive comments on AWI's ability to use levy funds in an effective manner. However, some submissions and stakeholder interviews raised concerns relating to value for money, transparency regarding the use of levy payments, and stakeholder engagement. As such, these factors were taken into consideration in our assessment of AWI's governance on the use and management of funds.

Assessment of governance performance on the use and management of funds

Summary of findings

Assessment criteria	Finding
Quality of financial information	✓ Meets criteria
Application of judgment	✓ Meets criteria
Project approval and expenditure	✓ Meets criteria
Transparent and engaging stakeholder dialogue	~ Partially meets criteria
Value for money	~ Partially meets criteria

To assess performance of AWI in implementing governance arrangements and practices that ensure proper use and management of funds, two sources were used to develop the assessment criteria:

1. Core principles on financial prudence, as outlined in PricewaterhouseCoopers' Reports to the Finance and Audit Committee dated 2015, 2016 and 2017*, were considered. Specifically, this assessment examined the quality of financial information, application of judgment and project approval and expenditure.
2. Transparent and engaging stakeholder dialogue and value for money were included in this assessment as they were two recurring themes from both stakeholder interviews and written submissions.

The following assessment system was used:

- ▶ **✓ Meets criteria:** Minimum standard / better practice has been met
- ▶ **~ Partially meets criteria:** Minimum standard / better practice has been met in some areas, and not in others
- ▶ **X Does not meet criteria:** No evidence of the minimum standard / better practice criteria being met
- ▶ **? Unable to assess:** Insufficient evidence available to make a judgement on assessment against minimum standard / better practice criteria

* PricewaterhouseCoopers was engaged annually to conduct the external audit and report to AWI's shareholders. In both AWI's 2015-16 and 2016-17 Annual Reports, the auditor continued in office in accordance with section 327 of the Corporations Act 2001. Both reports were made in accordance with a resolution of Directors

Assessment of governance performance on the use and management of funds

Assessment criteria	Evidence	Finding
Quality of financial information	<ul style="list-style-type: none"> ▶ The PricewaterhouseCoopers Reports to the Finance and Audit Committee (2017: page 13, 2016: page 14, 2015: page 10) noted that information provided by the finance team is of “a high quality overall in comparison to other organisations”, noting in particular the following: <ul style="list-style-type: none"> ▶ <i>Information was produced according to the timetable and made available pre-year</i> ▶ <i>Reconciliations are prepared in a standardised format that are easily understood and contain appropriate supporting documentation</i> ▶ <i>Reconciling items were appropriately investigated by proper personnel</i> 	✓ Meets criteria
Application of judgment	<ul style="list-style-type: none"> ▶ The PricewaterhouseCoopers Reports to the Finance and Audit Committee (2017: page 13, 2016: page 14, 2015: page 10) noted that the AWI Group continues to “adopt generally prudent assessments and these have been applied consistently between years” 	✓ Meets criteria
Project approval and expenditure	<ul style="list-style-type: none"> ▶ The PricewaterhouseCoopers Reports to the Finance and Audit Committee noted that in relation to its audit for 30 June 2017, “<i>formal approval processes were in place to ensure appropriate oversight of project and general expenditure</i>” ▶ Detailed testing and validation of amounts, authorisation and classification on a selected sample of project expenses incurred during 2017 and project accruals at year end. The report dated 31 August 2017 concluded the following on page 14: “<i>We have not identified any exceptions from the samples tested. There appeared to be appropriate approvals in place and project accruals are only raised when appropriate evidence exists that the relevant milestones have been met</i>” ▶ In April 2018, AWI has increased the current financial delegation of the CEO from \$250,000 to \$350,000 	✓ Meets criteria

Assessment of governance performance on the use and management of funds

Assessment criteria	Evidence	Finding
Transparent and engaging stakeholder dialogue	<p>Strategic plan 2013-14 to 2015-16</p> <ul style="list-style-type: none"> ▶ Benefit analyses were last conducted by BDA Economics and Environment Pty. Ltd on investment programs in AWI's previous 2013-14 to 2015-16 Strategic Plan: https://www.wool.com/about-awi/how-we-consult/measuring-performance/ ▶ AWI stated that its 3-year investment generated \$581m benefit to Australian woolgrowers, which represents a return of \$2.70 on every dollar invested over the Strategic Planning period. Please refer to Annexure 1.5 Engagement evaluation on the effectiveness of AWI's stakeholder engagement <p>Strategic plan 2016-17 to 2018-19</p> <ul style="list-style-type: none"> ▶ Although AWI provides progress against each strategic target in its Annual Reports, AWI has not provided any publicly available information on ROI and benefits delivered to date relating to investment program in its current Strategic Plan. Further, AWI has not shared publicly details of investments, such as the rationale for or against a certain investment 	~ Partially meets criteria
Value for money	<ul style="list-style-type: none"> ▶ Stakeholder interviews noted some criticisms from other parts of the wool industry on AWI's spending of levy payments on activities outside of its remit as a levy-funded, not-for-profit organisation (e.g. WoolQ) ▶ Some criticisms from stakeholder interviews and submissions noted that AWI's \$3.6 million of investment on the WoolQ only resulted in benefits of \$38 million, which equated to \$1.60 per bale per year. This ROI was described by stakeholders as relatively low compared to other investments (e.g. alternatives to shearing and sheep handling) ▶ There are other concerns that the WoolQ may be duplicating existing commercial services for the trading of wool. One submission noted that WoolTrade has been providing an electronic trading platform since 2002 through AuctionsPlus. For information on AWI's performance on benefits, please refer to Annexure 1.4 Benefits assessment ▶ As indicated in the SFA Clause 15.1, <i>AWI must do all things necessary to ensure that it effectively represents and reflects the Research and Development and Marketing interests of its shareholders and Levy Payers.</i> Some interviews and submissions have pointed that certain groups of levy payers have not benefited from the marketing and research activities by AWI (e.g. woolgrowers who do not use mulesing practices) 	~ Partially meets criteria

Use and management of funds – findings and recommendations

Findings	Recommendations	Criticality	
Performance			
TOR 1b. Consider AWI's performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in implementing governance arrangements and practices that ensure proper use and management of funds.			
1.2.1	<p>Independent woolgrower research indicated that ROI transparency is a key area of improvement for AWI:</p> <ul style="list-style-type: none"> ▶ 44% of sampled woolgrowers are concerned about the effectiveness of AWI investment of funds ▶ Of this, 30% indicated that investments should be reaping better returns, 29% asked for greater transparency on where the funds are being invested 	<p>Develop by 30th April 2019:</p> <ul style="list-style-type: none"> ▶ A 'purpose statement' that clearly outlines AWI's role in the industry moving forward as part of an industry-wide, longer term strategy. These should be developed through stakeholder consultations and focus on pre-competitive services ▶ A consultation framework outlining how feedback from stakeholder groups will be sought and addressed in AWI's future investment decisions, in line with Annexure 1.5 Engagement assessment ▶ A collaboration plan with RDCs in cases where AWI and other RDCs can play to each other's strengths and expertise in their respective industry, in line with Annexure 1.7 Collaboration assessment. This provides an opportunity to seek collaboration with MLA on a sheep production strategy 	Recommended
1.2.2	<p>Independent woolgrower research indicated that 44% of sampled woolgrowers are concerned about the effectiveness of AWI investment of funds. Of this sample, 22% believed that AWI is investing in the wrong areas.</p> <p>Various stakeholder interviews also revealed some concerns on the lack of alignment regarding aspects of AWI's role within the Australian wool industry. For instance, some stakeholders questioned whether AWI has gone beyond its remit of a not-for-profit organisation with the development of the WoolQ.</p>	<p>Develop definitions and boundaries on what kind of investment activities are considered within AWI's remit as a levy-funded, not-for-profit organisation. This should be developed by 30th April 2019.</p>	Critical

Annexure 1.3: Strategic Plan Performance Assessment

This Annexure has addressed the following Terms of Reference:

“1c. Consider AWI's performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in meeting the planned outcomes and targets of its Strategic Plan”

AWI's Strategic Planning process

This Annexure provides an assessment of AWI's performance against its Strategic Plans between 2015-16 and 2017-18. The Strategic Plan outlines AWI's strategic direction and targets for the period. The figure below illustrates where AWI's Strategic Planning process sits within its operating model.

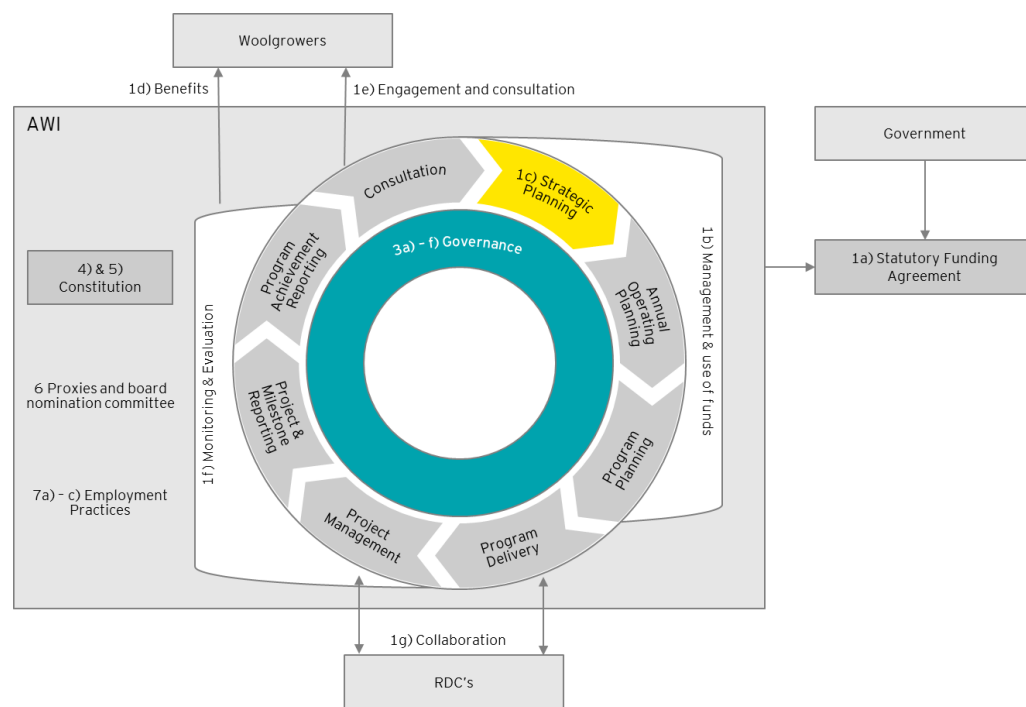


Figure 14: AWI's Strategic Planning process

Strategic planning process

- ▶ The AWI Board sets the Strategic Plan every three years
- ▶ The Strategic Planning process is informed through a structured consultation process, analysis of key trends and an assessment of the National and Rural R&D priorities
- ▶ Each year, AWI creates its Annual Operating Plan to break down the Strategic Plan targets into annualised targets, including allocated program budgets
- ▶ Program managers then develop proposals to address the targets identified in the Annual Operating Plan. Each proposal requires approval by the relevant portfolio manager, before being submitted for final approval

AWI has two Strategic Plans covering the Review period 2015-18

AWI's current plan covers the period 2016-17 to 2018-19. The previous plan covered the period 2013-14 to 2015-16. Both of these Strategic Plans follow an investment ratio of 60:40 marketing to R&D, with the 2013-14 to 2015-16 plan further breaking out R&D spend to include 25% for on-farm and 15% for off-farm R&D. Although the portfolio names were changed between the two plans, the substance of these programs remained consistent. We note that AWI conducted a self-evaluation of performance overseen by an external contractor in September 2015.

Strategic Plan 2013-14 to 2015-16

AWI executed 14 strategies across three core functions and one enabling function during this period.

Portfolio	Objective
Marketing	To help increase demand for Australian wool by recognising and addressing the information barriers to consumption at consumer and trade level.
On-farm R&D	To increase the profitability and sustainability of growing wool.
Off-farm R&D	To facilitate the creation of business opportunities within the wool-processing sector, which foster diversification of regional processing capacity, and support the creation of demand for Australian wool.
Global business services	To enable AWI to operate effectively through the efficient provision of a range of cross-company support services. In addition, provide commercially oriented services to the supply chain to support AWI's strategic vision.

Strategic Plan 2016-17 to 2018-19

AWI plans to execute 13 strategies and 23 programs across five portfolios during this period.

Portfolio	Objective
Marketing	Increase demand for Australian wool.
Sheep production	Increase the profitability and sustainability of woolgrowing.
Woolgrower services	Increase woolgrower profitability and provide cost effective services to woolgrowers and other parties on their behalf
Processing innovation & education extension	Increase the profitability and sustainability of wool processing.
Business Services	To enable AWI to operate cost effectively through the efficient provision of a range of cross-company support services.

Stakeholder opinions relating to AWI's Strategic Plan performance

Among the views expressed through written submissions received and extensive stakeholder interviews, the following comments were made and fell broadly into the following areas. Below are some examples of the words used by various stakeholder groups through written submissions and stakeholder interviews:

Generally positive

- ✓ "AWI has put together a really interesting strategy, with a coherent rationale behind it." - [research and development corporation](#)
- ✓ "Hello.... \$18.47c a kilogram!!! The current and recent wool prices would have to be the best and most obvious answer to this question" - [levy payer / woolgrower](#)

Generally negative

- X "A big issue for the RDCs is their ability to maintain a long term strategic focus when they are under constant threat of being shut down" - [research and development corporations](#)
- X "There is no oversight of a 5 to 10 year plan of what the AWI is trying to achieve" - [shearing entity](#)
- X "... decline in the wool flock over the last fifteen years. While the millennial drought can take some responsibility, it is likely that low profitability in the wool industry has had some contribution..." - [woolgrower](#)
- X "They may very well meet their own targets, however as with AWI those targets are not reflective of the industry..." - [woolgrower](#)

Others comments

- ? "It is hard for [organisation] to comment on AWI's performance in meeting the outcomes and targets of its Strategic Plan given that we are not privy to progress reports on their monitoring and evaluation activities. WPA usually relies on the triennial Review of Performance to monitor these activities" - [industry representative organisation](#)

Observation: Some stakeholders are concerned with AWI's ability to maintain its long-term strategic focus with its current three-year planning. As such, comprehensiveness, adequacy, appropriateness, level of financial delegation, and the extent to which it addresses the needs of all levy payers were considered as part of our assessment of AWI's Strategic Plan performance.

An assessment has been performed to ensure AWI's Strategic Plan is appropriate for its needs

To assess the performance of AWI in meeting the planned outcomes and targets of its Strategic Plan, there are a number of higher order issues that need to be considered, including:

Key question	Evidence	Finding
Is the Strategic Plan appropriate for AWI's needs, including:		
Is it comprehensive?	The plan has a well-defined portfolio structure covering five investment areas that align to AWI's focus on marketing and research activities. For each of these investment areas, the plan outlined the objectives, outcomes, strategies and programs. Within each program, the Strategic Plan outlined investment focus and strategic targets.	✓ Meets criteria
Does the plan adequately identify and address the key risks and issues faced by woolgrowers?	<p>In its Annual Reports, AWI stated that as part of its investment policy it seeks to balance its risk position between:</p> <ol style="list-style-type: none"> <i>Investing in higher risk activities that may drive substantial growth in the demand for wool;</i> <i>The need to remain a stable organisation with the capacity to continue to work for woolgrowers long into the future</i> <p>Through our stakeholder consultations, one commonly cited risk to the industry is mulesing. According to our independent woolgrower research, 27% of woolgrowers perceived animal welfare organisation publicity about mulesing being one of the biggest risks facing the industry. AWI has been undertaking research in areas, such as preoperative pain relief for invasive procedures to mitigate this risk. AWI has also acknowledged that the issue of mulesing is covered in its 'Strategy: Healthy & Productive Sheep Program Sheep Health & Welfare'. Based on stakeholder submissions and interviews, however, there is a lack of agreement in where this issue is heading. With increasing consumer preferences for non-mulesed wool and animal ethics, AWI should further explore and address this issue in its future Strategic Plans. As part of this process, AWI should consult widely with different stakeholder groups to ensure that their needs are identified and addressed.</p>	~ Partially meets criteria

An assessment has been performed to ensure AWI's Strategic Plan is appropriate for its needs

Key question	Evidence	Finding
Is the Strategic Plan appropriate for AWI's needs, including:		
Is there an appropriate mix of short, medium and long-term outcomes and targets?	AWI's current Strategic Plan contains a mix of short- and medium-term targets within the three year period. However, this plan does not provide a strategic long-term vision as all targets are specific to the three year period (i.e. 2015-16 to 2018-19). In fact, the wool industry has not adopted a long term view, which differs to RDCs in other industries. For example, for the dairy industry, there is a 5-year industry plan in place (Dairy Moving Forward), in addition to Dairy Australia's own 3-year Strategic Plan.	~ Partially meets criteria
Does it cover the needs of all levy payers?	Mixed stakeholder opinions were received from the written submissions and stakeholder interviews, both in favour and negating the notion that the Strategic Plan covers the needs of all levy payers. While some stakeholders have positively attributed increasing wool price to AWI's investment in marketing activities, we were unable to verify this conclusion without an economic-benefit analysis. Please refer to Annexure 1.5 Benefits assessment for more information. In response to this, AWI has noted that the company ' <i>treats all levy payers equally, regardless of size or production base. Through the ICC, AWI has prioritised the engagement of national woolgrower groups.</i> '	~ Partially meets criteria
Are the financial delegation levels that facilitate the execution of the plan set appropriately to facilitate effective and accountable decision making?	AWI has increased financial delegation level for the Board from \$250,000 to \$350,000 in April 2018.	✓ Meets criteria
Are the targets meaningful to stakeholders?	The targets set out in the Strategic Plan vary in the degree to which they are meaningful to key stakeholder groups. Not all strategic targets are clearly connected to benefits delivered to levy payers.	~ Partially meets criteria

Assessment method to determine whether AWI's is meeting the planned outcomes and targets of its Strategic Plan

This section assesses the validity of the reported progress per AWI's Annual Reports and PARs. In these documents, management has assigned a progress status against each strategic target.

To assess the validity of the reported progress, we reviewed the underlying data for seven programs from the 2016-18 Strategic Plan and four programs from the 2013-15 Strategic Plan, for which AWI has provided a sample of underlying data that supports its progress update. Specifically, we assessed the evidence of measures of project delivery and performance

For the sample of strategic targets examined, annual performance was assessed using the following system:

1. **Completed:** strategic targets have been fully implemented within the relevant Strategic Plan period
2. **Not yet completed (on track):** strategic targets are being implemented as planned within the relevant Strategic Plan period
3. **Not yet delivered (delayed):** strategic targets are being implemented but are experiencing delay within the relevant Strategic Plan period
4. **Incomplete:** strategic targets were not implemented within the relevant Strategic Plan period
5. **Unable to assess:** insufficient evidence available provided by AWI to make a judgement on assessment against the strategic targets

Note: AWI has advised that, for strategic targets relating to business services, a decision was made not to prepare PARs for these targets as they are support functions. These areas of the business now report separately to the relevant sub-committee of the AWI Board.

Overview of assessment of AWI's Strategic Plan 2013-14 to 2015-16 performance

To assess the validity of the reported progress, we reviewed the underlying data for 4 programs from the 2013-14 to 2015-16 Strategic Plan, for which AWI has provided a sample of underlying data that supports its progress update. For a full list of AWI's strategic targets during this period, please refer to AWI's 2015-16 Annual Report.

For evidence provided by AWI on each of these strategic targets, please refer to Annexure 3 Assessment of Strategic Plan - supporting assessments.

Overall finding: Where substantial evidence was provided AWI's reporting is consistent with findings from EY

Focus	Finding
On-farm R&D	
Strategy 1: Sheep Health, Welfare & Productivity	
Wild Dogs	
12 new community groups established each year.	Completed
22 active groups supported each year.	Completed
Support for any individual wild dog group is nominally a maximum of three years.	Completed
Value of avoided stock loss (sheep) is greater than costs to woolgrowers and AWI combined.	Completed
Genetics & Genomics	
Increase use of genetic benchmarking by 5% a year to 2017 across stud animals.	Completed
Preliminary target of 6% increase in the current rate of genetic gain across the industry by 2017.	Completed
Marketing	
Strategy 8: Fibre marketing & eco-credentials	
The story of wool - content origination and distribution	
Continuous improvement of three core websites and social media activities	Completed
Cost saving achieved from provision of materials based on 40% of commercial rate	Completed
Increase cost-effectiveness of websites by reducing cost per hit to \$1.40 by 2016	Completed

Overview of assessment of AWI's Strategic Plan 2013-14 to 2015-16 performance

Focus	Finding
Marketing	
Strategy 8: Fibre marketing & eco-credentials	
The campaign for wool	
Number of retail partners involved to increase from 445 to 800 by 2015/16.	Incomplete
An average increase in wool sales per store involved with the program of 1020 units a year or 675 kg of wool.	Unable to assess: AWI noted that the Woolmark Company will look to appoint data analyst specialists in the coming months to better support measurement and evaluation of CFW direct impact on sales.
Media value to reach GBP 18 million in 2015/16. Social media targets a follower base of 100,000 by 2015/16, with websites hitting 500,000 that year.	Not yet completed (on track)

Overview of assessment of AWI's Strategic Plan 2016-17 to 2018-19 performance

To assess the validity of the reported progress, we reviewed the underlying data for 7 programs from the 2016-17 to 2018-19 Strategic Plan, for which AWI has provided a sample of underlying data that supports its progress update. For a full list of AWI's strategic targets during this period, please refer to AWI's 2016-17 Annual Report.

For evidence provided by AWI on each of these strategic targets, please refer to Annexure 3 Assessment of Strategic Plan - supporting assessments.

Overall finding: Where substantial evidence was provided AWI's reporting is consistent with findings from EY

Focus	Finding
Marketing	
Fashion	
Menswear and Womenswear	
2.5 million kgs of new demand	Unable to assess: AWI has indicated that TWC will look to employ a measurement & consulting firm to propose additional methodologies required to illustrate effectiveness of marketing on new demand
6 new global partnerships	Not yet completed (on track)
Global campaign	
International Woolmark Prize	
An additional 3.5 million kgs in new demand by 2019	Unable to assess: AWI noted that designer survey will be issued to all IWP nominees who participated in the award from 2016-18 at the end of the strategic period
Grow the Alumni database by 60 new designers annually	Complete
Grow media awareness and editorial coverage by \$10 million	Complete
Grow the retailer partner network by 3 new retailers from a base of 11	Complete

Overview of assessment of AWI's Strategic Plan 2016-17 to 2018-19 performance

Focus	Finding
Sheep Production	
Healthy, productive sheep	
Reproduction	
An extra 1500 AWI-funded participants in LTEM (500 per annum), representing 15% of the adult ewe flock in Australia, that increase lamb weaning rates by 7%, and reduce ewe mortality by 30%.	Not yet completed (on track)
At least 250 producers engaged in determining the impact of lambing density (ewe mob size and stocking rate) on lamb survival.	Not yet completed (on track)
At least 200 producers engaged in developing the strategies and guidelines for improving weaner and maiden ewe performance.	Not yet completed (on track)
Undertake market research on a range of producer and industry segments to inform: (i) strategies that enhance producer engagement, (ii) design/pilot extension approaches that increase adoption of best practice, (iii) more thorough evaluation of whole farm impacts of LTEM, and (iv) quantify the degree and reasons for Merino ewe displacement.	Discontinued
Sheep Production	
Healthy, productive sheep	
Genetic Improvement	
At least 3,800 Merino ewe progeny being evaluated for lifetime productivity across at least 4 regionally representative sites, in partnership with Australian Merino Sire Evaluation Association.	Completed
Routine, low-cost per head alternatives to genomic parentage technology in wide commercial use for mothering-up Merino lambs.	Not yet completed (on track)
Australian sheep breeders maintain access to consolidated and improved wether trial, central test sire evaluation and MERINOSELECT databases.	Not yet completed (on track)
Broad range of Merino types included in the MLP project representative of industry usage. (17/18 target)	Not yet completed (on track)

Overview of assessment of AWI's Strategic Plan 2016-17 to 2018-19 performance

Focus	Finding
Sheep Production	
Feedbase & fibre advocacy	
Fibre Advocacy	
Internationalise studies demonstrating that Merino base-layer garments ameliorate chronic skin conditions associated with microclimate management of the skin.	Not yet completed (on track)
Demonstrate that wool bedding and sleepwear improves sleeping conditions.	Not yet completed (on track)
Support development of product market opportunities in categories such as corporate wear, safety wear, medical product and infants wear.	Not yet completed (on track)
Develop specifications for next-to-skin wear to improve reliability and consumer confidence in Merino base-layer garments.	Not yet completed (on track)
Woolgrower Services	
Consultation	
Woolgrowers	
Provide multiple channels for shareholders to access and consult AWI directly, in person at specific and industry events or digitally.	Not yet completed (on track)
A greater awareness amongst shareholders of the ongoing research, development and marketing projects conducted by AWI for the wool industry.	Not yet completed (on track)
Provide a more customised flow of information to and from shareholders, delivered regularly and digitally through Beyond the Bale quarterly and newsletters monthly.	Not yet completed (on track)
Create the most valued market intelligence in the wool industry.	Not yet completed (on track)
Continue to provide strong and recognised support for over 50 wool industry events nationwide.	Completed

Strategic plan – findings and recommendations

Findings	Recommendations	Criticality	
Performance			
TOR 1c. Consider AWI's performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in meeting the planned outcomes and targets of its Strategic Plan			
1.3.1	Of the 97 strategic targets in AWI's previous Strategic Plan 2013-14 to 2015-16, AWI has indicated in its 2015-16 Annual Report that it is on track for its strategic targets, except for 17 <i>Partly Achieved</i> targets and 2 strategic targets with <i>Minor Slippage</i> . In the sample of strategic targets provided to EY by AWI, we noted that AWI's progress reporting is generally consistent with the data they have provided.	Provide a progress update on all strategic targets, including those that were not considered to be achieved in line with previous Strategic Plans, in future Annual Reports. This should be based on AWI's Monitoring and Evaluation framework to ensure that a systematic process is in place for assessing and tracking progress, while ensuring that greater transparency to the public is provided. This change should be implemented by 31 st July 2019.	Recommended
1.3.2	Some strategic targets have a large quantitative component (e.g. 'develop six new global partnerships for menswear and womenswear'). Although AWI has provided qualitative evidence to support its progress, it is difficult to make inferences whether AWI will be able to deliver within the specified timeframe.	Quantify progress to date, especially for strategic targets with a quantitative component, in future Annual Reports, to provide greater transparency. These strategic targets should be linked to benefits so that they are more meaningful to stakeholders. This change should be implemented by 31 st July 2019.	Recommended

Strategic plan – findings and recommendations

Findings	Recommendations	Criticality
Performance		
TOR 1c. Consider AWI's performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in meeting the planned outcomes and targets of its Strategic Plan		
<p>1.3.3 For AWI's current Annual Operating Plan 2017-18, 12 programs were identified where progress was not reported at the executive level in the latest Program Activity Report (PAR) dated December 2017:</p> <ol style="list-style-type: none"> 1. An additional 3.5 million kgs in new demand by 2019 2. Grow the Alumni database by 60 new designers annually 3. Grow media awareness and editorial coverage by \$10 million 4. Grow the retailer partner network by 3 new retailers from a base of 11 5. Additional 1.0 million kgs of new demand 6. Effective assistance to producer groups to establish the basis for sustainable long-term vertebrate pest control programs 7. Support for programs which enhance producers ability to efficiently and effectively control Rabbits in the long term Genetic Improvement 8. Broad range of Merino types included in the MLP project representative of industry usage 9. Assess and improve the understanding and application of data collected by sensor technology 10. Develop software to maximise benefits of sensor technology for farmers 11. Continue to provide strong and recognised support for over 50 wool industry events nationwide 12. Development of train-the-trainer programs for greater and more efficient execution 	<p>Ensure that status updates are provided for all strategic targets from the next quarterly PAR. This is especially important for new targets that were introduced in AWI's 2017-18 Annual Operating Plan (AOP) as there is no baseline data available to determine progress to date. AWI should also ensure that evidence is provided for each target in their future Annual Reports. Progress reports should be available ahead of all future reviews of AWI's Strategic Plans. This change should be implemented by 31st July 2019.</p>	Recommended

Strategic plan – findings and recommendations

Findings	Recommendations	Criticality	
Performance			
TOR 1c. Consider AWI's performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in meeting the planned outcomes and targets of its Strategic Plan			
1.3.4	AWI's current Strategic Plan does not provide a strategic long-term vision. The wool industry has not adopted a long term view, which is different to RDCs in other industries (e.g. in addition to Dairy Australia's own Strategic Plan, there is a 5-year industry plan in place (Dairy Moving Forward)).	Develop a ten-year wool strategy to inform AWI's three year Strategic Plans. This will need to be developed with broad consultation across the industry, including levy payers and other RDCs. This will enable AWI to identify major long term opportunities (e.g. sustainability, provenance, productivity improvement, partnerships and risks). AWI must also address how to mitigate industry risks, such as conducting a strategic risk assessment and allocating funds accordingly (e.g. for flystrike prevention research). This plan should be reviewed regularly (e.g. every 3-5 years). This may result in a shift to fewer and higher impact projects and a need to move into the pre-competitive space and tackle bigger and higher return opportunities in a more sustained manner. This should be implemented by 31 st July 2019.	Recommended
1.3.5	The targets set out in the Strategic Plan vary in the degree to which they are clearly meaningful to key stakeholders, in that they do not all provide a clear connection to the impact an individual target will have to a woolgrower's individual business.	Ensure that all strategic targets have a clear link between the target, the projects that will support achievement of the target and the impact to woolgrowers (e.g. how it will positively impact farm gate returns). This should be introduced from AWI's 2019-20 to 2021-22 Strategic Plan and should be linked to AWI's Monitoring & Evaluation framework in order to facilitate a systematic process for assessing and tracking progress on each strategic target. This should be implemented by 31 st July 2019.	Recommended

Annexure 1.4: Benefit assessment

This Annexure has addressed the following Terms of Reference:

“1d. Consider AWI’s performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in delivering benefits to woolgrowers and, where appropriate, the community in general (including the achieved value for money and return on investment and the contribution of its investments to increasing farm gate returns)”

Current state context

As described in Annexure 1.6 Monitoring and Evaluation Assessment, AWI is changing the way it manages measurement and evaluation during the 2016-19 Strategic Planning period, by shifting from external support to an internally managed model.

This transition will impact the way that benefits are measured and reported. As part of this transition, the future measurement and evaluation practices are being developed during the current Strategic Planning period, with the intention being to measure and report on outcomes at the end of the Strategic Plan period. Therefore, the Review has been unable to accurately assess the return on investment or contribution to farm gate returns for the Review period.

A quarterly status update is prepared for each project listed in AWI's most recent Annual Report, which feeds into the PARs that are reported to the AWI Board. No dollar amount is attributed to the benefits delivered from each project.

For the previous strategic period 2013-14 to 2015-16, the benefits generated from AWI's total investment represents a return of \$2.70 on every dollar invested.

Current state context

The benefits listed below were extracted from AWI 2016-17 to 2018-19 Strategic Plan for the benefits delivered during the previous Strategic Planning period. As documented in this plan, AWI has made a strategic decision to allocate 40% of investment to research and development, and 60% to marketing.

Research & Development	
Productivity	Lifetime Ewe Management delivered an estimated \$6m to \$21m to growers, or \$13 to \$44 from every dollar invested by AWI
	Wild Dog program delivered an estimated \$24m to growers, or \$8.60 from every dollar invested by AWI
Profitability	EverGraze delivered an estimated \$2m to \$5m to growers, or \$3.80 from every dollar invested by AWI
	Shearer and wool handler training delivered an estimated \$5.7m to growers, or \$2.60 from every dollar invested by AWI
Improved textile processing	Merino Touch delivered an estimated \$11m to growers, or \$7 from every dollar invested by AWI
Improved manufacturing techniques	Supply Chain Diversification delivered \$3.1m to growers, or \$4.1 from every dollar invested by AWI
Marketing	
Understanding merits of wool	Campaign for Wool delivered an estimated \$3m to \$22.4m to growers depending on wool sales, or \$0.60 to \$4.80 from every dollar invested by AWI
	China Luxury Program delivered an estimated \$0.8m to \$11.3m to growers, or up to \$3.80 from every dollar invested, depending on sales generated
	Fit for a Prince delivered an estimated \$0.8m in media value for industry, increasing awareness of Australian growers and Merino wool.
Increasing use of wool in product ranges	Cool Wool campaign delivered an estimated \$47m to growers, or \$3.10 from every dollar invested
	Sports and Outdoor delivered an estimated \$24m to growers through increased wool demand, or \$6.30 from every dollar invested

AWI's R&D project highlights in 2016-17

In 2016-17, AWI continued to fund various research and development projects with the aim to deliver benefits to levy payers. The following research and development projects were highlighted by AWI in its Annual Report 2016-17:

Off-farm



Drive wool demand at retailers - AWI collaborates with premium global brands, such as Tommy Hilfiger and Country Road, to position wool as a premium fibre to help build demand for wool in key consumer markets.



Increase presence in sports and outdoor markets - AWI continues to promote wool's properties in the sports and outdoor sectors.



International Woolmark Prize - AWI has provided funding for the International Woolmark Prize in order to demonstrate to the fashion sector the versatility and quality of wool.



The Wool Lab - The Wool Lab is an important tool for the fashion industry to use as a seasonal guide to the best wool fabrics and yarns in the world.



Digital communications enhancement - AWI showed a significant improvement in digital and social media communications and interactions with stakeholders.



Campaign for wool - The Campaign for Wool provides education to consumers on the environmental benefits of wool.

On-farm



Lifetime Ewe Management (LTEM) training - AWI continues to provide support by funding hands-on on-farm LTEM training for producers in the management and nutrition of breeding ewes to increase reproduction efficiency.



Wild dog control - There are a total of 160 wild dog control groups supported by AWI. These groups are continuously growing and increasing coverage and scale.



Pest Control research and development - RHDV1 K5 - RHDV Boost Plus: AWI provides additional funding to the research and release of the Korean Strain of Rabbit in March 2017, as a form of rabbit pest control.



AWI-supported extension networks - AWI consistently provides support by building networks to provide opportunities for woolgrowers participate in programs that focus on making positive changes to on-farm production and management practices.



Breech strike research and development - AWI continues to invest in research aimed at decreasing breech strike in the Australian sheep flock.

Stakeholder views relating to AWI's benefits delivery

Among the views expressed through written submissions received and extensive stakeholder interviews, the following comments were made and fell broadly into the following areas. Below are some examples of the words used by various stakeholder groups through written submissions and stakeholder interviews:

Generally positive

- ✓ "There has definitely been an improvement in AWI's off-shore marketing ability" - *wool industry association*
- ✓ "Those that have been on industry tours overseas can see the benefits of AWI's marketing campaigns" - *woolgrower*
- ✓ "AWI delivers for me the thing that is core to my business, and that is profitability. This is achieved by the strategically targeted investments in research, development and most importantly, marketing." - *industry representative organisation - non-wool*
- ✓ "I have considered AWI's performance in delivering research, development, extension and marketing services and believe they have met their obligations in these areas, particularly in regards to wild dog control, shearer training and marketing." - *woolgrower*
- ✓ "The Board of AWI...has our complete confidence that the Governance Arrangements are effective and AWI is delivering benefits to Woolgrowers." - *woolgrower*

Generally negative

- ✗ "I would like to see the whole of animal marketing, not just the finer end of wool." - *woolgrower*
- ✗ "There is desperate need for investment in on-farm R&D." - *woolgrower*
- ✗ "The lack of investment in R&D is a big concern, particularly in regard to mulesing." - *woolgrower*
- ✗ "There needs to be further investment in R&D, specifically genomics and robotic shearing." - *industry representative*
- ✗ "If genetic research can improve the efficiency of production of wool and continue to do so, then it, too, should not be impeded by micro-management considerations." - *industry representative - wool*
- ✗ "The Board is choosing not to fund a project that is clearly long term and, in real terms, is only just underway. The reason given is that it hasn't "returned benefits". It is hard to think of any research project in this, or any, industry that has returned benefits at such an embryonic stage." - *industry representative organisation - wool*

Other comments

- ? "Benefits of marketing initiatives could be better explained to woolgrowers. There cannot be over explanation." - *industry representative - non-wool*
- ? "Some growers are frustrated because they don't see the ads - this is because they're mainly run overseas" - *industry representative - wool*
- ? "There is a strong focus on supporting the shearing industry with better practices, yet there is little research into alternatives to shearing." - *woolgrower*
- ? "The quantified benefits are stated as \$198 million - but this is only if targets are met. The BCR for AWI's programs are also based on the assumption that woolgrowers will adopt the recommended practices, however no quantification is provided of a realistic adoption rate by woolgrowers." - *industry representative - wool*
- ? "AWI is operating at the international level, and will need to connect back to the farmers on the other end of the value chain." - *industry representative - wool*

Observation: AWI has generally been commended by stakeholders on its marketing initiatives; however, many believe that further explanation is required on the benefits of those initiatives. Benefit delivery via research and development initiatives is seen as a key area that AWI should improve upon.

Assessment of AWI's performance in delivering benefits

To assess the performance of AWI in delivering benefits, the following areas were considered:

- ▶ Documented procedures
- ▶ Ownership and decision making
- ▶ Coverage / sampling
- ▶ Benefit recipients
- ▶ Measurements
- ▶ Tracking and reporting
- ▶ Value for money
- ▶ Stakeholder expectations

Key question	AWI Practice	Finding
Documented procedures		
Is there an established and effective framework supported by appropriately documented policies and procedures?	<p>A formal evaluation framework exists to support the assessment of benefit delivery, titled AWI Framework for Monitoring and Evaluation, last updated in 2013-14. This framework links projects undertaken by AWI to delivery of benefits to stakeholders with AWI's organisational strategy via an iterative process. Please refer to Annexure 1.6 Monitoring and Evaluation Assessment for more information.</p> <p>AWI has advised that this framework is currently being redeveloped and transitioning to an internally managed model. Under the new framework, outcomes on strategic targets are planned to be reported at the end of the 2016-17 to 2018-19 Strategic Planning period.</p>	The current framework appears to be out of date and no longer in use. Although AWI has advised that a new framework is being developed and implemented throughout the current Strategic Planning period, EY has not been able to objectively assess or review any work in progress documentation to verify this.
Ownership and decision making		
A single accountable executive owner for benefits delivery, including continuous improvement, monitoring and reporting	AWI has not established such a position.	There is no single accountable executive owner for this. As such, it is likely to fall to one or more other executives as a secondary consideration to their primary roles.

Assessment of AWI's performance in delivering benefits

Key question	AWI Practice	Finding
Coverage / sampling		
Where sampling is used to calculate benefits how is the sample size and population make-up calculated (e.g. segmentation)?	<p>AWI has not provided any documentation that details this information.</p> <p>AWI's external M&E Consultant advised that sampling is used, a sample is intended to be selected that achieves a 95% confidence level.</p>	AWI lacks the formal documentation that would be expected to guide decisions such as this. See Annexure 6 Monitoring and Evaluation Framework Assessment.
Benefit recipients		
Are the recipients of the intended benefits clearly defined?	AWI has not provided any documentation that specifically details this information at an aggregate or program level beyond the strategic objectives, however, this information may be insinuated based on the details of the program.	There is no clear documented view of the total value of investment and returns delivered to each segment of levy payers. This information would enhance the ability of AWI to provide transparency of expenditure.
Do the benefits reasonably align with stakeholder expectations	<p>AWI has held an average of \$66.5m in levy and Government contribution funds to invest in marketing, research and development and extension initiatives.</p> <p>AWI has stated 60% of funds is allocated to marketing initiatives whilst 40% is allocated to research and development and extension initiatives.</p>	<p>There is an opportunity for AWI to increase organisational transparency, particularly relating to benefit delivery. According to EY Sweeney research, of woolgrowers interviewed:</p> <ul style="list-style-type: none"> ▶ 29% need more information as to where the funds are being invested ▶ 22% believe they are investing in the wrong areas <p>These results indicate improvement is warranted regarding communication of how and why AWI makes investment decisions.</p>

Assessment of AWI's performance in delivering benefits

Key question	AWI Practice	Finding
Measurements		
Are the measures used to calculate benefits explicit and objectively measurable?	<p>For the 2013-14 to 2015-16 Strategic Planning period, the benefits reported by AWI have been delivered in a manner that is objectively measurable, as evidenced by the independent economic analysis undertaken for the selected programs that were completed during the period.</p> <p>Benefits delivered during the current Strategic Planning period are not able to be objectively measured due to a lack of quantitative and independently verifiable data. AWI has advised that evaluation of these benefits will occur at the end of the cycle.</p>	<p>There is scope for improvement with regard to the evaluation framework's use of performance metrics and its relevance to the woolgrowers and the broader community. The metrics currently do not adequately inform stakeholders of investment performance. Please refer to Annexure 1.6 Monitoring and Evaluation Framework Assessment.</p> <p>Benefit evaluation should occur at appropriate intervals. In many cases, a high frequency is warranted in order to enable better reporting and assessment of AWI performance management and decision making.</p>
Is the total investment cost (i.e. including overhead allocation) calculated in ROI, or just the direct project costs?	<p>It is not clear how AWI are calculating total investment cost for the current period, as this new process is still being developed.</p> <p>The estimated benefits to woolgrowers calculation provided in AWI's assessment for the 2013-14 to 2015-16 Strategic Planning period included a provision for interest, rent, royalties and sales of goods.</p>	AWI does not currently have a clear view of the returns being achieved on investments.
Tracking & reporting		
How are benefits tracked and reported?	Benefits are currently being tracked at the project level, with a quarterly status update being prepared for each project listed in AWI's most recent Annual Report, which feed into the Program Achievement Reports that are reported to the Board. There is a lack of consistency across programs, and minimal comparable financial detail is included for each project.	AWI's current tracking and reporting practices are lacking, with significant opportunity for improvement. See Annexure 6 Monitoring and Evaluation Framework Assessment.

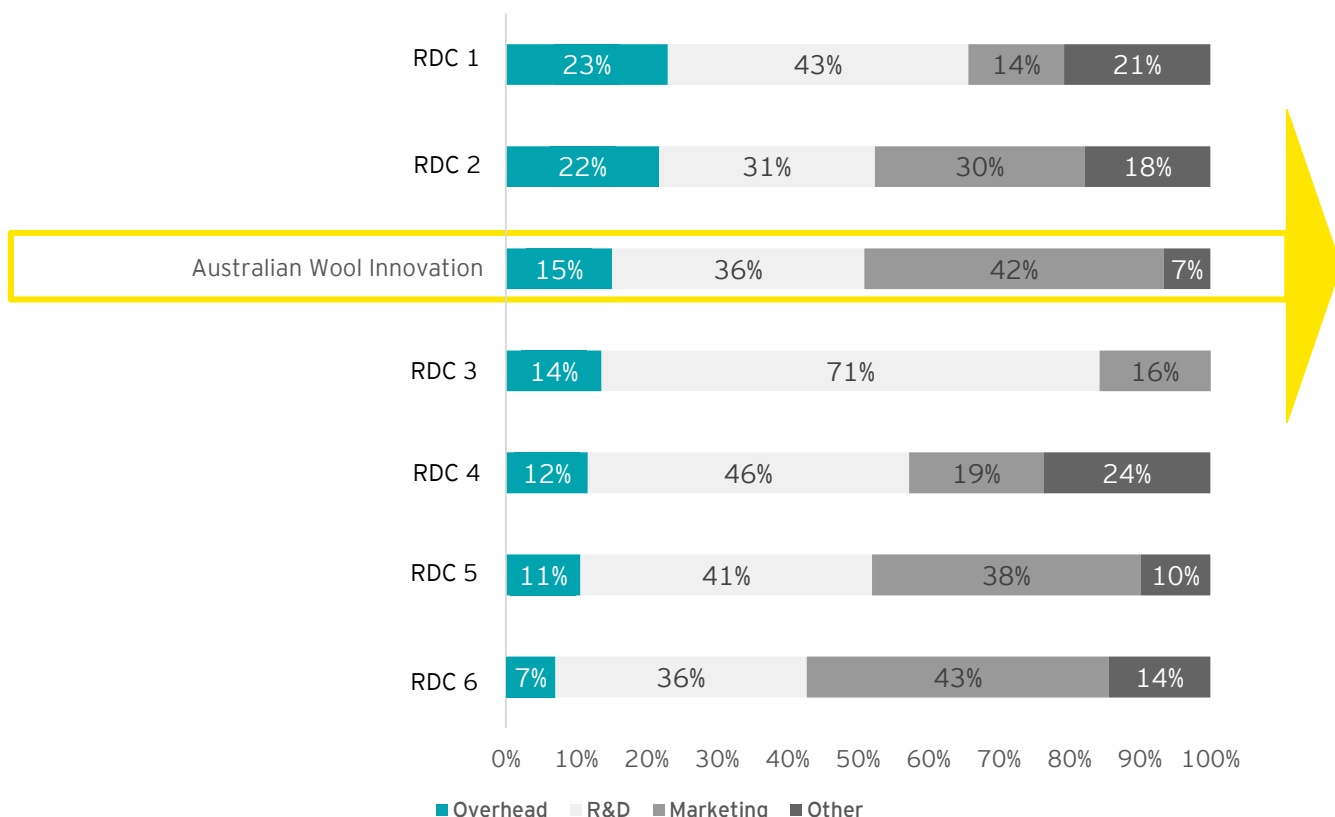
Assessment of AWI's performance in delivering benefits

Key question	AWI Practice	Finding
Tracking & reporting (continued)		
Are reported benefits externally reviewed?	<p>Reported benefits were last independently reviewed in 2015 for projects that were completed between 2012 and 2015. The Independent Review of delivered benefits was undertaken by BDA Group, an economic and environmental advisory firm.</p> <p>Undertaken in the past three years have not been independently reviewed.</p>	AWI does not currently assess the delivery of benefits post-project completion, only at the end of each Strategic Planning cycle.
How are decisions made?	AWI follows their Strategic Planning process, as outlined on the previous page to establish strategic objectives, annual targets and project targets. This process also incorporates quarterly reporting up to the Board via the Performance Achievement Reports, which outline project status.	It appears that the majority of reporting is manually prepared, with limited ability to easily access or understand performance at a program or whole-of-organisation level. This limitation restricts the ability of AWI to make high quality decisions in a timely manner.
Value for money		
Is the level of overhead required to deliver the expected ROI appropriate?	See the previous page for detailed information on the breakdown of overhead expenditure over the most recent Strategic Planning cycle.	<p>AWI has increased its operating efficiency by reducing overhead expenditure as a proportion of total expenditure over the past three years.</p> <p>AWI is currently spending 15% of total expenditure on overhead compared to the RDC average of 14.9% and a best in class expenditure of 7%. Please note that this comparison is not like-for-like and the measurement and reporting of overheads varies significantly between RDCs.</p>

Over the past three years, AWI core delivery spend has increased while overhead has decreased

Over the past 3 years, on average AWI has ranked 6th out of 10 compared to other RDCs in terms of its overhead efficiency: the sum of overhead costs as a portion of total spend. Importantly, AWI has seen its overhead spend reduce each year from 17% of total spend in 2014-15, down to 14% in 2016-17

Point of comparison - RDC average overhead costs as a portion of total spend



Growth rates of overhead and core delivery spend

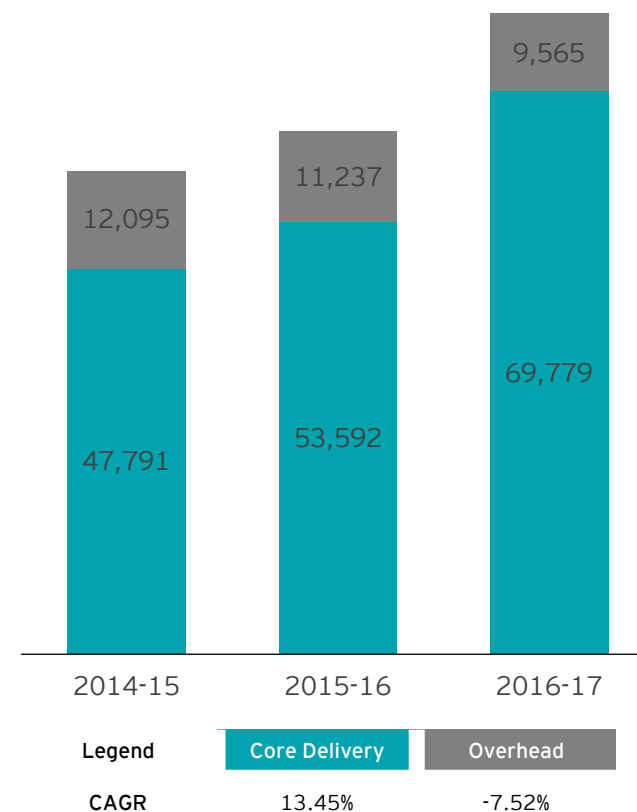


Figure 15: RDC average overhead costs as a portion of total spend

Please note that this comparison is not like-for-like and the measurement and reporting of overheads varies significantly between RDCs

Figure 16: Growth rates of overhead and core delivery spend

Risk vs. return on projects

AWI's project and portfolio management practices are not conducive to optimal benefit delivery due to a lack of traceability and active management

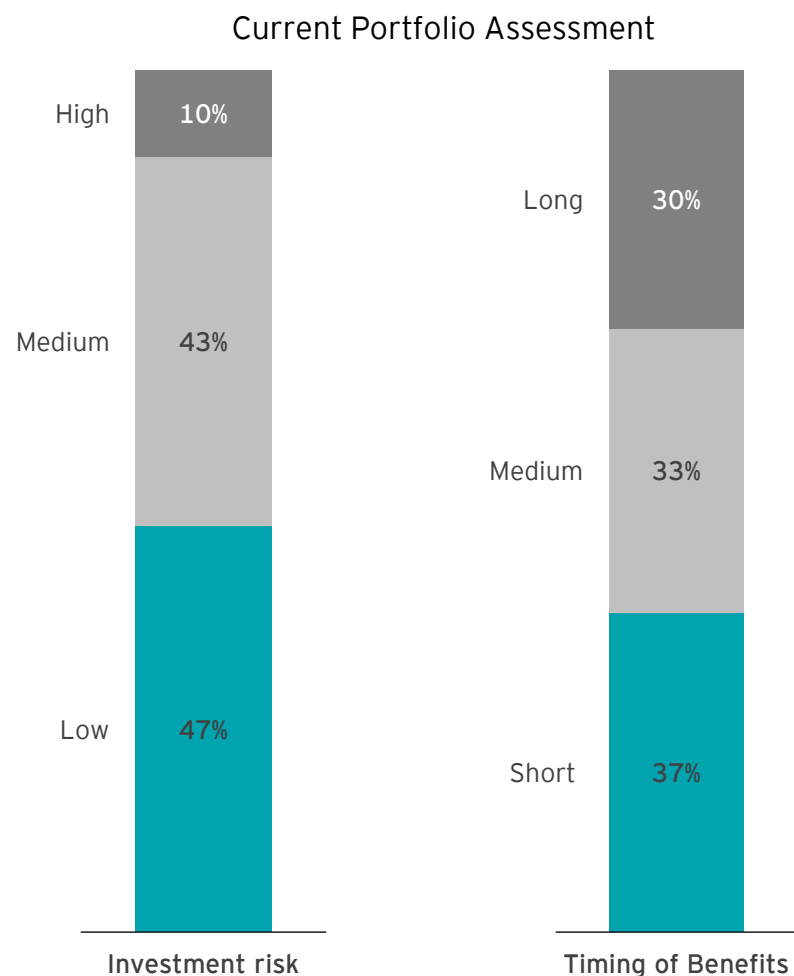


Figure 17: Current portfolio assessment

Optimal Portfolio Assessment	
Current practice	<ul style="list-style-type: none"> ▶ The Review team has been unable to determine how AWI is performing against the targeted risk portfolio risk composition and timing of benefit delivery ▶ The Review team was not provided with quantitative benchmarks for what is deemed by AWI to be a 'high', 'medium' and 'low' risk projects ▶ The Review team was unable to determine whether AWI's portfolio management practices appropriately balance risks and returns
Better practice	<ul style="list-style-type: none"> ▶ Project portfolio composition should be assessed on a continuous basis according to Modern Portfolio Theory ▶ The resources allocated to portfolio of projects should be adjusted regularly to ensure the portfolio remains efficient for a given level of risk

Benefits delivery – findings and recommendations

Findings		Recommendations	Criticality
Benefits Delivery			
TOR 1d. Consider AWI's performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in delivering benefits to woolgrowers and, where appropriate, the community in general (including the achieved value for money and return on investment and the contribution of its investments to increasing farm gate returns)			
1.4.1	Despite a formal evaluation framework being in existence, benefits are not reviewed frequently enough to effectively communicate results of projects to industry stakeholders.	Undertake a Post-Implementation Review at the completion of each project instead of at the end of the Strategic Planning cycle. This should be implemented by 30 th April 2019. This review should also include a calculation of the estimated and actual financial returns achieved on the investment using objectively assessable calculations.	Critical
1.4.2	<p>There is no clear documented view of the total value of investment and returns delivered to each stakeholder group. This information would enhance the ability of AWI to provide transparency of expenditure. According to the Review's independent woolgrower research, there are opportunities for AWI to increase transparency of benefits delivery:</p> <ul style="list-style-type: none"> ▶ 47% noted that the effectiveness of AWI spending decisions is fairly evaluated ▶ 46% indicated that AWI is open and accountable about the investment decisions it makes 	Identify key stakeholder groups, and subsequently develop a clear view of investment and return by these groups. Results should be published annually in the Annual Report. This should be implemented by 31 st July 2019 for inclusion in the 2018-2019 Annual Report.	Critical
1.4.3	Based on EY's analysis of documentation received and interviews with AWI stakeholders, it appears that the majority of reporting is manually prepared, with limited ability to easily access or understand performance at a program or whole-of-organisation level. This limitation restricts the ability of AWI to make high quality decisions in a timely manner.	As part of the future Monitoring and Evaluation framework, AWI should include a range of standardised metrics that are tracked and monitored, supporting timely and quality decision making. This should be completed by 31 st January 2019.	Critical

Benefits delivery – findings and recommendations

Findings	Recommendations	Criticality	
Benefits Delivery			
TOR 1d. Consider AWI's performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in delivering benefits to woolgrowers and, where appropriate, the community in general (including the achieved value for money and return on investment and the contribution of its investments to increasing farm gate returns)			
1.4.4	AWI's current Monitoring and Evaluation framework appears to be out-of-date and no longer in use. Although AWI has advised that a new framework is being developed and implemented throughout the current Strategic Planning period, EY has not been able to objectively assess or review any work in progress documentation to verify this.	Update and publish the new Monitoring and Evaluation framework on AWI's website by 31 st January 2019 and in line with recommendation 1.1.9. Also regularly release results achieved throughout the Strategic Planning periods in order to keep stakeholders informed.	Recommended
1.4.5	<p>Although monitoring and evaluation is a core capability for R&D organisations, no one in AWI is specifically appointed to own this framework. Further, there is no clear documented view of the total value of investment and returns delivered to each stakeholder group. This information would enhance the ability of AWI to provide transparency of expenditure. There is an opportunity for AWI to increase organisational transparency, particularly relating to benefit delivery. According to independent woolgrower research, of woolgrowers interviewed:</p> <ul style="list-style-type: none"> ▶ 29% need more information as to where the funds are being invested ▶ 22% believe they are investing in the wrong areas 	<p>Develop by 31st July 2019:</p> <ul style="list-style-type: none"> ▶ Report on the value of investment and returns by stakeholder group in their Annual Report each year. This should be included in the 2018-2019 Annual Report ▶ Appoint individuals within AWI to be accountable for understanding monitoring and evaluation of investment activities, and propagate this understanding in AWI and ensure that the M&E framework is effectively implemented ▶ Educate employees such that there is a consistent understanding of their obligations relating to monitoring and evaluation of investment activities across AWI 	Recommended

Annexure 1.5: Engagement evaluation

This Annexure has addressed the following Terms of Reference:

"1e. Consider AWI's performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in engaging, consulting and communicating with stakeholders, including the opportunities for levy payers and industry representative bodies regarding the investment of levies"

Overview of major AWI engagement, consultation and communication initiatives

AWI has increased its number of engagement, consultation and communication initiatives since the last Strategic Planning period. Changes include the introduction of the Yarn podcast, WOOL magazine and e-newsletter, industry and student educational events, Beyond the Bale Instagram, SMS market reports, and increased distribution of Beyond the Bale from only shareholders to all levy payers. The addition of these methods has strengthened AWI's ability to connect with wool industry stakeholders. The effectiveness of AWI in formalising, documenting and responding to stakeholder feedback is covered in the assessment section of this Annexure.

	Method	Measurement	Key Annual Statistics			
			2014-15	2015-16	2016-17	Average Coverage*
Engagement	International trade shows	Attended	17	16	18	TBC
Consultation	ICC Meetings	Run	3	3	3	12
	SFO Meetings	Frequency - Quarterly	4	4	4	7
Communication	Wool Market Review	Views	118,551	117,117	160,708	132,145
	AWI Intelligence Report	Distribution Frequency	12	12	12	Information unavailable
	Beyond the Bale		4	4	4	
	The Broader View		1	1	1	
	WOOL magazine		-	1	4	
	WOOL e-newsletter		-	-	26	
	Australian Wool Production Forecast Report		3	3	3	
The Yarn podcast	-		28	26		

Overview of major AWI engagement, consultation and communication initiatives

	Method	Measurement	Key Annual Statistics				
			2015	2016	2017	2018	No. of Participants (Coverage)
Engagement	Annual State Sheep Shows	Attended	5	15	14	3	3576
	Advisory Meetings		7	23	18	5	521
	Conferences		1	17	4	1	2265
	Ewe Competition		-	2	1	1	295
	Field Days		7	11	4	1	1555
	Ram Sales		2	4	7	-	935
	Student Education		2	4	6	3	1170
Workshops	10	18	18	10	1638		
Communication	AWI Twitter	Followers	-	-	-	5153	5153

Overview of major AWI engagement, consultation and communication initiatives

AWI engages, consults and communicates with stakeholders via multiple methods. Definitions of each of these methods are given in the table below:

	Method	Definition
Engagement	International trade shows	Events AWI attends on behalf of stakeholders to present Australian wool
Consultation	ICC Meetings	Please refer to section 'Consultation process with woolgrower representative groups' within this Annexure on the AWI Woolgrower Industry Consultative Committee (ICC)
	SFO Meetings	Meetings AWI conducts with State Farming Organisations on a quarterly basis. Topics covered include member priorities, review of AWI's performance and state based issues
Communication	Wool Market Review	A weekly report detailing market movements in currency, wool prices and wool forwards
	AWI Intelligence Report	A monthly report detailing recent wool market movements This includes pricing trends, sources of demand from around the world and information regarding competitive fibres
	Beyond the Bale	Beyond the Bale is a quarterly magazine aimed at AWI shareholders, other levy payers and wool industry stakeholders. The publication covers AWI's latest activities in marketing, research and development
	The Broader View	The Broader View is a publication targeted at non-merino woolgrowers. It contains information related to AWI's latest non-merino focused activities in addition to market data for non-merino wool
	WOOL magazine	A magazine that showcases the latest fashion trends and products associated with the Woolmark Company
	WOOL e-newsletter	A fortnightly newsletter that aims to update subscribers the latest AWI news, events and action alerts
	Australian Wool Production Forecast Report	A triAnnual Report forecasting wool production volumes and qualities. Consensus-based forecasting methods are used by state and national committee structures to deliver content for these reports. Data is sourced from industry and grower survey information
The Yarn	The Yarn is podcast that updates listeners on AWI's latest marketing, research and development activities	

AWI is building a strong digital presence to engage with the industry

AWI has continued to enhance its online communications to wool industry stakeholders (consumers, designers, woolgrowers and the textile trade) via social media, e-newsletters and the web. The audience across web, social media and database numbers have grown in the last 3 years (as shown in Figure 18 below).

Woolmark Augmented Reality and Virtual Reality

- ▶ Woolmark recently launched two mobile apps which are designed to act as engaging tools for staff to communicate the attributes of wool, regardless of where they are. These applications are helping to position wool as a tech-fibre as well as ensuring AWI stay up to date with changing expectations within the market as to how they present ourselves and communicate

Digital communication

- ▶ Relaunch of Wool.com provides personalised content and better reflects development in innovation, communications and marketing

Digital services

- ▶ Lifetime Ewe Management (LTEM) smartphone app - free app to train woolgrowers to maximise productivity by accurately measuring and managing the energy requirements and inputs of their ewe flock through the reproduction cycle

Tailored platforms catering to local markets

- ▶ AWI has been building tailored web platforms for the Chinese, Japanese and Korean markets, accounting for local language and search engine requirements. This will aid in marketing efforts to build further consumers in these markets

Rebuilding back end systems

- ▶ AWI is rebuilding its digital ecosystem to ensure continuity of agility in the current digital-focused global market

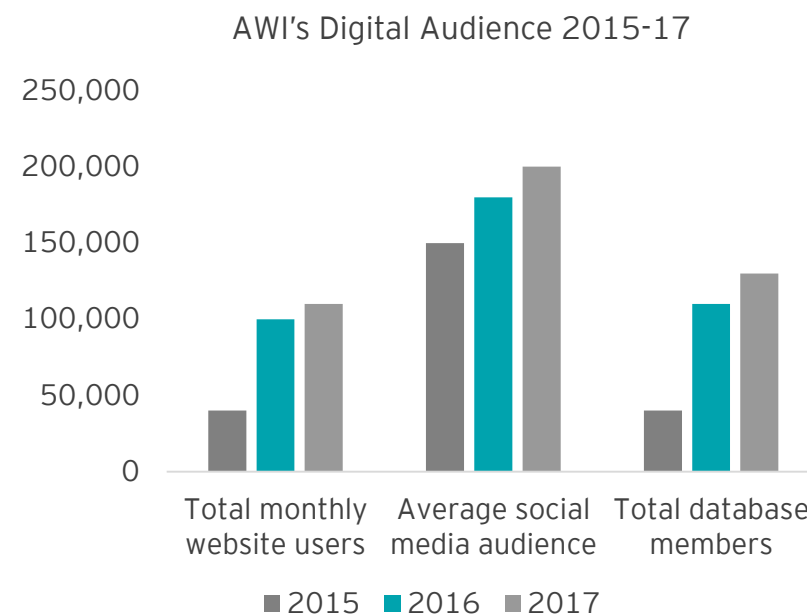


Figure 18: AWI digital audience growth during the past three years

AWI's engagement and communication strategy for 2014-15 to 2015-16

AWI's strategic targets and achievement statuses for each are listed in the table below and on the following page for the past three financial years

Year	Strategic Target	Reported Achievement Status
2014-15	Facilitate improved two-way dialogue and understanding with State Farming Organisations (SFOs) and grower representative groups	<ul style="list-style-type: none"> ▶ Regular communication was undertaken with SFOs and woolgrower groups. ▶ Three Woolgrower Industry Consultative meetings were held
	Measured positive change in industry and stakeholder awareness of AWI's activities and outcomes (evidenced through bi-annual stakeholder survey)	<ul style="list-style-type: none"> ▶ A bi-annual stakeholder survey was undertaken in November 2013
	Undertake regional engagement events with woolgrowers and AWI shareholders	<ul style="list-style-type: none"> ▶ AWI attended events across Australia to consult with and inform woolgrowers about the organisation's activities and to promote wool
	Undertake grower and industry consultation on specific industry challenges and opportunities	<ul style="list-style-type: none"> ▶ AWI held forums on topics including animal health and welfare
	Undertake liaison between AWI and the supply chain to assist the wool trade promote their business	<ul style="list-style-type: none"> ▶ AWI organised visits from overseas wool trade partners to Australian farms and provided sourcing information

AWI's engagement and communication strategy for 2016-17

Year	Strategic Target	Reported Achievement Status
2015-16	Facilitate improved two-way dialogue and understanding with State Farming Organisations (SFOs) and grower representative groups	<ul style="list-style-type: none"> ▶ Regular communication was undertaken with industry representative bodies and woolgrower groups ▶ Three Woolgrower Industry Consultative meetings were held
	Measured positive change in industry and stakeholder awareness of AWI's activities and outcomes (evidenced through bi-annual stakeholder survey)	▶ The latest stakeholder survey undertaken prior to publication of the 2015-16 Annual Report indicated increased satisfaction with AWI's performance amongst woolgrowers
	Undertake regional engagement events with woolgrowers and AWI shareholders	▶ AWI attended events across Australia to consult with and inform woolgrowers about AWI activities and to promote wool
	Undertake grower and industry consultation on specific industry challenges and opportunities	▶ Forums held on topics including wool selling systems review, brokering and exporting and animal health and welfare
	Undertake liaison between AWI and the supply chain to assist the wool trade promote their business	▶ AWI organised visits from overseas wool trade partners to Australian farms and provided sourcing information
2016-17	Provide multiple channels for shareholders to access and consult AWI directly, in person at specific and industry events or digitally	▶ Woolgrowers are able to consult with AWI in person at the many industry events across the country attended by AWI staff, and digitally access information about AWI via web, e-newsletters and social media
	A greater awareness amongst shareholders of the ongoing research, development and marketing projects conducted by AWI for the wool industry	▶ Information is provided via the Annual Report, Beyond the Bale, web, e-newsletters, podcasts, social media, media and face to face at events. The annual stakeholder survey is under way
	Provide a more customised flow of information to and from shareholders, delivered regularly and digitally through Beyond the Bale quarterly and newsletters monthly	▶ A project to enable woolgrowers to choose, via a preference centre, the type of digital information they receive is under way. Building the company's database of woolgrowers' emails was a major focus during this year
	Create the most valued market intelligence in the wool industry	▶ AWI's Weekly Market Report continues to be well received and a quoted source for reporting in rural media
	Continue to provide strong and recognised support for over 50 wool industry events nationwide	▶ AWI supported more than 50 sheep and wool industry events during the year

Consultation process with woolgrower representative groups

The AWI Woolgrower Industry Consultative Committee (ICC)

- ▶ Established in 2010, the Industry Consultative Committee (ICC) provides a formal mechanism to consult with industry representative bodies. This is underpinned by AWI's Consultation Plan, which outlines activities in the annual planning and consultation cycles
- ▶ It is comprised of representatives from WoolProducers Australia, Australian Association of Stud Merino Breeders, Australian Superfine Wool Growers Association, Australian Wool Growers Association, Pastoral and Graziers Association of Western Australia, a representative from the broad wool breeds and an observer from the Australian Government
- ▶ Meeting attendance figures:
 - ▶ October 2016 - 11
 - ▶ March 2017 - 11
 - ▶ June 2017 - 12
 - ▶ October 2017 - 11
 - ▶ February 2018 - 13
- ▶ Recent improvements on the ICC have included:
 - ▶ Clarifying ICC's purpose to maximise its value: The purpose of AWI's ICC is to enable 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.
 - ▶ Inviting guest participants from other woolgrower representative organisations (e.g. ASHEEP)
 - ▶ The development of a new briefing pack for each ICC meeting in order for members to improve the transparency of AWI's reporting

The AWI Consultation Plan

- ▶ The Consultation Plan formalised a process to:
 - ▶ Identify grower priorities
 - ▶ Report these priorities into the Board and the business
 - ▶ Integrate them into AWI's operations
- ▶ Please refer to AWI's 2016-17 to 2018-19 Strategic Plan for a visual diagram of AWI's consultation cycle

Stakeholder Views Relating to AWI's Engagement and Communication Processes

Among the views expressed through written submissions received and extensive stakeholder interviews, the following comments were made and fell broadly into the following areas. Below are some examples of the words used by various stakeholder groups through written submissions and stakeholder interviews:

Generally positive

- ✓ "They have people on the ground with representatives for nearly every state, including having staff attending each of the wool shows" - *industry representative organisation - wool*
- ✓ "The team that currently runs AWI is working for a better wool industry and has brought it out of a huge hole" - *woolgrower*
- ✓ "Demand is strong as a result of excellent marketing and product development" - *woolgrower*

Generally negative

- ✗ "AWI is good at recording meetings with no explanation for why something was discussed" - *industry representative organisation - wool*
- ✗ "No process around pulling out of sheep CRC - I found out AWI was not happy how CRC reported on their process. There is no process to have a discussion..." - *industry representative organisation - wool*
- ✗ "Expect communications to be transparent - beyond the bale doesn't reference brand concern regarding mulesing and should..." - *woolgrower*
- ✗ "Some better explanations as to why they do some of their marketing, particularly overseas" - *industry representative organisation - wool*
- ✗ "ICC: Value of going is not great as they just give you shiny documents and say what they are doing well" - *woolgrower*
- ✗ "AWI Don't have the capabilities to manage digital issues"- *industry representative organisation - wool*
- ✗ "The level of effective consultation out of the ICC needs to be enhanced and increasing the committee's independence from AWI is vital to it providing frank advice." - *industry representative organisation- non-wool*
- ✗ "AWI doesn't engage with state farming organisations." - *Levy payer / woolgrowers*

Other comments

- ? "Could go a lot further in explaining what they do, particularly where they're investing and also better explanations as to why they do some of the marketing... They've gotten a lot better in the last few years, but still more room for improvement" - *industry representative organisation - wool*
- ? Believes AWI can communicate better digitally with their stakeholders. Being able to be to more directly engage with the 40000 levy payers
- ? Building that platform to engage with stakeholders
- ? Strategies are driven by the need to get directly to the woolgrowers - threatens the bodies who are meant to represent them - *industry representative organisation - wool*

Observation: AWI has been seen to improve its engagement, consultation and communication practices over the latest Strategic Planning period. However, there is a strong consensus from stakeholders that more could be done by the organisation to improve the effectiveness of these activities

Better Practice AWI Stakeholder Engagement, Consultation and Communication Assessment

Assessment Components	Basic	Developing	Established	Advanced	Leading
Definition		●			
Transparency		●			
Evaluation		●			
People Centric Values		●			
Delivery			●		
Right Time Drivers		●			

This assessment examines AWI's performance against the seven categories of success factors for engagement, consultation and communication. The following system is used to categorise AWI's maturity level on each success factor:

Maturity	Attribute
Leading	Evidence that AWI is an exemplar of successful engagement, consultation and communication
Advanced	Evidence that AWI has advanced practices in engagement, consultation and communication
Established	Evidence that AWI goes beyond the minimum criterion required for successful engagement, consultation and communication
Developing	Evidence that AWI meets the minimum criterion required for successful engagement, consultation and communication
Basic	Evidence that AWI does not meet the minimum criterion required for successful engagement, consultation and communication

The criteria for the maturity assessment is outlined in Annexure 5 Engagement assessment criteria.

Engagement assessment

Definition		
Key Questions	Evidence	Finding
Is there a process for defining industry stakeholders?	<ul style="list-style-type: none"> ▶ AWI's Corporate Affairs & Market Access Management Strategy 2016-17 defines a process for stakeholder engagement. Stakeholder prioritisation is also informed by AWI's bi-annual woolgrower survey ▶ At present, stakeholders are broadly categorised into two groups: levy payers and non-levy payers. There is no distinction made between levy payers and AWI shareholders. There is an opportunity for AWI to better understand the specific needs of each stakeholder groups in order for AWI to address these specific needs 	Developing

Engagement assessment

Transparency		
Key Questions	Evidence	Finding
Is there a publicly available stakeholder engagement plan?	<ul style="list-style-type: none"> ▶ AWI has a publicly available stakeholder planning and consultation cycle and states with its latest Strategic Plan how it intends to engage, communicate and consult with stakeholders. The document lacks information regarding the prioritisation of stakeholders in relation to specific engagement, communication and consultation methods and the frequency of such interactions ▶ The organisation also has a consultation paper for the 2016-19 Strategic Planning period, however, this is not publically available 	Established
<p>Are records of structured and unstructured consultations kept? This includes:</p> <ul style="list-style-type: none"> ▶ Frequency of communication with stakeholders ▶ Method of communication with stakeholder 	<ul style="list-style-type: none"> ▶ Records and information from meetings (e.g. ICC and breech flystrike research and development) are published on AWI's website. These are also provided to stakeholders for sharing within their networks ▶ There has been an improvement in AWI's records of consultations: <i>"All members agreed the 1 June ICC meeting minutes were an improvement and would like to see this format moving forward, with the addition of assigning comments to specific members"</i> (1 June ICC meeting minutes) ▶ It has been standard practice for 18 months to formalise briefing materials provided to the ICC. Initially, only meeting outcomes were provided on website. Over time, soft copies were made available to the ICC to distribute to their members ▶ Moving forward from 20 June 2018 ICC meeting. AWI plans to publish the briefing documents on their website and distribute them to all SFOs, state and Merino breed associations and other woolgrower groups ▶ However, 'more transparency in operations' was highlighted as a top three remedy by woolgrowers interviewed by independent stakeholder research. 56% of woolgrowers believed that AWI has effectively communicated with levy payers about what is happening 	Developing

Engagement assessment

Evaluation		
Key Questions	Evidence	Finding
Is there a formal procedure for reviewing engagement, consultation and communication practices?	<ul style="list-style-type: none"> ▶ Communication and engagement activities do not involve a formal feedback loop. Feedback is instead concentrated in consultation activities ▶ Organisational transparency would likely improve via the implementation of a formal feedback loop for communication and engagement activities 	Developing
Are engagement practices reviewed in alignment with better practice frequency and methodology?	<ul style="list-style-type: none"> ▶ AWI conducts a bi-annual stakeholder survey in relation to the organisation's performance. Seeking frequent feedback from stakeholders is good practice, however, it is important that feedback is reviewed in an appropriate manner. AWI also documents improvements in its engagement and consultation process in its Annual Reports ▶ Based on written submissions and stakeholder interviews, there is an opportunity for AWI to further improve its documentation of improvement in engagement, communication and consultation feedback from stakeholders 	Developing
Is there a track record of improving practices?	<ul style="list-style-type: none"> ▶ AWI has a track record of actively seeking to enhance its consultation practices. This can be seen via initiatives such as the introduction of briefing packs for meeting attendees ▶ Documentation of improvement engagement, consultation and communication practices would enable the organisation to demonstrate its pursuit of better practice stakeholder relations 	Developing

Engagement assessment

People Centric Values		
Key Questions	Evidence	Finding
Is there a clear understanding of what industry stakeholders are seeking from engagement, consultation and communication?	<ul style="list-style-type: none"> ▶ AWI has stated they prioritise levy payers over Government. The Review was unable to determine the extent to which AWI understands what stakeholders are seeking from engagement, consultation and communication activities from the documentation provided by AWI ▶ Evidence from interviews conducted by the Review team with industry stakeholders suggests AWI could improve its understanding what stakeholders are seeking from engagement 	Developing
Is stakeholder engagement encompassed as one of AWI's core operating principles?	<ul style="list-style-type: none"> ▶ Documentation of communication and consultations are reported to the ICC through the R&D priorities tracking table. Tracking of stakeholder issues are reported into the Board 	Established
Is there a history of actions demonstrating the pursuit of trust building throughout the industry?	<ul style="list-style-type: none"> ▶ AWI has attempted to increase stakeholder engagement throughout the last Strategic Planning cycle to communicate the benefits of initiatives in which the organisation is investing ▶ Evidence obtained via interviews conducted by the Review team suggests there is scope for AWI to improve the effectiveness of its communication with stakeholders 	Developing
Are planned activities actioned?	<ul style="list-style-type: none"> ▶ AWI's Corporate Affairs & Market Access Management Strategy 2016-17 contains a detailed timeline outlining key engagement activities with specific due dates. This document also outlines quantitative targets on statutory compliance, organisational performance, external awareness of AWI, international awareness of stakeholders, and external focus ▶ Quantifying engagement and consultation targets would enable AWI to be held accountable for meeting or not meeting targets 	Developing

Engagement assessment

Delivery		
Key Questions	Evidence	Finding
Are stakeholders engaged via their preferred method?	<ul style="list-style-type: none"> ▶ AWI commissions its bi-annual woolgrower survey to capture data on the preferred modes of communications of woolgrowers ▶ However, several stakeholder interviews noted that they are not being engaged via their preferred communication method ▶ Evidence obtained via interviews conducted by the Review team suggests there is scope for AWI to improve the effectiveness of its communication with stakeholders (refer to stakeholder engagement summary for this chapter). Identification of each stakeholders preferred engagement method and frequency would likely result in more effective stakeholder engagement. Evidence gathered by the Review team suggests there are some stakeholders that feel they are not engaged appropriately or frequently enough 	Established
Is external content quality assured prior to distribution?	<ul style="list-style-type: none"> ▶ External content is quality assured by AWI's communications team 	Leading
Are content sources reputable?	<ul style="list-style-type: none"> ▶ AWI implements an intellectual property management plan to ensure the integrity of all AWI intellectual property 	Leading
Is the frequency of engagement with stakeholders aligned to industry priorities / groups appropriate given Government and industry?	<ul style="list-style-type: none"> ▶ The frequency of engagement with stakeholders partially aligns with industry / Government priorities ▶ The addition of an Independent Chair or body to oversee AWI's engagement and consultation activities would ensure the views of all stakeholders are engaged across the industry. A stakeholder definition process and prioritisation matrix must first be established in order for an independent third party to ensure the frequency of engagement with a given stakeholder is aligned with its respective weighting according to the stakeholder prioritisation matrix 	Established

Engagement assessment

Right Time Drivers		
Key Questions	Evidence	Finding
Is there a history of proactive engagement?	<ul style="list-style-type: none"> ▶ AWI has been proactive in increasing the magnitude of its stakeholder engagement throughout the latest Strategic Planning cycle 	Developing
Is stakeholder engagement used effectively to influence industry stakeholder behaviour?	<ul style="list-style-type: none"> ▶ AWI details its consultation cycle within its 2016-19 Strategic Plan. This enables stakeholders to plan their communication with AWI prior to engagement ▶ AWI noted that it has included different groups as a policy for over the past year for ICC meetings. However, stakeholder interviews highlight that there is an opportunity for AWI to further diversify ICC attendees (e.g. inclusion of representatives further up the supply chain such as wool brokers, diversity of levy payers, gender diversity) 	Developing

Stakeholder engagement and communication process – findings and recommendations

Findings	Recommendations	Criticality	
Engagement evaluation			
TOR 1e. Consider AWI's performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in engaging, consulting and communicating with stakeholders, including the opportunities for levy payers and industry representative bodies regarding the investment of levies.			
1.5.1	<p>AWI provides a stakeholder engagement plan to the public, available on its website. AWI has increased stakeholder engagement and consultation in the latest Strategic Planning period. However, submissions received by the Review and our independent woolgrower research indicated that there are opportunities for AWI to develop more effective, respectful and meaningful engagements.</p>	<p>Develop by 30th April 2019:</p> <ul style="list-style-type: none"> ▶ Develop a stakeholder engagement plan that includes measurements of performance. This plan should be flexible enough to allow for modification to lift performance as required ▶ Invest in multichannel stakeholder feedback consultation to facilitate two-way conversations and more interactive dialogue (e.g. digital means, such as social media). Develop channels that enable AWI to become more explicit in terms of how decisions are formed 	Mandatory
1.5.2	<p>There is scope for AWI to improve its engagement and consultation feedback review process via standardisation. There is currently no standard process for documenting and reviewing feedback from stakeholders, nor notification to feedback providers of any action. This significantly inhibits organisational transparency.</p>	<p>Redefine the ICC arrangements to ensure a more independent advisory body. This upgraded advisory body should provide independent advice to AWI on investments made, and to identify and recommend opportunities for AWI to consider. The ICC should be renamed to signal these changes. This should occur by 31st January 2019.</p>	Critical

Annexure 1.6: Monitoring & Evaluation Framework Assessment

This Annexure has addressed the following Terms of Reference:

“1f. Consider AWI’s performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in monitoring and evaluation of investments (including whether its current framework is adequate and links to its current Strategic Plan)”

AWI Monitoring and Evaluation framework overview

AWI's Monitoring and Evaluation framework is used to evaluate projects undertaken by the organisation. It is a key driver of AWI's triennial Strategic Plan



Figure 19: AWI's Monitoring and Evaluation framework

Stakeholder views relating to AWI's Monitoring and Evaluation framework

Among the views expressed through written submissions received and extensive stakeholder interviews, the following comments were made and fell broadly into the following areas. Below are some examples of the words used by various stakeholder groups through written submissions and stakeholder interviews:

Generally positive

- ✓ *"SAP financial/project management system supports a transparent and robust project management process." - AWI representative*

Generally negative

- X *"While having monitoring and evaluation processes across all programs is essential, however for them to be effective in gauging progress against Strategic Plan targets, these targets must first be quantifiable." - industry representative organisation - wool*
- X *"It is hard ... to comment on AWI's performance in meeting the outcomes and targets of its Strategic Plan given that we are not privy to progress reports on their monitoring and evaluation activities" - Industry representative organisation - wool*
- X *"The SFA also requires that AWI meet with woolgrowers' Industry Representative Bodies to review priorities and receive updates on the progress of programs.....we share....concerns that this requirement to meet and review performance is not being meaningfully fulfilled." - industry representative organisation - wool*
- X *"M&E Framework is out of date, hasn't been updated in a few years and could do with improvements." - AWI representative*
- X *"The 'Measuring Performance' section of the AWI website only contains reviews on programs dated 2014 and earlier." - wool industry organisation*

Other comments

- ? *"Council of RDCs provided information on how to do monitoring and evaluation which is very detailed and very helpful. Tools are there, it comes down to how much time and money an RDC is able to invest." - AWI representative*

Observations: Generally, the Monitoring and Evaluation framework is seen by stakeholders as a key area for AWI to improve upon

AWI Monitoring and Evaluation framework and assessment summary

Assessment Components	Basic	Developing	Established	Advanced	Leading
ROI	●				
Inform decision making			●		
Compliance		●			
Feedback loop			●		
Outcomes	●				
Methodology	●				
Frequency	●				
Ownership	●				
Process			●		

This assessment examines AWI's performance against the nine categories of success factors for monitoring and evaluation, as outlined in the maturity framework in Annexure 6. The following system is used to categorise AWI's maturity level on each success factor:

Maturity	Attribute
Leading	Evidence that AWI is an exemplar of successful monitoring and evaluation
Advanced	Evidence that AWI has advanced practices in monitoring and evaluation
Established	Evidence that AWI goes beyond the minimum criterion required for successful monitoring and evaluation
Developing	Evidence that AWI meets the minimum criterion required for successful monitoring and evaluation
Basic	Evidence that AWI does not meet the minimum criterion required for successful monitoring and evaluation

Monitoring and Evaluation framework assessment

ROI		
Key Questions	Evidence	Finding
Is ROI calculated on an interim basis?	<p>ROI is not calculated by AWI on an interim basis.</p> <p>ROI for each project should be calculated on an interim basis and made publically available. This would increase transparency, a key concern noted by the Review during stakeholder interviews and in independent woolgrower research.</p>	Basic
Are appropriate assumptions used to support ROI analysis?	<p>Assumptions used by BDA Group to analyse projects completed between 2012-15 are appropriate.</p> <p>Detailed assumptions should be used for all interim project updates and final project evaluations.</p>	Basic
Are appropriate sampling methods used to support ROI analysis?	<p>A survey was sent via email to a sample of shearers participating in an AWI shearer and wool handler training days in 2014. The survey ran for 18 days There was a 28% response rate to emails sent. This gave a total of 76 survey responses.</p> <p>Minimal information regarding sampling methodology was detailed in relation to the Shearing and Wool Handling Training Program. This was the only program listed on AWI's website that stated sampling was undertaken. Public disclosure of sampling methodology for future projects undertaken by AWI would greatly assist organisational transparency.</p>	Basic
Inform decision making		
Key Questions	Evidence	Finding
Does the Monitoring and Evaluation framework inform organisational decision making?	<p>The AWI M&E framework is used to inform organisational decision making. The framework links project activities with Strategic Planning via quarterly reporting undertaken by project managers and portfolio managers. These reports inform decision making regarding future resource allocation in order to achieve AWI's strategic objectives.</p>	Established

Monitoring and Evaluation framework assessment

Compliance		
Key Questions	Evidence	Finding
Does the Monitoring and Evaluation framework align with the council of RDC guidelines for impact assessment?	<p>Broadly, the AWI Monitoring and Evaluation framework aligns with the Council for RDCs guidelines for impact assessment. The council does not provide an optimal frequency for project monitoring and evaluation. The Council recommends ex post project evaluation for all projects and ex ante evaluation if desired to inform investment decisions.</p> <p>The SFA and Council for RDC guidelines should be viewed as a minimum standard for the monitoring and evaluation of projects. AWI could improve its Monitoring and Evaluation framework with the incorporation of metrics used to compare projects across the project portfolio, such as an interim ROI calculation. AWI could improve transparency via the completion of ex ante and ex post project evaluation, instead of evaluation at the end of each Strategic Planning cycle.</p>	Developing
Is the Monitoring and Evaluation framework communicated appropriately internally and externally?	<p>The Monitoring and Evaluation framework is available publically via the AWI website. AWI's latest Strategic Plan states an intent to update and implement the Monitoring and Evaluation framework organisation wide.</p> <p>Stakeholder interviews suggest the Monitoring and Evaluation framework is not well known by stakeholders. Further promotion publically, and socialisation internally, would aid transparency and promote the effective use of the framework.</p>	Developing
Is there evidence to demonstrate the intended use of the Monitoring and Evaluation framework?	<p>There is some evidence to demonstrate the intended use of the Monitoring and Evaluation framework. Quarterly reports are made by project managers and portfolio managers which ultimately inform organisational decision making by AWI regarding the allocation of investment and resources</p> <p>Organisational reporting regarding interim project update should be in a standardised format and investment metrics that clearly articulate the performance of projects against set targets.</p>	Developing

Monitoring and Evaluation framework assessment

Feedback Loop		
Key Questions	Evidence	Finding
Is there evidence showing post implementation review(s) of the Monitoring and Evaluation framework have been undertaken?	<p>Post implementation reviews of the Monitoring and Evaluation framework in its entirety have taken place since the framework was first introduced 2011. The framework was first reviewed and updated in 2013/14 and is in the process of being updated again</p> <p>The implementation of a set review cycle for AWI's Monitoring and Evaluation framework would help the organisation ensure its framework is suitable for assessing the performance of its activities to benefit stakeholders</p>	Established
Is there evidence to support actions made post implementation review(s)?	There is evidence to support actions made post the first review of the Monitoring and Evaluation framework. Further detail on updates to the Monitoring and Evaluation framework would aid organisational transparency. AWI's latest Strategic Plan mentions updates to the framework are taking place and implemented organisation-wide but there is little additional to state what is actually taking place	Established
Outcomes		
Key Questions	Evidence	Finding
Has use of the Monitoring and Evaluation framework produced the desired outcomes sought by stakeholders?	<p>The majority of strategic targets identified as a part of the Monitoring and Evaluation framework do not contain quantitative targets</p> <p>Quantification of all project strategic targets and achievement status updates would enable AWI to be held accountable for not meeting interim performance target.</p>	Basic

Monitoring and Evaluation framework assessment

Methodology		
Key Questions	Evidence	Finding
Is the rationale logical for using the chosen Monitoring and Evaluation framework methodology?	<p>AWI's decision to implement a Monitoring and Evaluation framework was a positive step for the organisation. However, the existing framework fundamentally lacks accountability and inhibits transparency.</p> <p>Increased accountability is needed throughout the framework in order for stakeholders to be able to monitor AWI's performance in delivering benefits.</p>	Basic
Frequency		
Key Questions	Evidence	Finding
Is the Monitoring and Evaluation framework used frequently and appropriately?	<p>Program monitoring occurs via a quarterly report produced by project managers which forms part of a report produced by portfolio managers. Program evaluation occurs at the end of each Strategic Planning cycle.</p> <p>A continuous evaluation process where project benefit delivery was assessed after each project, instead of at the end of each Strategic Planning cycle, would enable AWI to communicate project benefits to industry stakeholders in a more timely manner. Multiple stakeholders interviewed by the Review team stated their belief that AWI could enhance its communication of benefits delivered to the wool industry.</p>	Basic

Monitoring and Evaluation framework assessment

Ownership		
Key Questions	Evidence	Finding
Is the Monitoring and Evaluation framework owned by an individual or team within AWI?	<p>The Monitoring and Evaluation framework is not owned by an individual or team within AWI. Instead, the framework is interpreted by project managers in a manner they see best fit</p> <p>Ownership of the Monitoring and Evaluation framework by an individual or team within AWI would significantly strengthen the organisation's ability to ensure the framework is used in its intended manner. In addition, the organisation would be better placed to monitor project performance measurement to ensure it meets the standards expected by stakeholders.</p>	Basic
Process		
Key Questions	Evidence	Finding
Is there a process for interaction to occur between the Strategic Planning and monitoring and evaluation processes?	The Monitoring and Evaluation framework links project activities with Strategic Planning via quarterly reporting undertaken by project managers and portfolio managers. These reports inform decision making regarding investment and resource allocation to projects in order to achieve AWI's strategic objectives.	Developing
Is there evidence to support cascading of a linkage between the Strategic Planning and monitoring and evaluation processes throughout the organisation?	Please refer to Annexure 1.3 Strategic Plan performance assessment regarding evidence of cascading of a linkage between the strategic planning and monitoring and evaluation process throughout the organisation.	Developing

Comparison of framework use and reporting practices across RDCs

The table below details are a sample of similar research corporations to AWI and its monitoring, evaluation and reporting practices:

- ▶ The Other Commonwealth Research Organisation is an exemplar of monitoring and evaluation and reporting practices. The organisation provides rich insight into the projects it invests in to update stakeholders on performance. This includes benefits/cost ratios, externalities and flows and distributional effects in addition to return on investment
- ▶ It should be noted that AWI is the only research entity of the sample in the table below not to have a dedicated, formal, frequent review of its monitoring and evaluation practices. However, AWI has stated in its latest Strategic Plan that it is constantly reviewing its monitoring and evaluation practices

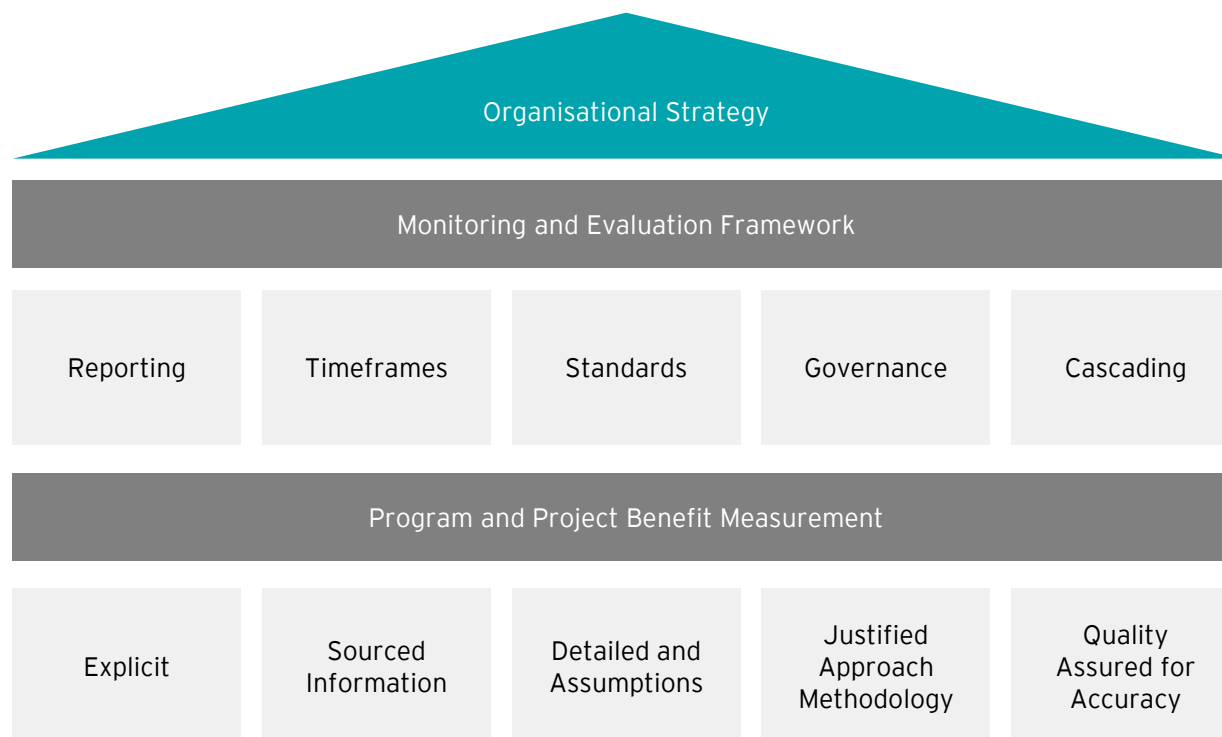
	AWI	RDC A	RDC B	RDC C	RDC D	Other Commonwealth Research Organisation
Uses a Monitoring and Evaluation framework	✓	✓	✓	✓	✓	✓
Produces a publically available, quantitative report on investment performance	✗	✓	✗	✗	✗	✓
Dedicated, formal, frequent review of monitoring and evaluation practices	✗	✓	✓*	✓	✓	✓

*In development

Source: AWI Annual Reports; AWI 2016-19 Strategic Plan; AWI Monitoring & Evaluation Framework; Dairy Australia - Evaluation Framework; MLA - Program Evaluation Framework; AMPC - Evaluation Framework; CRDC - A framework for Evaluating Performance; CSRIO - Impact Evaluation Guide; EY Analysis

Monitoring and evaluation should be an iterative process that drives organisational strategy

- ▶ A Monitoring and Evaluation framework should act as a foundation that supports organisational strategy. It should also inform all benefit measurement undertaken at a program and project level
- ▶ The summary framework detailed below is iterative. Benefit measurement should adhere to the Monitoring and Evaluation framework at all times in order to effectively drive organisational strategy changes at a predetermined frequency (ie annually or triennially)
- ▶ Benefit measurement should occur semi annually at a minimum to determine if any changes are required to the Monitoring and Evaluation framework and to track performance against strategic targets



Key monitoring and evaluation attributes of leading organisations

- ▶ Strategy, planning, investments, and management reporting are integrated
- ▶ Rolling forecast/continuous improvement
- ▶ Planning and management reporting shift to a Driver-based approach with reduced detail
- ▶ Analysis is automated across drivers and dimensions
- ▶ Decision support becomes an integrated part of planning and management reporting
- ▶ Purpose-built, multi-dimensional tools automate entire process and data management

Figure 20: Organisational strategy chart

Metrics that measure marketing effectiveness must connect marketing activities to revenue and profit generation

The return on investment for marketing activities can be calculated by asking key questions, and using the appropriate driver metrics, detailed below:

Key questions to link revenue growth and profitability to marketing effectiveness

Revenue growth	<p>How are we performing at each stage of the lead-to-revenue cycle?</p> <p>How much is marketing contributing to pipeline and revenue growth?</p> <p>How much revenue can we confidently forecast for current and future quarters?</p> <p>Which accounts represent the largest contribution to revenue and how does our marketing engage them?</p>
Profitability	<p>What's the return on the money we are investing in marketing?</p> <p>What will happen if we increase or decrease marketing spending by X percent?</p> <p>Is marketing continuously improving to optimise spending?</p> <p>What does it cost to close a deal from awareness to signed contract?</p> <p>How does this cost break down between marketing and sales?</p>

Key metrics to evaluate the effectiveness of marketing activities

Volume	Volume measures indicate how many opportunities are in each sales stage, how fast each population is growing over time, and how many get added each period
Velocity	Velocity metrics capture the time it takes for a prospect (or client considering an upsell or expansion) to advance through internal sales stages. Measuring how fast buyers move through different stages – and trends in how long they spend at each stage
Value	Value is a function of forecast revenue at each sales stage. Marketers need to know the total value of the revenue pipeline, the value at each stage, and how much that value increases or decreases in each reporting period
Effectiveness	Effectiveness is reflected in conversions from one stage to the next. Organisation need to view conversion rates as core to performance and develop the infrastructure to measure them
Efficiency	Efficiency metrics show how well programs and processes convert costs into returns. To drive profitable revenue growth, marketing leaders need to understand the cost of client acquisition
Engagement	Engagement metrics capture leading indicators in client behaviour that warrant monitoring and action. It is crucial to cultivate engagement rather than respond to it

Data quality can impact decision making

- ▶ AWI is transitioning its measurement and evaluation framework and processes from one that is reliant on external consultant support, to one that is owned and driven internally by Portfolio Managers reporting in to the Board and Executive
- ▶ This has led to the current situation where there are variations to the measurement and evaluation practices between programs, with no organisation-wide documented processes, policies or guidelines, leading to limited objectively assessable measures being recorded
- ▶ This impacts the quality of the data being collected and subsequently the availability and timeliness of quality of inputs to decision making

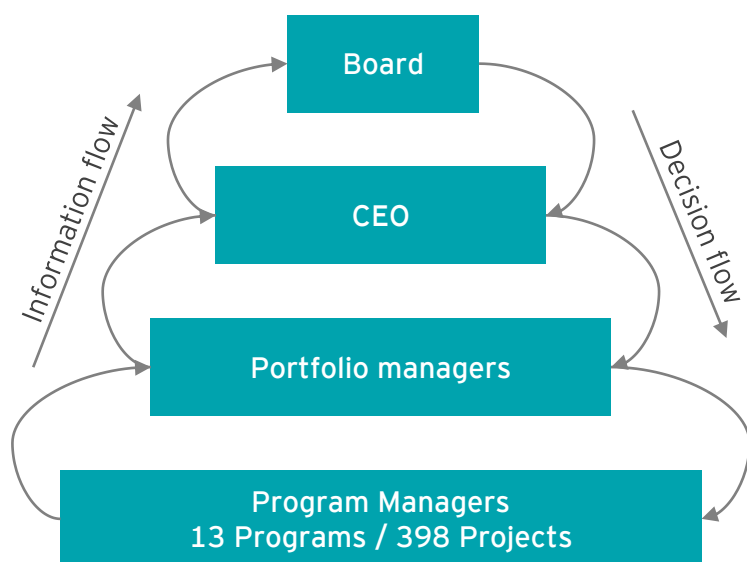


Figure 21: Information and decision flow chart

Strategic Targets	▶ Strategic targets are not always quantitative which makes it difficult to measure and evaluate progress and success
Programs	▶ The linkage between programs and quantitative strategic targets can be difficult understand
Projects	▶ The linkage between programs and quantitative project targets can also be difficult to understand
Reporting	<ul style="list-style-type: none"> ▶ Reporting is completed on a quarterly basis, however does always contains no reference to return on investment or other investment metrics ▶ Reports are not made public ▶ Independent measurement does not take place on a quarterly basis

*Resource allocation by decision makers depends upon project value

Monitoring and evaluation should be an iterative process that drives organisational strategy

- ▶ The table below shows the monitoring and evaluation metrics used by AWI in the sample of on-farm production projects provided to the Review team. Few monitoring and evaluation documents detail metrics 1-5 which are reasonable expectations of an investment update
- ▶ The use of media metrics such as those described below does not provide levy payers with a clear, quantifiable link between their investment and the benefit they received. The effectiveness of marketing activities can be linked directly with revenue and profit and therefore a direct benefit to woolgrowers can be calculated.

Sample of AWI marketing project updates vs. key investor relation metrics

		Campaign for Wool				International Woolmark prize				Menswear & Womenswear			
		2015	2016	2017	2018*	2015	2016	2017	2018*	2015	2016	2017	2018*
1	ROI	x	x	x	x	x	x	x	x	x	x	x	x
2	Publicly Available	x	x	x	x	x	x	x	x	x	x	x	x
3	BCR	✓	x	x	x	x	x	x	x	x	x	x	x
4	Detailed Assumptions	✓	x	x	x	x	x	x	x	x	x	x	x
5	Economic effects on stakeholders other than woolgrowers (positive and negative)	x	x	x	x	x	x	x	x	x	x	x	x
6	Media metrics**	✓	✓	✓	x	✓	✓	✓	✓	✓	✓	✓	✓

*In progress

**Includes: Editorial value, social media metrics, user reach, publication distribution

Monitoring and evaluation should be an iterative process that drives organisational strategy

- ▶ The table below shows the monitoring and evaluation metrics used by AWI in the sample of on-farm production projects provided to the Review team. Few monitoring and evaluation documents detail metrics 1-5 which are reasonable expectations of an investment update
- ▶ The use of woolgrower specific metrics such as those detailed below is a positive step by AWI. However, there is scope for improvement regarding the frequency of interim project updates and assessment against explicit, quantitative targets using these metrics

Sample of AWI research & development project updates vs. key investor relation metrics

		Reproduction	Genetic Improvement	Sheep Health & Welfare	Fibre Advocacy	Wild Dogs
		Q1 2018*	Q1 2018*	2017	Q1 2018*	July 2016
1	ROI	x	x	x	x	x
2	Publicly Available	x	x	x	x	x
3	BCR	x	x	x	x	✓
4	Detailed Assumptions	x	x	x	x	x
5	Economic effects on stakeholders other than woolgrowers (positive and negative)	x	x	x	x	x
6	Woolgrower specific metrics**	✓	✓	x	✓	✓

*In progress

**Woolgrower specific metrics include: average savings per farm, profit per ram, rate of genetic gain, micron tolerance, sheep lifetime productivity, net reproductive rate, lamb survival rates, lamb weaning rates

Monitoring and Evaluation framework – findings and recommendations

Findings	Recommendations	Criticality	
Monitoring and evaluation			
TOR 1f. Consider AWI's performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in monitoring and evaluation of investments (including whether its current framework is adequate and links to its current Strategic Plan)			
1.6.1	The Monitoring and Evaluation framework does not provide guidance on standardised metrics for projects and programs. As a result, this Review was not able to compare projects within the project portfolio and identify AWI's effectiveness in tracking and reporting on progress. This also limits AWI's ability to have a clear view of the returns being achieved on investments. In many cases, a high frequency is warranted in order to enable better reporting and assessment of AWI performance management and decision making. AWI has advised that a new Monitoring and Evaluation framework is current being developed.	Where possible, introduce standardised, quantitative performance metrics as part of the Monitoring & Evaluation framework to enable comparison across AWI's project portfolio and transparency regarding benefits delivered to woolgrowers. These metrics should be monitored and assessed against progress on a regular basis under AWI's new M&E framework to allow for systematic tracking of AWI's progress. This should occur by 31 st January 2019.	Critical
1.6.2	Analysis of return on investment is only completed at the end of the strategic period.	Calculate woolgrower related performance metrics on an annual basis and measure actual performance against estimated performance. This will provide insights to stakeholders on how the investments are performing against targets and enable AWI to reallocate funding and resources if necessary to maintain desired risk levels. This should occur by 30 th April 2019.	Critical

Monitoring and Evaluation framework – findings and recommendations

Findings	Recommendations	Criticality	
Monitoring and evaluation			
TOR 1f. Consider AWI's performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in monitoring and evaluation of investments (including whether its current framework is adequate and links to its current Strategic Plan)			
1.6.3	<p>The Monitoring and Evaluation framework does not have an explicit owner. As such, there are opportunities to encourage greater ownership of the framework within AWI to ensure that the framework is applied consistently. AWI has advised that a new Monitoring and Evaluation framework is currently being developed. AWI should provide greater transparency on ROI, BCR, detailed assumptions for the analyses conducted, and the economic effects on stakeholders other than woolgrowers. Other RDCs seem to be further progressed than AWI in this respect.</p>	<p>By 31st January 2019:</p> <ul style="list-style-type: none"> ▶ Introduce explicit requirements for achieving a minimum confidence level (e.g. 95%) in evaluations of projects ▶ Establish governance of the M&E framework and link the implementation of this framework to Executive performance to motivate greater ownership and responsibility amongst AWI Executives ▶ Disclose methodology for evaluation of investment portfolios, assumptions for the analyses, and benefits on stakeholders on AWI's website to provide greater transparency 	Critical

Annexure 1.7: Collaboration assessment

This Annexure has addressed the following Terms of Reference:

“1g. Consider AWI's performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in cross-RDC collaboration”

Governance and communication of AWI's cross-RDC collaborations

AWI has several policies in place to manage cross-RDC collaborations, which include ownership and management of IP, collaboration partner selection and management.

Selection and management of collaboration partner *

- ▶ AWI's priority is the merits of the proposed project and alignment with AWI's Strategic Plan
- ▶ AWI uses various tools as part of the assessment (e.g. On-Farm research project proposal assessment tool, contract checklist)
- ▶ The Australian Government may set the collaboration structure (e.g. National RDE Framework)
- ▶ Management Agreements are negotiated with RDCs that have demonstrated management skills (e.g. MLA/AWI Management Agreement)
- ▶ AWI considers management of collaborations on a case-by-case basis. This may be an external consultant mutually agreed to by the collaborating RDC or through a tender or EOI process or internal RDC staff
- ▶ AWI invests wool levies in projects that are wool focused. Where there are meat sheep and wool benefits these are classed as "general sheep" issues and AWI seeks to collaborate with MLA
- ▶ Where there is an issue benefiting any extensive grazing system (e.g. virtual fencing technology), AWI seeks to collaborate with all livestock RDCs

Ownership and management of IP *

- ▶ As part of AWI's IP Management Plan, the IP Policy sets out guiding principles for AWI to follow when dealing with ownership of IP rights when working with third parties:
 1. AWI seeks to own 100% of all IP rights generated under any contract with a third party
 2. Where AWI is the sole investor, AWI seeks to own 100% of the Project IP generated
 3. Where AWI is a co-investor, AWI seeks joint ownership of Project IP generated
 4. Where AWI does not own the Project IP, AWI seeks to obtain a non-exclusive, royalty-free, worldwide, perpetual licence to use that Project ID
- ▶ AWI considers the management of IP on a case-by-case basis
- ▶ Points 3 and 4 typically apply to collaborations with other RDCs
- ▶ Management agreements have been negotiated for RDCs that AWI works with on an ongoing basis / projects that span across several strategic cycles

AWI informally collaborates with other RDCs through emails, phone calls and meetings. AWI attends formal "Eureka" meetings with MLA to share collaboration opportunities.

* Descriptions were provided in AWI's responses to EY review questions

AWI's approach to cross-RDC collaborations

For projects that come through a formal process (e.g. the National RDE Framework or Rural R&D 4 Profit), the table below outlines AWI's collaboration approach for the core RD&E areas in 2015-18:

RD&E	Collaboration approach *	Number of collaboration projects 2015-18	AWI's collaboration project contribution 2015-18
Animal health and welfare	<ul style="list-style-type: none"> ▶ The collaboration approaches come formally through the National Animal Welfare RDE Strategy and the National Animal Biosecurity RDE Strategy ▶ AWI formally invites MLA to participate in pain relief and flystrike updates ▶ AWI is formally represented, along with MLA and UNE as co-funders of ParaBoss, on the ParaBoss Steering Committee ▶ AWI sits on the National Sheep Health Project Steering Committee along with state Government representatives, WPA, SPA, MLA and AHA 	5	\$691,021
Genetics	<ul style="list-style-type: none"> ▶ The collaboration approach is limited to MLA and comes from formal invitations from MLA to participate as an observer on the Sheep Genetics Technical Committee 	1	\$200,000 per annum for the previous Strategic Plan period, with the year 2015-16 being \$45,000
Reproduction & farm automation	<ul style="list-style-type: none"> ▶ Reproduction: The collaboration approach is limited to MLA and comes from formal participation in the MLA/AWI Reproduction Strategy (2012 to 2017) developed with MLA and AWI co investment ▶ Farm automation: The collaboration approach is formally through the Rural R&D 4 Profit program 	5	\$1,192,216
Feedbase and eco-credentials	<ul style="list-style-type: none"> ▶ The collaboration approach is formally through the Rural R&D 4 Profit co-funded program and the Climate Change Research Strategy for Primary Industries, as well as on an individual project basis 	10	\$2,944,979

Note: Projects with a start date prior to 2015 were included in the analysis if their end date occurred after or during 2015-18. Unless otherwise stated, the contribution value is for the whole duration of a project

* Descriptions of the collaboration approach were provided in AWI's responses to EY review questions

AWI has undertaken various collaboration efforts with several RDC's and other research bodies

In 2016-17, AWI collaborated with various RDCs and other research entities, such as industry organisations, CSIRO, universities, commercial partners and the Government. Collaborations highlighted by AWI in 2016-17 include:

Vertebrate Pest Control



Wild Dog Alert (WDA) is a co-investment program involving MLA, the Commonwealth and AWI, through the Centre for Invasive Species Solution (CISS). This collaboration involves developing an alert system to provide early warning of wild dogs entering a wool producer's property.

Sheep health



Three products, collectively titled ParaBoss, have been coordinated and updated by the University of New England, with industry oversight, to manage blowflies, worms and lice. This update was jointly funded by AWI and MLA.

Biosecurity



Collaboration is occurring between AWI and Victoria's Department of Economic Development, Jobs, Transport and Resources (DEDJTR) to enable electronic bale identification, which ascertains the environmental conditions of wool bales in their journey along the wool supply chain.

Stakeholder opinions relating to AWI's collaboration

Among the views expressed through written submissions received and extensive stakeholder interviews, the following comments were made and fell broadly into the following areas. Below are some examples of the words used by various stakeholder groups through written submissions and stakeholder interviews:

Generally positive

- ✓ *"Personal view is Wool Producers Australia have a vested interest and this is why they are very negative towards AWI." - levy payer / woolgrower*

Generally negative

- X *"There is a clear lack of trust between MLA and AWI or the AWI and the CRC, AWI pulled all their funding from MLA." - levy payer / woolgrower*
- X *"Observation is that they are hard to deal with and don't have a collaborative mentality. This raises a value for money question for levy payers." - industry representative organisation - other than wool*
- X *"It's almost impossible for other RDCs to collaborate with AWI only solving issues such as mulesing." - levy payer / woolgrower*

Others comments

- ? *"Government and the Industry want RDCs to become more collaborative. Dairy, MLA and AWI have grazing livestock and could co-invest in pasture RD&E." - industry representative organisation - other than wool*
- ? *"AWI and MLA co-fund a project in WA - producers came up with an issue around clovers disease, both were concerned because of their constituents." - Government*
- ? *"There is a wool RDE strategy that NSW and QLD used to co-lead, WA chairs that strategy with AWI part of the strategy planning." - Government*
- ? *"At times, AWI gives the perception of not even listening to industry but sticking to their perceived ideas (e.g. failure in funding Sheep CRC and a lack of explanation of this decision)" - industry representative organisation*

Observation: In general, various stakeholders noted that AWI is not always transparent in collaboration process, from communicating why a certain proposals got turned down to the lack of explanation for removal of funding from existing collaboration. As such, communication and feedback to other RDCs were considered in our assessment.

Maturity assessment of cross-RDC collaboration

Summary of AWI's performance on cross-RDC collaboration

Key attributes	Basic	Developing	Established	Advanced	Leading
Governance					
Operating plan			●		
Shared interest is prioritised over self-interest		●			
Governance procedures		●			
Reporting and evaluation					
Evaluation process			●		
Ongoing reporting			●		
Communication and feedback					
Communication mechanisms		●			

This assessment examines AWI's performance against the three categories of success factors for collaboration (governance, reporting and evaluation, and communication and feedback), as outlined in the maturity framework in Annexure 7 Cross-RDC collaboration assessment - maturity assessment criteria. The following system is used to categorise AWI's maturity level on each success factor:

Maturity	Attribute
Leading	The particular area is considered best in class, such that the collaboration effectively facilitates both parties to access new skills, gain access to new markets and form new relationships, and enhance animal husbandry (e.g. genetics, shearing, animal welfare and health)
Advanced	The particular area exceed expectations, such that the collaboration enables a high level of access to new skills, new markets, and enhancement of animal husbandry (e.g. genetics, shearing, animal welfare and health)
Established	The particular area is pragmatically defined, consistently applied and fit for purpose, such that the collaboration enables some level of access to new skills, new markets, and enhancement of husbandry (e.g. genetics, shearing, animal welfare and health)
Developing	The particular area understands the importance of the particular area and has taken initiatives to improve its performance
Basic	The particular area has little understanding of a particular area of collaboration practice or of its importance

Maturity assessment of cross-RDC collaboration

Key attributes	Evidence	Finding						
Governance								
Operating plan	AWI outlined the collaborative arrangement, IP ownership, objectives and outcomes for its collaborations in Feedbase and Eco-credentials, Animal Health and Welfare, Genetics, and Farm Automation and Reproduction.	Established						
Shared interest is prioritised over self-interest	<p>Amongst written submissions and stakeholder interviews, there is a perceived lack of trust between AWI and other RDCs. The gap between stakeholders' perception and AWI's response suggest that greater transparency is required. Below are some common perceptions and AWI's responses:</p> <table border="1"> <thead> <tr> <th>Perception amongst stakeholders</th> <th>AWI's response</th> </tr> </thead> <tbody> <tr> <td>The need for AWI to provide greater rationale of decision investing in certain research projects (e.g. some submissions mentioned that AWI withdrew funding of the Sheep CRC from MLA).</td> <td>AWI has noted that the cessation of the AWI funding of Sheep Genetics / MerinoSelect collaboration with MLA was because the service was not progressing to a commercialised model.</td> </tr> <tr> <td>The need for AWI to provide greater rationale of the decision to cease funding from projects with the potential for high benefit return (e.g. some submissions mentioned that AWI ceased funding to the Information Nucleus flock, which is research into sheep breeding that was supported jointly with MLA).</td> <td>AWI did not withdraw funding from MLA, rather it did not fund the Sheep CRC Information Nucleus Flock under Sheep CRC 2. AWI was informed that wool traits were initially being measured under CRC2 by other funding sources. During the period that both these flocks did not receive AWI funds, over sources of wool data entering MerinoSelect was funded by AWI, namely the Australian Merino Sire Evaluation does include genomic data.</td> </tr> </tbody> </table>	Perception amongst stakeholders	AWI's response	The need for AWI to provide greater rationale of decision investing in certain research projects (e.g. some submissions mentioned that AWI withdrew funding of the Sheep CRC from MLA).	AWI has noted that the cessation of the AWI funding of Sheep Genetics / MerinoSelect collaboration with MLA was because the service was not progressing to a commercialised model.	The need for AWI to provide greater rationale of the decision to cease funding from projects with the potential for high benefit return (e.g. some submissions mentioned that AWI ceased funding to the Information Nucleus flock, which is research into sheep breeding that was supported jointly with MLA).	AWI did not withdraw funding from MLA, rather it did not fund the Sheep CRC Information Nucleus Flock under Sheep CRC 2. AWI was informed that wool traits were initially being measured under CRC2 by other funding sources. During the period that both these flocks did not receive AWI funds, over sources of wool data entering MerinoSelect was funded by AWI, namely the Australian Merino Sire Evaluation does include genomic data.	Developing
Perception amongst stakeholders	AWI's response							
The need for AWI to provide greater rationale of decision investing in certain research projects (e.g. some submissions mentioned that AWI withdrew funding of the Sheep CRC from MLA).	AWI has noted that the cessation of the AWI funding of Sheep Genetics / MerinoSelect collaboration with MLA was because the service was not progressing to a commercialised model.							
The need for AWI to provide greater rationale of the decision to cease funding from projects with the potential for high benefit return (e.g. some submissions mentioned that AWI ceased funding to the Information Nucleus flock, which is research into sheep breeding that was supported jointly with MLA).	AWI did not withdraw funding from MLA, rather it did not fund the Sheep CRC Information Nucleus Flock under Sheep CRC 2. AWI was informed that wool traits were initially being measured under CRC2 by other funding sources. During the period that both these flocks did not receive AWI funds, over sources of wool data entering MerinoSelect was funded by AWI, namely the Australian Merino Sire Evaluation does include genomic data.							
Governance procedures	<p>In terms of governance procedure, selection of collaboration partner is based on merits of the proposed project and alignment with AWI's Strategic Plan. AWI assesses the candidates against all RDCs standards of project management, and other tools (e.g. contract / variation checklist).</p> <p>In terms of implementing the procedure, several submissions and stakeholder interviews indicated that AWI has not followed through its procedure. One commonly cited incident relates to a potential opportunity between AWI and AWEX to collaborate on the AWI's WoolQ (previously Wool Exchange Portal). AWEX's proposal to AWI was declined with no further opportunity for discussion. The perception amongst several stakeholder interviews and submissions was that the end result is a duplication of effort, with AWI and AWEX releasing the WoolQ and WoolClips, respectively.</p>	Developing						

Maturity assessment of cross-RDC collaboration

Key attributes	Evidence	Finding
Reporting and evaluation		
Evaluation process	AWI outlined the objectives and key outcomes for its cross-collaboration programs in 2015-18 for Feedbase and Eco-credentials, Animal Health and Welfare, Genetics, and Farm Automation and Reproduction.	Established
Ongoing reporting	<p>AWI indicated that for projects that have come through a formal process (e.g. the National RDE Framework), it is assumed that project reviews are conducted by the managing RDC.</p> <p>For other cross-collaboration projects, there is evidence that AWI tracks and reports its performance against the project outcomes. One example provided by AWI is from the previous 2013-16 Strategic Planning period. Two sample surveys were sent to sheep producers to evaluate AWI's investment in its Parasites and Disease program.</p>	Established
Communication and feedback		
Communication mechanisms	<p>AWI has demonstrated a level of communication with cross-collaborators, mostly at a tactical and project-by-project basis. For example, AWI provided evidence of communication to potential collaborators on updates and discussions on proposal evaluation in the form of a formal letter. In addition, AWI provides feedback to potential collaborators who got rejected for their proposals via formal feedback letters, which outline the principal reasons for the decision. AWI has provided sample letters to EY.</p> <p>To build and strengthen AWI's long-term and deep relationships with other RDCs, a more sustained and broader engagement model is required for the end-to-end process of cross RDC collaborations. There is an opportunity for AWI to lift the overall commitment and engagement level across their collaboration network by applying a more strategic, longer-term, collaborative approach that is appropriate for the type of organisation.</p>	Developing

Cross-collaboration – findings and recommendations

Findings	Recommendations	Criticality	
Performance			
TOR 1g. Consider AWI's performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in cross-collaboration.			
1.7.1	<p>While AWI already has a level of communication with cross-collaborators, the current engagement and communication approach is mostly tactical and on a project-by-project basis. There is an opportunity for AWI to lift the overall commitment and engagement level across their collaboration network by applying a more strategic, longer-term, collaborative approach that is appropriate for the type of organisation.</p>	<p>In line with recommendation 1.7.3, establish a more sustained, systematic and broader engagement approach for the end-to-end cross-collaboration in order to create deeper and greater levels of engagement and relationships across AWI's collaboration network:</p> <ul style="list-style-type: none"> ▶ Strengthen communication and engagement across multiple channels (e.g. enhance the quality of briefings and feedback sessions to provide greater opportunities for two-way communications) ▶ Conduct an early stage dialogue with potential collaborators to provide opportunities to address queries on selection criteria and requirements ▶ Consider providing more information in feedback letters (e.g. greater explanation on the rationale for AWI's decision, more context on the specific issue) <p>This should be implemented by 31st January 2019.</p>	Recommended
1.7.2	<p>AWI has developed procedures for selecting parties for collaboration. However, through written submissions and stakeholder interviews, some stakeholders indicated a perception that these practices on party selection were not always followed through.</p>	<p>Comply with procedures for selecting parties for collaboration and implement a tracking system to monitor the process and ensure that procedures are correctly and consistently followed through. This should be implemented by 31st January 2019.</p>	Recommended

Cross-collaboration – findings and recommendations

Findings	Recommendations	Criticality	
Performance			
TOR 1g. Consider AWI's performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in cross-collaboration.			
1.7.3	<p>Independent woolgrower research showed that 45% of woolgrowers believe that AWI collaborates well with other agricultural Research and Development bodies.</p>	<p>Develop a cross-RDC collaboration model as part of the long-term industry strategy, detailing the following:</p> <ul style="list-style-type: none"> ▶ definition and role of cross-RDC collaboration (e.g. MLA) ▶ ownership of IP ▶ governance and structure ▶ method of sharing resources ▶ sponsorship from Executives ▶ method of accessing different markets ▶ Reporting of progress and outcomes ▶ funding allocation <p>This should be developed through extensive consultation with levy payers and implemented by 30th April 2019.</p>	Critical
1.7.4	<p>Measurement and evaluation data collection is primarily done manually and is not easily accessible to support cross-collaboration decision making.</p>	<p>Establish a repository to better capture research data and create knowledge for AWI and cross-RDC collaborations through sharing of research outcomes. This would ensure that AWI is not replicating research, and enable output of research to be accessible by other RDCs. This should be implemented by 31st January 2019.</p>	Critical

Annexure 1.8: Performance review evaluation

This Annexure has addressed the following Terms of Reference:

"2. Consider AWI's effectiveness in addressing and implementing the recommendations from the 2012-2015 performance review"

Previous independent performance reviews of AWI

An Independent Review of AWI's performance is completed based on the Terms of Reference (TOR) prior to the commencement of the WoolPoll, which is held once every three years. These reviews are conducted in accordance with the requirements of the SFA. The previous two Independent Reviews are as follows:

- ▶ 2012-15 review: Completed by Deloitte Private Pty Ltd, covering the period 1 July 2012 - 30 June 2015
- ▶ 2009-12 review: Completed by SED Consulting, covering the period July 2009 - June 2012

AWI has developed Response & Implementation Plans in response to both Independent Reviews. The 2009-12 and 2012-15 performance reviews share several common themes in their recommendations to AWI for further improvements relating to AWI's performance and governance in delivering research, development, extension and marketing services:

- ▶ Enhance linkages between performance and AWI's Strategic Plan
- ▶ Develop systematic ways of evaluating and monitoring performance
- ▶ Strengthen communication to stakeholders and levy payers on the benefits delivered and how these compare to strategic targets
- ▶ Greater clarity on the skills and capabilities of each Board members

In line with TOR 2, this Annexure focuses on AWI's effectiveness in addressing and implementing recommendations of the 2012-15 Performance Review. This assessment was conducted in light of AWI Response and Implementation Plan 2012-15, updated in May 2017.

Please refer to Annexure 4 2012-15 Review of AWI's performance for AWI's Response & Implementation Plan of the 2012-15 review.

AWI's effectiveness in addressing and implementing recommendations of the 2012-15 Performance Review

Summary of AWI's effectiveness in addressing and implementing recommendations of the 2012-15 Performance Review

2012-15 Recommendation	Finding
Strategic benefits	
1. A strategic benefits framework should be developed and applied to fully capture and demonstrate the value...	Not met, alternative action taken
2. Communication of strategic benefits should be included in future consultation plans...	Completed
Governance	
3. The AWI Board should... evolve to a full skills matrix to be included in in the Board Charter, reviewed annually...	Not met, alternative action taken
4. The AWI Board should... formalise a revised Governance Policy...	Incomplete
5. The AWI Board should... formalise succession planning for the Board and key executive functions	Incomplete
Performance	
6. The role of the CEO should be supplemented by a COO or CoS...	Not met, alternative action taken
7. The AWI Board should... formalise within 12 months an all-encompassing Deed of Delegation to the CEO...	Not met, alternative action taken
8. ...the AWI CEO should formalise a single policy document within 12 months which documents...	Incomplete

In order to evaluate AWI's effectiveness in addressing and implementing the recommendations from the 2012-15 performance review, we evaluated the evidence for or against each of the eight recommendations, which are categorised into Strategic Benefits, Governance and Operations. An implementation status is assigned to each recommendation based on the evidence reviewed:

- 1. Completed:** recommendation has been fully implemented within the timeframe specified in AWI's Response & Implementation Plan
- 2. Not met, alternative action taken:** adjustments were made to the recommendations and AWI has taken other changes to suit the business needs
- 3. Incomplete:** no evidence of implementation or adjustments made to the recommendation

AWI has indicated that the CEO has been involved with a number of changes that were made in line with the recommendations. Some of these recommendations were adjusted in cases where AWI did not perceive material improvements in the implementation of these recommendations. AWI noted that there is no objective measures of these adjustments.

AWI's effectiveness in addressing and implementing recommendations of the 2012-15 Performance Review

2012-15 Recommendation	Evidence	Finding
Strategic benefits		
<p>1. A strategic benefits framework should be developed and applied to fully capture and demonstrate the value add and synergies that are being achieved for woolgrowers across Programs and from investments made by others as a result of AWI's efforts.</p>	<p>There is no framework to systematically demonstrate AWI's value add to woolgrowers through its R&D investments.</p> <p>Rather, R&D investments are identified in AWI's Consultation Plan, as informed by woolgrowers' priorities in AASMB, AWGA, broad wool, PGA and WPA. This plan does not provide a structure for AWI to report and monitor its activities over time.</p> <p>AWI has conducted benefit analyses for specific investment programs using BDA Economics and Environment Pty. Ltd, an external consultancy: https://www.wool.com/about-awi/how-we-consult/measuring-performance/ However, these reports are not related to investment programs related to the current 2015-16 to 2018-19 Strategic Plan. For more information on benefits delivered, please refer to Annexure 1.4 Benefits assessment.</p>	<p>Not met, alternative action taken</p>
<p>2. Communication of strategic benefits should be included in future consultation plans (such as for the development of the Strategic Plan) and in extension sessions so as to help all woolgrowers fully understand AWI's efforts on their behalf.</p>	<p>AWI has included in its current Strategic Plan an approach to communicate strategic benefits. As part of AWI's triennial business cycle, AWI has a formal Annual Planning and Consultation Cycle. Annual progress is then reported back to woolgrowers through the Annual Report.</p> <p>In addition, in its Annual Report 2016-17, AWI has a strategic target under Consultation to develop 'a greater awareness amongst shareholders of the ongoing research, development and marketing projects conducted by AWI for the wool industry'. AWI noted that information is provided via multiple channels (e.g. Annual Report, Beyond the Blue, web, podcasts).</p>	<p>Completed</p>

AWI's effectiveness in addressing and implementing recommendations of the 2012-15 Performance Review

2012-15 Recommendation	Evidence	Finding
Governance		
<p>3. The AWI Board should work closely with the AWI Independent Governance Advisor in the course of the next Review period to evolve to a full skills matrix to be included in the Board Charter, reviewed annually, and used in the Nominations Process. This would Matrix would evolve and improve the current documentation in time to inform the 2017 Director elections process.</p>	<p>A full skills matrix has not been included in the Board Charter, which was last updated in 2011. However, AWI has outlined a range of expertise of the Board of Directors against the skills outlined in the SFA.</p> <p>In the ASX Corporate Governance Principles, it is a requirement for listed companies to include a Board skills matrix in the Annual Reports. In response to this requirement, AWI has indicated that it will compile and include a matrix in its 2018 Annual Report and thereafter. Please refer to Annexure 1.9 Assessment of corporate governance for further information.</p>	<p>Not met, alternative action taken</p>
<p>4. The AWI Board should work with the AWI Independent Governance Advisor over the course of the next Review period to formalise a revised Governance Policy. The Policy will specifically address how the Board intends to manage any Conflicts of Interest. The Policy should incorporate, as Appendices, the AWI Board Charter and all other documentation relating to governance and Board procedure. This will create one single source of governance documentation, and support and amplify the Constitution.</p>	<p>AWI's Corporate Governance policy has not specifically addressed how the Board intends to manage any Conflicts of Interest, despite the fact that it was last amended in June 2017. Conflicts of Interest at the employee level is documented in AWI's Code of Conduct & Business Ethics. The document provides examples of situations of potential conflicts of interest. However, it does not elaborate on the procedure for when a conflict of interests occurs. Please refer to Annexure 1.9 Assessment of corporate governance for further information.</p> <p>The Board Charter and other documentation relating to governance and Board procedure are not incorporated as an Appendix of the Corporate Governance Policy. However, these are available as separate documents on AWI's website.</p>	<p>Incomplete</p>

AWI's effectiveness in addressing and implementing recommendations of the 2012-15 Performance Review

2012-15 Recommendation	Evidence	Finding
Governance		
<p>5. The AWI Board should work closely with the AWI Independent Governance Advisor in the course of the next Review period to formalise succession planning for the Board and key executive functions.</p>	<p>Although AWI noted that the Board discusses succession planning on a regularly basis, there is no evidence to suggest that there is any formal succession planning ahead of time to determine skill gap in the Board of Directors.</p> <p>The Board Nomination Committee convenes in each election year to assess nominated candidates. The Notice of Meeting for the AGM has an outline of skills of Director candidates.</p> <p>AWI advised that a formal skill matrix will be used ahead of the next AGM in order to identify skill gaps of the AWI Board in the future. This will be provided to the BNC.</p>	<p>Incomplete</p>
<p>6. The role of the CEO should be supplemented by a COO or CoS to enable the CEO to optimise their focus on impact and benefit for woolgrowers.</p>	<p>AWI does not have a Chief Operating Officer or Chief of Staff. However, AWI has made a number of changes to the senior roles with the aim of achieving an equivalence. Examples of related changes include:</p> <ol style="list-style-type: none"> 1. Undertook a number of retrenchments to return autonomy to regional offices for Marketing and product development 2. Appointment of a Manager Operations and Office 3. Rationalising the number of people with a direct reporting line to the CEO 	<p>Not met, alternative action taken</p>

AWI's effectiveness in addressing and implementing recommendations of the 2012-15 Performance Review

2012-15 Recommendation	Evidence	Finding
Operations		
<p>7. The AWI Board should work with the Independent Governance Advisor to formalise within 12 months an all-encompassing Deed of Delegation to the CEO (using the Carver model or similar) and supported by formalised role specific Deeds of Delegation to all Executives.</p>	<p>AWI does not have a Deed of Delegation. AWI does have a system of Financial Delegations to management that is reviewed annually by the Board. This system ensures that there is clear levels of delegation and autonomy embedded in AWI's SAP Project Management System workflows. AWI noted that the company cannot evidence any material breach of delegation or autonomy in the last eight years. Delegation to the Board has increased from \$250,000 to \$350,000 in April 2018.</p>	<p>Not met, alternative action taken</p>
<p>8. To ensure the process for measurement and evaluation is sustainably embedded into the organisation, the AWI CEO should formalise a single policy document within 12 months which documents: whole of business requirements, processes, standards, criterion for implementing and reviewing of the program, and project measurement and evaluation, including the three year cycle for CBAs.</p>	<p>The Monitoring & Evaluation framework provides a detailed overview on the processes and activities that take place during AWI's three year business cycle. However, this framework does not specify whole of business requirements, standards, criterion for implementation and review of the program. For more information, please refer to Annexure 1.6 Monitoring and Evaluation framework assessment.</p>	<p>Incomplete</p>

Implementing recommendations from the 2012-15 performance review

Findings	Recommendations	Criticality	
Performance			
TOR 2. Consider AWI's effectiveness in addressing and implementing the recommendations from the 2012-2015 performance review			
1.8.1	<p>Three recommendations are incomplete within the timeframe specified in AWI's Response & Implementation Plan. First, AWI has not addressed Conflicts of Interest in its Corporate Governance Policy (Recommendation 4). Second, although AWI has a Board Nomination Committee to assess candidate nomination, there is no evidence of a formal succession planning process in place to identify skill gaps for AWI's Board in the future (Recommendation 5). Third, the M&E framework is not sufficient to ensure that the process for measurement and evaluation is sustainably embedded into AWI (Recommendation 8). AWI has advised that it is considering mechanisms to inform Government on the progress against the 2015 Response & Implementation Plan.</p>	<p>Implement each of the uncompleted recommendations from the 2012-15 performance review by 31st January 2019:</p> <ul style="list-style-type: none"> ▶ Conflicts of Interest in its Corporate Governance Policy (Similar to recommendation 1.9.6 in this Review) ▶ Formal succession planning process in place to identify skill gaps for AWI's Board in the future (Similar to recommendation 1.1.3 in this Review) ▶ The M&E framework (Similar to recommendation 1.1.9 in this Review) <p>Each of these have been made as other recommendations as part of this Review.</p>	Mandatory
1.8.2	<p>Of the 8 recommendations in the 2012-15 performance review, one recommendation is complete. Specifically, AWI has incorporated communication of strategic benefits in its Strategic Plan and other engagement channels (Recommendation 2)</p>	<p>In AWI's next future Response & Implementation Plan, specify and report the underlying activities that are required to address each recommendation outlined in this Review. AWI should allocate accountability and responsibility to individuals, and link implementation progress of the Plan to Board performance evaluation in order to encourage individuals to take ownership by 31st October 2018.</p>	Critical

Implementing recommendations from the 2012-15 performance review

Findings	Recommendations	Criticality	
Performance			
TOR 2. Consider AWI's effectiveness in addressing and implementing the recommendations from the 2012-2015 performance review			
1.8.3	<p>Adjustments were made to five of the recommendations, such that AWI has made alternative arrangements to the development of a strategic benefit framework, Board skill matrix, the hiring of a COO / CoE, and the Deed of Delegation (Recommendations 1, 3, 6, and 7). AWI has advised that post 2015 ROP period the Department streamlined its SFA meetings with the RDC's, to ensure consistency and appropriate monitoring and reporting against the SFA requirements. This included the requirement for AWI to report against its implementation and progress implementation to then previous ROP. In 2017 in discussion with the Department, AWI reported a change in its implementation plan.</p>	<p>Set out measureable and objective targets that can be tracked over time, and communicate justifications for the adjustments of recommendations in this Review with both the Department and levy payers. AWI should communicate and agree the adjustments with the Department by 31st January 2019. Communication mechanisms may include reporting justifications in AWI's future Annual reports and to the ICC and the Department.</p>	Recommended

Annexure 1.9: Assessment of corporate governance

This Annexure has addressed the following Terms of Reference:

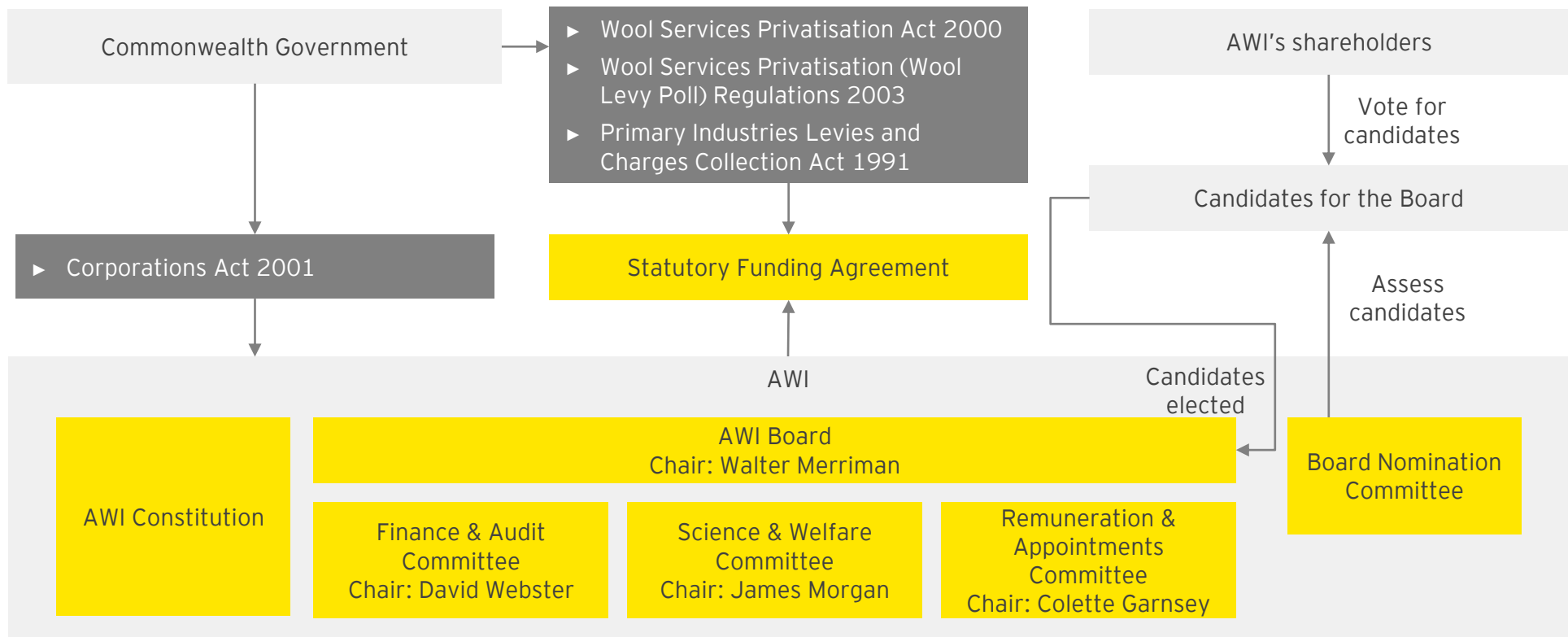
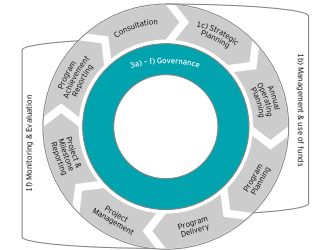
“3a-f. Consider whether AWI’s corporate governance framework (including the Board Charter and the charters, codes of conduct and policies approved by the Board under its Charter):

- ▶ *a. is appropriate for a company of its type*
- ▶ *b. is effective, transparent and accountable*
- ▶ *c. has appropriately drawn upon the ASX Corporate Governance Principles (or other relevant better practice guides) when applicable to AWI*
- ▶ *d. is appropriately documented and provides adequate guidance for company officers to effectively implement governance requirements (such as in avoiding and managing conflicts of interest and addressing potential breaches of the Code of Conduct)*
- ▶ *e. has been implemented*
- ▶ *f. provides for an appropriate definition of Independent Director and has effective procedures for determining the independence of Directors”*

AWI's corporate governance framework

This Annexure deals specifically with Terms of Reference 3a-f. For general description and roles of AWI, please refer to section 3.2 of Chapter 3. AWI was created as a RDC by the *Wool Services Privatisation Act 2000*, and is governed by a combination of that legislation, the *Wool Services Privatisation (Wool Levy Poll) Regulations 2003*, the AWI Constitution and the Statutory Funding Agreement. The figure below provides an overview of AWI's governance structure:

Please refer to section 3.2 Australian Wool Innovation Ltd for the full diagram



Key: Components of governance Legislation Entity

Figure 22: AWI's governance framework

AWI's corporate governance framework documents, policies and procedures

AWI's governance framework is supported by a number of governance documents, policies and procedures, being:

Governance Documentation	Description
Corporate governance policy	Outlines AWI's policy for corporate governance
Constitution	Outlines the rules under which AWI operates
Board Charter	Sets out the functions and responsibilities of the Board and management of AWI
Charter of the committees of the Board	Governs the roles, responsibilities, composition and membership of the committees of the Board
Board Nomination Committee Charter	Sets out the functions and responsibilities of the Board Nomination Committee
Risk management plan	Sets out the requirements and responsibilities for all staff relating to risk management
Rules and procedures governing the election of Directors	Outlines the rules and procedures that govern the conduct at any general meeting of AWI of the election of Directors
Board skills matrix	Assessment of the Directors skills against skills outlined in the Statutory Funding Agreement
Code of Conduct	Sets out AWI's expectations as to how AWI people will carry out their duties and responsibilities
Conflicts of Interest policy	Outlines the definition of a conflict, application of the policy and disclosure of interests
Board grievance procedure	Provides guidelines for dealing with grievances or complaints by, or about, a Director

Stakeholder opinions relating to AWI's corporate governance

Among the views expressed through written submissions received and extensive stakeholder interviews, the following comments were made and fell broadly into the following areas. Below are some examples of the words used by various stakeholder groups through written submissions and stakeholder interviews:

Generally Positive

- ✓ *"The current governance arrangements are very effective. AWI, under its current leadership performing is superbly and delivering outstanding results to its shareholders. The Board election process of AWI is totally democratic especially when compared with MLA, CCA and SCA. Every woolgrower has the opportunity to elect the Board, and anyone can stand for the Board if they obtain sufficient woolgrower votes." - woolgrower*
- ✓ *"The current governance is achieving goals with the wool industry being in a very positive position at present. I believe this is due to the hard work and perseverance of the personnel at AWI." - woolgrower*
- ✓ *"The Board of AWI is a duly elected Board by Shareholders and as such has our complete confidence that the Governance Arrangements are effective and AWI is delivering benefits to Woolgrowers" - woolgrower*

Generally Negative

- X *"Director terms are too long to ensure that levy payers have appropriate control of AWI. The current governance structure isn't robust enough, given the fact that shareholders are unable to sell their shares. AWI manipulates the WoolPoll using the centre stage effect and lobbying for their desired outcome" - industry representative organisation*
- X *"Investigations into Code of Conduct breaches should be external, rather than internal as how they are now" - woolgrower*
- X *"It has a Board that does not represent its levy payers. It has an elitist and arrogant Board and leadership team. AWI's decision making processes is not transparent and leaves levy payers wondering if the Board and Chair do not have a range of conflicts of interest that are not apparently dealt with" - woolgrower*

Other Comments

- ? *"There should be some voice of the woolgrowers as to the marketing and R&D split of funding" - woolgrower*
- ? *"From a Board governance perspective there should be limits on Director, especially Chairman, tenure. I suggest ten years for the former, seven for the latter" - woolgrower*
- ? *"3 year Wool Poll cycle is not conducive to blue sky thinking and expenditure. AWI says that if you don't like the levy or direction, you can vote in the WoolPoll. AWI then actually sets the levy, they don't have to follow the recommendations in the Poll" - industry representative organisation*

Observation: There were many stakeholders noting that the corporate governance framework is lacking transparency and robustness. Others were satisfied with the current governance arrangements of AWI.

The Terms of Reference have been addressed through the following corporate governance review components

Assessment	Terms of Reference
A Maturity assessment	3a) Appropriateness <ul style="list-style-type: none"> ▶ Considered as part of a maturity assessment ▶ Assesses whether AWI's corporate governance framework is appropriate for a company of its type
	3b) effective, transparent and accountable <ul style="list-style-type: none"> ▶ Considered as part of a maturity assessment ▶ Assesses whether AWI's corporate governance framework is effective, transparent and accountable
	3d) Documentation and adequate guidance <ul style="list-style-type: none"> ▶ Considered as part of a maturity assessment ▶ Documentation and provision of adequate guidance for AWI's officers to effectively implement governance requirements (Code of Conduct, Conflict of Interests)
	3e) Implementation <ul style="list-style-type: none"> ▶ Considered as part of a maturity assessment ▶ Assesses if it has been appropriately implemented
B Better practice assessment	3c) Reference to better practices <ul style="list-style-type: none"> ▶ Assesses whether AWI has appropriately drawn upon the ASX Corporate Governance Principles (or other relevant better practice guides) when applicable to AWI
C Independence assessment	3f) Independence of Directors <ul style="list-style-type: none"> ▶ Provision of appropriate definition of Independent Director ▶ Effective procedures for determining independence of Directors

Note: These assessments also investigate key issues raised through stakeholder consultations and written submissions

Governance assessment commentary

As outlined in Chapter 3 Contextual Analysis, there is a shift currently taking place in community expectations of organisations' standard of governance. While investigations occurring pertain directly to financial services, the findings are relevant to the operation of organisations in every sector. Directors need to focus on the effective operation of the Board and contribution of Directors, ensure direct management accountability for both financial and non-financial risks, link accountabilities directly to pay, develop a better appreciation for the realities of front-line staff and reflect on cooperation between Board Committees. Management needs to focus on developing a corporate culture grounded in purpose driven decision making ("should we", not "can we") while supporting enhanced risk identification and mitigation at every level. As stated by Graeme Samuel in the Australian Financial Review on Friday 22nd June, "[i]f you sit around a Board table going over a legal checklist of what you can do, you will get into trouble."

Although a public company limited by shares, AWI operates very much like a co-operative or a company limited by guarantee. That is, each shareholder only receives one share in AWI. However, the voting entitlement of each shareholder in respect of company matters is linked to their voting entitlement in the WoolPoll and adjusted in accordance with their levy contributions.

For AWI to operate in line with the expectations of all of its stakeholders, a significant cultural change is required. AWI's status as an RDC does put them in a challenging position at times as it must maintain its obligations to Government and be independent and operate as a public company. One of the constraints and challenges for RDCs is that principle legislation is difficult to amend and may not necessarily reflect good or best corporate governance practice. AWI is no exception. For example, the *Wool Services Privatisation (Wool Levy Poll) Regulations 2003*, which prescribes how the Wool Levy Poll is to be conducted. This Regulation reflects an approach to member voting that is now outdated from a best practice in corporate governance. For example, the regulation is very prescriptive as to how the voting should be conducted and the Corporations Act does not include an equivalent provision for members meetings.

Woolgrowers are divided on whether AWI invests grower and Government funds effectively or not. AWI has an opportunity to better establish a clear purpose within the industry. This should be regularly tested with woolgrowers, Government and other RDC's. There is an opportunity to leverage the corporate governance framework to stay aligned to their purpose. Losing this alignment can be a common pitfall of not-for-profit organisations where corporate governance frameworks and culture are not being adequately applied.

Governance assessment commentary

Lack of transparency is a common issue communicated by stakeholders and has had a significant impact on stakeholder perceptions and their trust in AWI. There have been a number of issues that have arisen in the past 12 months, which raised questions about the governance framework and practices of AWI. These include:

- ▶ The Chairman using inappropriate language to a journalist (this issue is explored in the assessment of the Code of Conduct)
- ▶ The 'one-way mirror' incident where the Chairman observed a research focus group through a one-way mirror at an event that was conducted by Axiom Research in June 2017 (explored on the following page)
- ▶ The use of open proxies by the Chairman during the election of Directors (this issue is explored in Annexure 1.12 Assessment of proxies and Board Nomination Committee membership)
- ▶ The exclusion of "outsiders" by the requirement of Rule 13.3(d) of the AWI Constitution, which requires 100 eligible members to nominate a Director

Throughout the Review, the Review team made a number of observations relating to governance practices that highlighted accountability issues. These include:

- ▶ The Finance and Audit Committee Charter references part of its role as 'assisting the Board with its responsibilities in relation to compliance with legal and regulatory requirements; however, there is no reference to reporting on these requirements in the meeting minutes. This responsibility has been delegated to executive management
- ▶ Practices of not providing the most up to date documents to the Review were observed. Examples include the Conflicts of Interest policy was being included on the website, years after it was superseded by clauses in the Code of Conduct, two different version of the Risk Management Framework were provided and an out-of-date version of the financial delegations. This indicates that AWI is not proactively staying abreast of its latest obligations and not operating with behaviours of good governance. It may also indicate a weakness in existing systems and processes used in its corporate governance framework

Governance assessment commentary

The 'one-way mirror' incident

In June 2017, the Chairman observed a research focus group through a one-way mirror at an event that was conducted by Axiom Research. This caused concern for some of the people who were in the room who were initially unaware that he was watching. The CEO requested an investigation into the incident. Directors Garnsey and Sheil reported to the October 2017 Board meeting on the results of their review into the circumstances. The findings were:

- ▶ All AWI people and consultants acted in good faith at all times and with no ill-intent to any parties
- ▶ The attendance of the AWI Chairman was consistent with his practice at other events
- ▶ The style of the meeting was intended to deliver valuable feedback for AWI, but the initiative to have observers behind a mirror was not familiar for AWI people
- ▶ There is no evidence to support an inference of a material conflict of interest in the AWI Chairman attending and / or listening to the focus group discussions
- ▶ There has been no material breach of process by AWI in the conduct of the focus groups

It was affirmed during the meeting that full checking of facts when an issue arises and proper communication to all stakeholders should be pursued by management in every instance. Management was asked to compile written guidelines for conduct of meetings or focus groups requiring confidentiality and where undertakings regarding anonymity of responses from participants are needed.

Review observations

While noting the finding by the inquiry conducted by two Directors is that there was no evidence to support an inference of a material conflict of interest, advice to the Review is that this incident compromised the trust in the minds of some stakeholder groups and individuals. It would be prudent for any Director or employee of AWI to be aware of the research they are observing and appropriate practices to maintain the integrity of that research and of AWI. There was also feedback to the Review that an investigation of issues associated with the conduct of the Chairman may be best conducted by an independent person. This is further explored in our Review of the Code of Conduct.

A Summary of maturity assessment

Key attributes	Basic	Developing	Established	Advanced	Leading
The Board			●		
Board Sub-Committees			●		
Engagement with executive management			●		
Risk management		●			
Delegation of authority			●		
Code of Conduct			●		
Policies and guidelines			●		
Organisational Structure			●		

The maturity model used to evaluate AWI's current state maturity consists of a number of stages ranging from 'basic' through to 'leading'. It incorporates five levels along the maturity continuum, defined as follows:

Maturity	Attribute
Leading	The particular area is considered best in class
Advanced	The particular area exceeds expectations
Established	The particular area is pragmatically defined, consistently applied and fit for purpose
Developing	The particular area understands the importance of the particular area and has taken initiatives to improve its performance
Basic	The particular area has little understanding of a particular area of governance practice or of its importance

The criteria for the maturity assessment is outlined in Annexure 8 Corporate governance performance - supporting assessments, and is based on EY Corporate Governance Framework.

A Summary of maturity assessment evidence

Key attributes	Evidence	Finding
The Board	<ul style="list-style-type: none"> ▶ The Corporate Governance Policy is available on AWI's website: https://www.wool.com/about-awi/who-we-are/corporate-governance/ ▶ AWI's Board Charter is available on AWI's website: https://www.wool.com/about-awi/who-we-are/corporate-governance/ ▶ 23 [8 (2015), 8 (2016), 7 (2017)] Board meetings were conducted between 2015 and 2017. Minutes of these meetings were captured ▶ AWI has a document that outlines each Director's skills against those in the SFA in its Board skills matrix. This is currently not publicly available, however, AWI indicated that this matrix will be included in its Annual Report 2017-18 and thereafter ▶ There is no maximum length of directorship for Board Members, which better practice is indicating this can over time impact the independence of an individual 	Established
Board Sub-Committees	<ul style="list-style-type: none"> ▶ The Board delegates oversight of key areas of responsibility to specific committees, and each committee's responsibilities are documented in a Charter or Terms of Reference ▶ The Finance and Audit Committee Charter references part of their role as 'assisting the Board with its responsibilities in relation to compliance with legal and regulatory requirements'. However, there is no reference to reporting on these requirements in the meeting minutes. This responsibility has been delegated to executive management 	Established
Engagement with executive management	<ul style="list-style-type: none"> ▶ AWI has an annual executive performance process. Outcomes of executive performance reviews over the past three years were supplied to EY and reviewed. 	Established

A Summary of maturity assessment evidence

Key attributes	Evidence	Finding
Risk management	<ul style="list-style-type: none"> ▶ A risk management framework (RMF) has been developed and communicated throughout the organisation ▶ The RMF was last updated in November 2016. AWI indicated that it is reviewed every six months. The document has some out of date information in it ▶ AWI has a project approval process, which includes a risk assessment relating to the specific project. Templates are available for project proposals and risk assessment. The individual risk profiles for each portfolio are reviewed on an annual basis 	Developing
Delegation of authority	<ul style="list-style-type: none"> ▶ AWI updated its financial delegations in April 2018. This provides detailed information on different roles, its level of financial delegation and for what activities these apply ▶ From stakeholders consultations employees have a good understanding of their ability to make decisions ▶ The current delegation of a CEO decision up to \$350,000 	Established
Code of Conduct	<ul style="list-style-type: none"> ▶ The Code of Conduct is published and covers the responsibilities of Directors, managers and all others to whom it applies, and all legal and regulatory obligations ▶ On review of better practice for the Code of Conduct (Annexure 8) there is not adequate guidance for implementation as there is no references made to external communication, social media channels, there are a lack of examples provided in plain language, no mechanism for persons to seek advice and no reference to a whistleblowing policy, mechanism and consequences ▶ AWI advised the Review team there was one instance of a possible breach of the Code of Conduct & Business Ethics in the past three years. This was the encounter between the AWI Chairman and a journalist in October 2017, in which the Chairman was recorded using inappropriate language. The Board reviewed the matter and discussed it in camera with the Chairman absenting himself from that discussion. A number of recommendations have been made as a result of the investigation undertaken by the Board into the above breach Code of Conduct. The Board subsequently delivered a statement on the matter at the 2017 AGM which was delivered by Director Garnsey: <ul style="list-style-type: none"> ▶ In line with good governance principles, more transparency of the investigation and recommendations would be expected and a focus on doing this Review with integrity. With this in mind, and the fact the breach was by the Chair of the Board, we would recommend an independent person or committee to investigate a potential breach of the Code of Conduct by the Chair of the Board 	Developing - Established

A Summary of maturity assessment evidence

Key attributes	Evidence	Finding
Policies and guidelines	<ul style="list-style-type: none"> ▶ AWI has a documented set of corporate policies approved by the Board ▶ No guiding documentation was provided that outlines the process of executive performance review and provides guidance to the company officer ▶ The Conflicts of Interest policy is outlined in the Code of Conduct and the Review identified the following opportunities for improvement based on better practice guidelines: <ul style="list-style-type: none"> ▶ Has a brief definition and does not describe what real and perceived conflicts are. It does provide examples of when conflicts of interest may occur ▶ Does not provide an overview of Directors' duties ▶ Does not describe the process for disclosure including the register and a standing agenda item in Board meetings ▶ Does not provide direction as the point at which conflicts are so material that they effectively prohibit the individual from performing in their roles ▶ Does not describe what is expected of a Director if the conflict is significant 	Developing - Established
Organisational Structure	<ul style="list-style-type: none"> ▶ AWI has a documented organisational structure that reflects the organisation's main operational objectives and does so in a coherent way 	Established

Assessment that AWI's corporate governance has appropriately drawn upon the ASX Corporate Governance Principles

This assessment examined whether AWI has the documentation and governance procedures in place by evaluating AWI against the eight principles in the **ASX Corporate Governance Principles***.

The purpose of the ASX Corporate Governance Principles is outlined in the document: *"These Principles and Recommendations set out recommended corporate governance practices for entities listed on the ASX that, in the Council's view, are likely to achieve good governance outcomes and meet the reasonable expectations of most investors in most situations"*. The basis of the Principles and Recommendations is the "if not, why not" approach. They are not intended to bind a company, however if they have not adopted a guideline they would ideally make it clear why they have not adopted it.

This assessment was conducted based on a review of documents provided by AWI, stakeholder interviews and information provided in response to review questions. The Constitution review section is a further analysis against these principles based solely on what is written in the Constitution. Although AWI is not a listed entity, the ASX Corporate Governance Principles are seen as leading practice for good governance and many RDCs use them as a reference point.

This assessment uses the following assessment system:

- ▶ **Meets criteria:** ASX Corporate Governance Principles criteria has been met
- ▶ **Opportunities exist for improvement:** Opportunities exist to be better aligned with the ASX Corporate Governance Principles
- ▶ **Unable to assess:** insufficient evidence available provided by AWI to make a judgement on assessment against the ASX Corporate Governance Principles

*ASX Corporate Governance Principles means the ASX Corporate Governance Principles and Recommendations 3rd Edition as set out at <https://www.asx.com.au/documents/asx-compliance/cgc-principles-and-recommendations-3rd-edn.pdf>

3b) Assessment that AWI's corporate governance has appropriately drawn upon the ASX Corporate Governance Principles

The table below provides a summary of our assessment. For the full analysis please refer to Annexure 8 Corporate governance performance - supporting assessments. The issue of whether these have been implemented properly is considered as part of the governance maturity assessment.

Assessment framework	Evidence (full evidence is provided in Annexure 8 Corporate governance performance - supporting assessments)	Finding
Principle 1: Lay solid foundations for management and oversight	<ul style="list-style-type: none"> ▶ AWI does not have a Board diversity policy in place ▶ Executive each has an employment agreement / contract, but some date back to many years ago and the position they were originally hired for 	Opportunities exist for improvement
Principle 2: Structure the Board to add value	<ul style="list-style-type: none"> ▶ The BNC comprises of three external members and two AWI Board Members, which is not in alignment with better practice of a majority of Independent Directors. However further recommendations have been made on a suitable BNC specifically for AWI ▶ There is no reporting on the number of times the BNC met throughout each reporting period ▶ Board skills have been assessed, however a skills matrix is not disclosed ▶ For further information regarding the Independence of Directors, please refer to the assessment of Terms of Reference 3f) in the following pages 	Opportunities exist for improvement
Principle 3: Act ethically and responsibly	<ul style="list-style-type: none"> ▶ The relevant policy and governance structure is in place 	✓ Meets criteria
Principle 4: Safeguard integrity in corporate reporting	<ul style="list-style-type: none"> ▶ The relevant policy and governance structure is in place 	✓ Meets criteria
Principle 5: Make timely and balanced disclosure	<ul style="list-style-type: none"> ▶ Not an obligation for AWI as it is not a listed company 	Not Applicable
Principle 6: Respect the rights of security holders	<ul style="list-style-type: none"> ▶ The relevant policy and governance structure is in place 	✓ Meets criteria
Principle 7: Recognise and manage risk	<ul style="list-style-type: none"> ▶ The relevant policy and governance structure is in place 	✓ Meets criteria
Principle 8: Remunerate fairly and responsibly	<ul style="list-style-type: none"> ▶ The relevant policy and governance structure is in place 	✓ Meets criteria

3f) Provides an appropriate definition of Independent Director and has effective procedures for determining the independence of Directors

AWI currently lacks a broad skills based Board and the inherent emphasis on wool growers / levy payers means a lack of independence of those who are selected in accordance with clause 13.3(d) of the Constitution. This means that there are inherent conflicts of interest and a lack of independence for a considerable number of the Board members. This is also substantiated by the register of material/standing interests that has been provided as well as the length of the tenure of some of the Directors. Our view is that the removal of clause 13.3(d) of the Constitution, changes to the BNC and entrenching the ability to identify and elect Directors who reflect a broader skills based Board will assist in alleviating this inherent lack of independence. It is right that woolgrowers continue to be represented on the AWI Board (as required by clause 14.3(b) of the SFA), however, they are only one of seven sets of experience that should be reflected in a broader skills based Board.

Therefore, while the AWI Board Charter, the AWI Constitution and the SFA, partially meets the ASX Corporate Governance Principles on their face, the underlying structure of how the Board is comprised means that the substantive independence of the Board is limited. In our view, this means that there is opportunity to better align the Constitution with the ASX Corporate Governance Principles to create a broader skills based Board.

In our view, the Board and individual Directors do comply with their Directors' duties set out in sections 180-184, and also their obligation to disclose interests in sections 191 to 196 of the *Corporations Act (Cth) 2001*.

This represents a dilemma for how the Board of AWI is structured in terms of balancing a desire to have deep representation of the wool industry with a requirement of public company independence of the Directors. However, our Review has found that a number of other RDCs have amended their corporate governance structures such as their constitutions and Board nomination process to introduce greater independence and an ability to create a broader skills-based Board.

We believe that the other changes that we have recommended in corporate governance will contribute to assisting to enable AWI's Board to satisfy the ASX Corporate Governance Principles on independence of Directors.

C Assessment of definition of independence

On the following page is our assessment of AWI's definition of an Independent Director. The assessment was completed on subsequent pages for each Director based on information provided by AWI in the Directors Disclosure of Interest Register (March 2018), company research through Equifax dated 6 June 2018 to confirm the length of the Directors terms and the shareholder register from Link Market Services Pty Ltd. The definition as outlined in AWI's Board Charter is generally in compliance with the guidance outlined in the ASX Corporate Governance Principles, however there are two areas where there are opportunities to strengthen this definition:

- ▶ There is currently no clause that considers the length of directorship which is one of the considerations in the ASX Corporate Governance Principle
- ▶ AWI is slightly different to an ASX listed company as its shareholding is similar to a company limited by guarantee as opposed to a company limited by shares only. As the voting entitlement is adjusted in accordance with levy contributions, this means that no individual shareholder is likely to reach a 5% substantial voting entitlement test

'Independent Director' is defined in the SFA as a Director, consistent with the ASX Corporate Governance Principles.

c Assessment of definition of independence

This assessment uses relevant recommendations from the ASX Corporate Governance Principles on the independence of Directors and the same criteria applies as the previous assessment.

ASX Corporate Governance Principles for the definition of an Independent Director (Principle 2 Box 2.3)	AWI Practice	Finding
<ol style="list-style-type: none"> 1. Is, or has been, employed in an executive capacity by the entity or any of its child entities and there has not been a period of at least three years between ceasing such employment and serving on the Board 2. Is, or has within the last three years been, a partner, Director or senior employee of a provider of material professional services to the entity or any of its child entities 3. Is, or has been within the last three years, in a material business relationship (e.g. as a supplier or customer) with the entity or any of its child entities, or an officer of, or otherwise associated with, someone with such a relationship 4. Is a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company 5. Has a material contractual relationship with the company or another group member other than as a Director 6. Has close family ties with any person who falls within any of the categories described above 7. Has been a Director of the entity for such a period that his or her independence may have been compromised 	<p>The AWI Board Charter outlines the following:</p> <p>3.2.2 An 'Independent Director' is:</p> <ol style="list-style-type: none"> a. a non-executive, and not a member of management of the Company; b. free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to exercise independent judgment (for example, family relationships and cross-directorships may be relevant in considering interests which may compromise independence); c. considered by the Board to be independent by reference to the following criteria: <ol style="list-style-type: none"> i. does not hold a substantial voting entitlement in the Company, where 'substantial' means 5% or more of the total number of votes attached to the shares in the Company ('substantial shareholder'); ii. is not an officer of, or otherwise associated directly with, a substantial shareholder; iii. has not, within the immediately preceding three years: <ol style="list-style-type: none"> A. Been employed in an executive capacity by the Company or a member of the Company group; B. Been a principal of a material professional advisor or a material consultant to the Company or a member of the company group, or an employee of such an advisor or consultant and materially associated with the service provided; iv. has no material contractual relationship with the Company or a member of the Company group, other than as a Director; and v. the individual circumstances of each Director. 	<p>~ Partially meets criteria</p>

*ASX Corporate Governance Principles means the ASX Corporate Governance Principles and Recommendations 3rd Edition as set out at <https://www.asx.com.au/documents/asx-compliance/cgc-principles-and-recommendations-3rd-edn.pdf>

Independence assessment of Directors

The following assessment is based on information provided by AWI in the Directors Disclosure of Interest Register (March 2018), company search of Equifax dated 6th June 2018 to confirm Director terms and the shareholder register from Link Market Services Pty Ltd. This assessment has not considered the interests of related parties of the Directors. The majority of Directors are Wool Levy Payers and active players in the wool industry. This creates an inherent conflict of interest. When assessed against the ASX Corporate Governance Principles, in particular, the nature of the interests, their materiality, shareholding, voting entitlement and length of service, we have found that the majority of Directors are unable to fully satisfy the criteria for independence as currently required by the SFA.

Director	(M)aterial (s191)/ (S)tanding Notice (s192)	Voting entitlement	Length	Finding
Director 1	▶ Nine declared Standing Notices	Yes	Date of Appointment: 19-Nov-2004 13.5 years	Questionable Independence based on number and materiality of registered interests and length of tenure.
Director 2	▶ Four declared Material Notices ▶ Six declared Standing Notices	Yes	Date of Appointment: 19-Nov-2008 9.5 years	Questionable Independence based on number and materiality of registered interests and tenure.
Director 3	▶ Five declared Standing Notices	Yes	Date of Appointment: 20-Nov-2015 2.5 years	Independent but should be assessed on a regular basis given number of registered interests
Director 4	▶ Four declared Standing Notices	Yes	Date of Appointment: 19-Nov-2008 9.5 years	Questionable Independence based on number and materiality of registered interests and length of tenure.
Director 5	▶ Two declared Standing Notices	No	Date of Appointment: 18-Nov-2011 6.5 years	Independent
Director 6	▶ Four declared Standing Notices	Yes	Date of Appointment: 22-Nov-2013 4.5 years	Independent but should be assessed on a regular basis given number of registered interests
Director 7	▶ Nine declared Standing Notices	Yes	Date of Appointment: 17-Nov-2017 0.5 years	Independent but should be assessed on a regular basis given number of registered interests

Corporate governance – findings and recommendations

Findings	Recommendations	Criticality	
Other Matters			
<p>TOR: 3a-f. Consider whether AWI's corporate governance framework (including the Board Charter and the charters, codes of conduct and policies approved by the Board under its Charter):</p> <ol style="list-style-type: none"> Is appropriate for a company of its type Is effective, transparent and accountable Has appropriately drawn upon the ASX Corporate Governance Principles (or other relevant better practice guides) when applicable to AWI Is appropriately documented and provides adequate guidance for company officers to effectively implement governance requirements (such as in avoiding and managing conflicts of interest and addressing potential breaches of the Code of Conduct) Has been implemented Provides for an appropriate definition of Independent Director and has effective procedures for determining the independence of Directors 			
1.9.1	<p>There is no maximum length of directorship for Board members. Better practice indicates that leaping tenure can impact the independence of an individual. The ASX Corporate Governance Principles outline there should be consideration for the length of time someone has been the Director of the entity where his or her independence may have been compromised. It also outlines that after 10 years due consideration should be given to whether or not a Director remains independent.</p>	<p>Implement maximum periods of Board Membership including for the Board Chair. We recommend ten years. We also recommend a minimum roll off period of two years (period of time Directors must remain off the Board before standing for re-election). The fact that a Director has served on a Board for a substantial period can mean that they have become too close to management and previous Board discussions to be considered independent. This recommendation should be reflected in the Constitution and applied in practice during the next Director election cycle.</p>	Critical
1.9.2	<p>There is inadequate guidance for implementation of the Code of Conduct. There is no reference made to external communication, social media channels. Further, there is a lack of examples provided in plain language and mechanism for people to seek advice. No reference is made to a whistleblowing policy, mechanism and consequences.</p>	<p>Review and update the Code of Conduct to incorporate gaps identified from better practice:</p> <ul style="list-style-type: none"> ▶ Provide external communication ▶ Provide social media channels ▶ Provide examples in plain language ▶ Provide a mechanism for persons to seek advice ▶ Provide a reference to a whistleblowing policy, mechanism and consequences <p>These should be implemented by 31st January 2019.</p>	Recommended

Corporate governance – findings and recommendations

Findings		Recommendations	Criticality
Other Matters			
1.9.3	There is opportunity to improve the process followed in a potential breach of the Code of Conduct. In line with good governance principles, more transparency of the investigation and recommendations for a potential Code of Conduct breach by a Director would be expected. Independent reviews are commonly used for potential breaches of the leadership of large organisations.	Develop an escalation matrix to support treatment of potential breaches of the Code of Conduct. This should include specific guidance on processes and escalations dependent on the role of the person and the severity of the potential breach. The highest escalation of potential breaches, including for Board Members, should be the subject of independent investigation by a reputable third party. These updates should be made by 31 st January 2019.	Recommended
1.9.4	AWI has a document that outlines each Director's skills against those in the SFA in their Board skills matrix. This is currently not publicly available; however, AWI indicated that this matrix will be included in its Annual Report 2017-18 and thereafter. As outlined in Annexure 1.1 Legal compliance the skills are also not in alignment with those in the SFA.	Publicly disclose the Board skills needed by the Board. Consider if this is disclosed as a narrative, a table, or a combination of narrative and a table. The Board skills matrix should be publicly disclosed by 31 st July 2019. As a minimum, ensure that the skills are in alignment with the SFA. This should be disclosed on the AWI website and the Board skills matrix should then be reviewed annually. Please also refer to recommendation 1.10.4 and 1.1.4 for related recommendations about achievement of a skills based Board. This recommendation is in alignment with the practices of Dairy Australia which is included as an example in Annexure 14.	Recommended

Corporate governance – findings and recommendations

Findings		Recommendations	Criticality
Other Matters			
1.9.5	<p>AWI currently engages the services of an independent governance advisor who provides advice to the Board on it being a skills-based Board. He also conducts the annual performance review of the Board as a whole and as against each individual Director (assessing also their skills).</p> <p>However, there is no documented guidance in terms of how to implement a skills based Board. The process to assess the skills of the Board is not outlined and the current assessment is done at a high level.</p>	<p>Develop guidelines for implementation of a skills-based Board. These should include how the competencies of each Board Member should be reviewed and assessed, either following completion of a questionnaire by each Director or by some other method. This should be implemented by 31st January 2019.</p>	Critical
1.9.6	<p>The Conflicts of Interest policy is outlined in the Code of Conduct and the Review identified the following opportunities for improvement based on better practice guidelines:</p> <ul style="list-style-type: none"> ▶ Has a brief definition and does not describe what real and perceived conflicts are. It does provide examples of when conflicts of interest may occur. ▶ Does not provide an overview of Directors' duties ▶ Does not describe the process for disclosure including the register and a standing agenda item at Board meetings ▶ Does not provide direction as the point at which conflicts are so material that they effectively prohibit the individual from performing in their roles ▶ Does not describe what is expected of a Director if the conflict is significant 	<p>Review and update the Conflict of Interest policy to incorporate:</p> <ul style="list-style-type: none"> ▶ More comprehensive definition of a conflict of interest ▶ An overview of Directors' duties ▶ Point of contact for guidance on conflicts, including guidance on how to manage conflicts and consult when the situation changes ▶ Description of the process for disclosure including the register and a standing agenda item at Board meetings ▶ Direction as the point at which conflicts are so material that they effectively prohibit the individual from performing in their roles ▶ Describe what is expected of a Director if the conflict is significant <p>Current practice to manage conflicts of interest, including general and perceived conflict, can be further strengthened by providing greater clarity and transparency to growers. This should be implemented by 31st January 2019.</p>	Recommended

Corporate governance – findings and recommendations

Findings		Recommendations	Criticality
Other Matters			
1.9.7	The executive performance review process has no guiding documentation that outlines this process and provides guidance to company officers. Evidence of the outcome of executive performance reviews was provided to the Review. It is the responsibility of the Remunerations and Appointments Committee to ensure AWI has an effective process as outlined in its Charter.	Develop documentation that outlines the executive performance review process and provides guidance to company officers. More generally AWI should review policies and procedures that support the implementation, transparency and effectiveness of governance arrangements. These updates should be implemented by 31 st January 2019.	Critical
1.9.8	AWI largely complies with the ASX Corporate Governance Principles based on review of all governance documentation and activities, however they are lacking a Board diversity policy. Note: the alignment of the Constitution with ASX principles has been assessed separately.	Where AWI does not align with the ASX Corporate Governance Principles, include documented statements in order to be transparent on where alternative approaches are intentionally being taken to achieve an equivalent outcome. Please refer to recommendation 1.1.3 for recommendation specifically relating to adding a Board Diversity Policy. This update should be implemented by 31 st January 2018.	Recommended

Corporate governance – findings and recommendations

Findings		Recommendations	Criticality
Other Matters			
1.9.9	<p>There is an opportunity to strengthen governance mechanisms of accountability of the Board to levy payers.</p>	<p>Strengthen the mechanisms of accountability of the Board to levy payers, including:</p> <ul style="list-style-type: none"> ▶ a new requirement in the Constitution regarding explicit Board performance criteria and a requirement for reporting on performance in the Annual Report. Performance measures should be both annual and strategic for the conduct and operation of the Board, relating to how it discloses its accountabilities to shareholders and levy payers. ▶ modification of section 18 of the SFA to require the Review of Performance to be commissioned by the Department and the Terms of Reference to include an evaluation of Board contribution to performance <p>This should be implemented by 31st October 2018.</p>	Recommended
1.9.10	<p>The definition of an independent Director as outlined in AWI's Board Charter is generally compliant with the guidance outlined in the ASX Corporate Governance Principles. However, there are two areas where there are opportunities to strengthen this definition:</p> <ul style="list-style-type: none"> ▶ There is currently no clause that considers the length of directorship which is one of the considerations in the ASX Corporate Governance Principle ▶ AWI is slightly different to an ASX listed company as its shareholding is similar to a company limited by guarantee as opposed to a company limited by shares only. As the voting entitlement fluctuates with the WoolPoll, this means no individual shareholder could reach a 5% substantial voting entitlement test 	<p>Enhance the definition of an independent Director included in the Board Charter to:</p> <ul style="list-style-type: none"> ▶ Include a clause relating to the length of directorship in line with recommendation 1.9.1 ▶ Revise the clause relating to voting entitlements to better reflect that a Directors role as a Woolgrower can impact their independence <p>Include these changes in the Board Charter by 31st October 2018.</p>	Recommended

Annexure 1.10: Constitution review

This Annexure has addressed the following Terms of Reference:

"4a-c. In considering AWI Corporate Governance Framework, (term of reference 3), specifically consider whether AWI's Constitution:

- a. Is appropriate for a company of its type*
- b. Appropriately covers the company's current activities*
- c. In conjunction with the SFA - supports the selection of a skills-based Board with skills relevant to undertaking its roles and functions for the benefit of woolgrowers."*

The Constitution is a document that governs the internal management of AWI

The [AWI Constitution](#) is made under section 136 of the Corporations Act. It is a contract between: (i) AWI and each member; (ii) AWI and each Director; (iii) AWI and the company secretary, and (iv) a member and each other member. It is usual for public companies to have a Constitution as opposed to relying on the Replaceable Rules

The AWI Constitution covers the following items:

- | | |
|------------------------------------|--|
| ▶ Preliminary | ▶ Votes of Shareholders |
| ▶ Objects | ▶ Directors |
| ▶ Changing Constitution | ▶ Managing Director or Chief Executive Officer |
| ▶ Issue and Cancellation of Shares | ▶ Proceedings of Directors |
| ▶ Rights attached to Shares | ▶ Powers of the Board |
| ▶ Form of Holding of Shares | ▶ Notices |
| ▶ Payments by the Company | ▶ Winding Up |
| ▶ Transfer of Securities | ▶ Indemnity, Insurance and Access |
| ▶ Transmission of Securities | ▶ Website |
| ▶ General Meetings | |
| ▶ Proceedings of Meetings | |

- ▶ The current version of the AWI Constitution was updated in November 2011
- ▶ To change or repeal the Constitution, a special resolution is required and must be passed by at least 75% of votes cast by shareholders entitled to vote on the resolution, and a copy of the revised Constitution lodged with ASIC within 14 days of the resolution being passed
- ▶ Clause 14 of the SFA also imposes some additional internal governance obligations on AWI
- ▶ Clause 15.4 of the SFA requires AWI to ensure that the Constitution remains appropriate to a Research and Development Corporation
- ▶ Clause 15.4 of the SFA requires AWI to discuss proposed changes to its Constitution with the Commonwealth and to give the Commonwealth notice of any proposed changes at the same time as those proposed changes are given to shareholders

Stakeholder opinions relating to AWI's Constitution

Among the views expressed through written submissions received and extensive stakeholder interviews, the following comments were made and fell broadly into the following areas. Below are some examples of the words used by various stakeholder groups through written submissions and stakeholder interviews:

Generally Positive

- ✓ *"I am confident that the Board is committed to governance systems that enhance the performance of AWI." - woolgrower*
- ✓ *"I have considered AWI Corporate Governance Framework, (term of reference 3), specifically considering AWI's Constitution and think that it is appropriate for a company of its type, appropriately covers the company's current activities and in conjunction with the SFA - supports the selection of a skills-based Board with skills relevant to undertaking its roles and functions for the benefit of woolgrowers." - woolgrower*

Generally Negative

- X *"The AWI Constitution must be reviewed to ensure that the company is as transparent and accountable to shareholders as possible" - industry representative organisation*
- X *"The AWI Constitution should be reviewed to identify avenues to enhance the level of transparency and accountability to shareholders" - industry representative organisation*
- X *"The AWI Constitution must ensure the operations of the company are transparent and accountable to shareholders. Whilst the current Constitution is similar to other public company constitutions, this standard is not sufficient. Unlike other public companies, AWI shareholders cannot trade out if they are unhappy with the direction adopted" - industry representative organisation*

Other Comments

- X *"The AWI Constitution is designed to ensure the operations of the company are transparent and accountable to grower shareholders. Woolgrowers cannot trade out of the company if they are dissatisfied. The Constitution must therefore provide an effective structure to enable growers to direct concerns to, and have those concerns heard by, AWI." - industry representative organisation*
- ? *"Could be difficult to change the Constitution as it is considered the woolgrowers organisation, the AWI Constitution is wordy and would benefit from a review" - other stakeholder group*

Observation: Numerous stakeholder identified opportunities for improvement of the Constitution to enhance transparency and accountability of AWI

Analysis of the AWI Constitution

- ▶ This section of our report should be read in conjunction with AWI's governance framework, which is described in Annexure 1.9 Assessment of corporate governance, in response to TOR 3a-f) as the AWI Constitution is part of that governance framework
- ▶ We understand that no amendments have been made to the AWI Constitution since November 2011. This lack of change may be as clause 15.4 of the SFA requires AWI to consult with the Commonwealth on amendments to the AWI Constitution. This may significantly impact on AWI's ability to make changes to the AWI Constitution to reflect good corporate governance
- ▶ The requirement to obtain a special resolution may have also prevented development of the Constitution to reflect better corporate practice
- ▶ AWI is not unusual for an RDC in that its governance framework is made up of a number of legislative and contractual obligations, which prescribes:
 - ▶ What the obligations of the RDC are
 - ▶ How it should operate, and
 - ▶ Seek to embed good corporate governance practices
- ▶ Our comparison of the AWI Constitution with the constitutions of two other RDCs show that AWI's Constitution could be amended to assist AWI to discharge its RDC and good corporate governance functions

A full analysis of the AWI Constitution compared with the Sugar Research Australia and Dairy Australia Limited has been completed. Please refer to Annexure 1.10 Constitution review.

The structure of the assessment is described in the table below:

SRA Constitution		DAL Constitution		AWI Constitution		Recommendation	
	Rule		Rule		Rule		
1	Company limited by guarantee. The liability of members is limited to a maximum of \$2 for payment of debts and liabilities of the company.	1	Company limited by guarantee. The liability of members is limited to a maximum of \$2 for payment of debts and liabilities of the company.	1	Public company limited by shares	1.2	For noting only.

Assessment of AWI's Constitution against ASX Corporate Governance Principles*

This assessment examined whether AWI Constitution reflects the **ASX Corporate Governance Principles**. Although AWI is not a listed entity, the ASX Corporate Governance Principles are seen as a better governance guide and various RDCs use them as a reference point. We note that the ASX Corporate Governance Principles are currently under review and that there may be further changes arising from the Financial Services Royal Commission that should be taken into account following its conclusion.

This Corporate Governance Statement sets out the Company's current alignment with the ASX Corporate Governance Council's 3rd edition Corporate Governance Principles and Recommendations

This assessment uses the following assessment system:

- ▶ **Meets criteria:** ASX Corporate Governance Principles criteria has been met
- ▶ **Opportunities exist for improvement:** Opportunities exist to be better aligned with the ASX Corporate Governance Principles
- ▶ **Unable to assess:** Insufficient evidence available provided by AWI to make a judgement on assessment against the ASX Corporate Governance Principles

*ASX Corporate Governance Principles refers to the ASX Corporate Governance Principles and Recommendations 3rd Edition as set out at <https://www.asx.com.au/documents/asx-compliance/cgc-principles-and-recommendations-3rd-edn.pdf>

Assessment of AWI's Constitution against ASX Corporate Governance Principles*

The table below provides a summary of our assessment. For the full analysis please refer to Annexure 1.10 Constitution review.

Principle	Assessment framework	Finding	Principle	Assessment framework	Finding
Principle 1: Lay solid foundations for management and oversight	1.1	Opportunities exist for improvement	Principle 4: Safeguard integrity in corporate reporting	4.1	Opportunities exist for improvement
	1.2	Opportunities exist for improvement (subject to the content of the rules and procedures published by the Board)		4.2	Opportunities exist for improvement
	1.3	Opportunities exist for improvement		4.3	Opportunities exist for improvement
	1.4	Opportunities exist for improvement	Principle 5: Make timely and balanced disclosure	5.1	Opportunities exist for improvement
	1.5	Opportunities exist for improvement		Principle 6: Respect the rights of security holders	6.1
	1.6	Opportunities exist for improvement	6.2		Opportunities exist for improvement
	1.7	Opportunities exist for improvement	6.3		Opportunities exist for improvement
Principle 2: Structure the Board to add value	2.1	Opportunities exist for improvement	6.4		Opportunities exist for improvement
	2.2	Opportunities exist for improvement	Principle 7: Recognise and manage risk	7.1	Opportunities exist for improvement
	2.3	Opportunities exist for improvement		7.2	Opportunities exist for improvement
	2.4	Opportunities exist for improvement		7.3	Opportunities exist for improvement
	2.5	Opportunities exist for improvement		7.4	Opportunities exist for improvement
	2.6	Opportunities exist for improvement	Principle 8: Remunerate fairly and responsibly	8.1	Opportunities exist for improvement
Principle 3: Act ethically and responsibly	3.1	Opportunities exist for improvement		8.2	Opportunities exist for improvement
				8.3	Not Applicable

*ASX Corporate Governance Principles refers to the ASX Corporate Governance Principles and Recommendations 3rd Edition as set out at <https://www.asx.com.au/documents/asx-compliance/cgc-principles-and-recommendations-3rd-edn.pdf>

Constitution – findings and recommendations

Findings	Recommendations	Criticality	
Other Matters			
<p>TOR 4 a-c. In considering AWI Corporate Governance Framework, (term of reference 3), specifically consider whether AWI's Constitution:</p> <ul style="list-style-type: none"> a. Is appropriate for a company of its type b. Appropriately covers the company's current activities c. In conjunction with the SFA - supports the selection of a skills-based Board with skills relevant to undertaking its roles and functions for the benefit of woolgrowers. 			
1.10.1	<p>Our review of the AWI Constitution showed a number of areas where it could be improved - to better reflect ASX's Corporate Governance Principles and Recommendations, <i>the Corporations Act (Cth) 2001</i> or to incorporate provisions from other RDC constitutions that better express good corporate governance and are more appropriate for a company of its type.</p>	<p>Review and update the AWI Constitution and SFA obligations to reflect the recommendations set out in Annexure 2 and 9. The Constitution should be updated regularly to remain relevant with the current purpose of AWI and reflect better practice governance standards. This should be renewed following extensive stakeholder input and tabled at the 2019 Annual General Meeting, with proposed amendments to be circulated well in advance.</p>	Recommended
1.10.2	<p>Clause 15.4 of the SFA requires AWI to consult with the Commonwealth on amendments to the AWI Constitution. While this is a consultation requirement, it may act as a veto power.</p>	<p>Consider further amendments to clause 15.4 of the SFA in order to allow for greater flexibility in proposing amendments to AWI's Constitution. This should be implemented by 31st January 2019.</p>	Recommended
1.10.3	<p>AWI's Constitution should be reviewed to reflect the corporate governance recommendations arising from the Financial Services Royal Commission once it has concluded.</p>	<p>Review and update the AWI Constitution in light of the further and final recommendations arising from the Financial Services Royal Commission following its conclusion. This should be completed by 31st July 2019.</p>	Recommended

Constitution – findings and recommendations

Findings	Recommendations	Criticality	
Other Matters			
1.10.4	<p>AWI needs to more actively monitor whether its Constitution and governance practices support a broader skills based Board.</p> <p>Rule 13.3(d) of the AWI Constitution represents a dilemma for how the Board of AWI is structured in terms of balancing a desire to have deep representation of the wool industry with a requirement of public company independence of Directors and to satisfy its obligations in the SFA to have a broader skills based Board. It is possible that appropriate candidates that satisfy a skills-based matrix would not be able to easily obtain the requisite 100 eligible shareholder signatures required to seek nomination.</p>	<p>Publish the Board's skills matrix and emphasise to shareholders the importance of a broad skills based Board in all Director election material in line with recommendation 1.9.4.</p> <p>Delete Rule 13.3(d) of the AWI Constitution that specifies candidates obtain the requisite 100 eligible shareholder signatures required to seek nomination. This would make the AWI Director selection process aligned with other RDCs who do have a broader skills-based Board. Industry representation is still a key requirement for the AWI Board and the skills matrix under clause 14.3(b) of the SFA specifically mentions this as a requirement. The purpose of the recommendation is to recalibrate the balance of skills on the AWI Board. This should be implemented by 31st October 2018.</p> <p>Please also refer to and implement in conjunction with recommendation 1.11.3.</p>	Critical
1.10.5	<p>Clause 14.3 of the SFA requires AWI to have a skills-based Board however this is not reflected in the Constitution.</p>	<p>Include a rule in the AWI Constitution that requires a skills-based Board. This should be completed by 31st October 2018.</p>	Critical

Annexure 1.11: Replaceable rules

This Annexure has addressed the following Terms of Reference:

“5. consider whether the replaceable rules in the Corporate Act 2001 should apply under the AWI Constitution”

The replaceable rules are sections of the *Corporations Act 2001* that organisations can choose to exclude from their Constitution

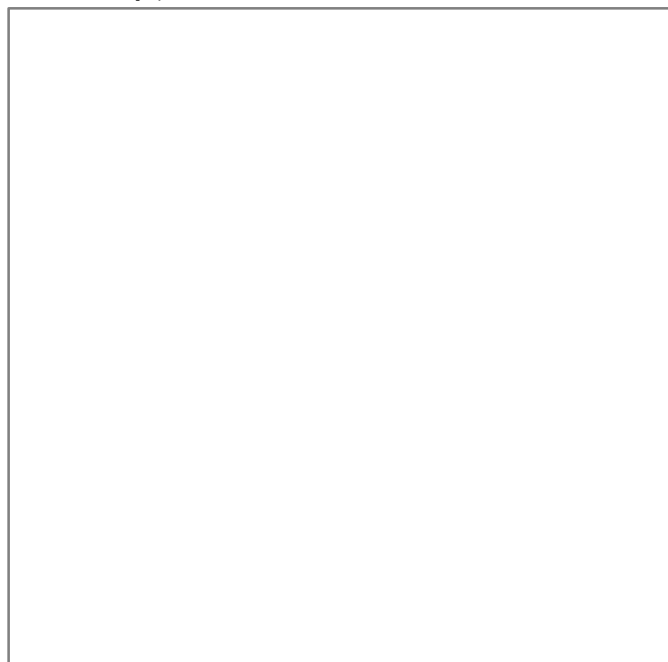
The Corporations Act replaceable rules do not apply to AWI as they have been displaced by its Constitution.

Provisions of the Constitution that apply as replaceable rules	Section	Provisions of the Constitution that apply as replaceable rules	Section	Provisions of the Constitution that apply as replaceable rules	Section
Officers and Employees Voting and completion of transactions-- Directors of proprietary companies (replaceable rule for proprietary companies only)	194	Terms and conditions of office for secretaries	204F	Who can appoint a proxy (replaceable rule for proprietary companies only)	249X
Powers of Directors	198A	Inspection of books Company or Directors may allow member to inspect books	247D	Proxy vote valid even if member dies, revokes appointment etc.	250C(2)
Negotiable instruments	198B	Director's Meetings Circulating resolutions of companies with more than 1 Director	248A	How many votes a member has	250E
Managing Director	198C	Calling Directors' meetings	248C	Jointly held shares	250F
Company may appoint a Director	201G	Chairing Directors' meetings	248E	Objections to right to vote	250G
Directors may appoint other Directors	201H	Quorum at Directors' meetings	248F	How voting is carried out	250J
Appointment of managing Directors	201J	Passing of Directors' resolutions	248G	When and how polls must be taken	250M
Alternate Directors	201K	Meetings of members Calling of meetings of members by a Director	249C	Pre-emption for existing shareholders on issue of shares in proprietary company	254D
Remuneration of Directors	202A	Notice to joint members	249J(2)	Other provisions about paying dividends	254U
Director may resign by giving written notice to company	203A	When notice by post or fax is given	249J(4)	Dividend rights for shares in proprietary companies	254W(2)
Removal by members--proprietary company (replaceable rule for proprietary companies only)	203C	When notice under paragraph 249J(3)(cb) is given	249J(5)	Transfer of shares	
Termination of appointment of managing Director	203F	Notice of adjourned meetings	249M	Transmission of shares on death	1072A
		Quorum	249T	Transmission of shares on bankruptcy	1072B
		Chairing meetings of members	249U	Registration of transfers	1072F
		Business at adjourned meetings	249W(2)	Additional general discretion for Directors of proprietary companies to refuse to register transfers	1072G

Stakeholders opinions relating to the replaceable rules

Among the views expressed through written submissions received and extensive stakeholder interviews, the following comments were made and fell broadly into the following areas. Below are some examples of the words used by various stakeholder groups through written submissions and stakeholder interviews:

Generally positive



Generally negative

X *“The requirement to declare the direction of proxies is contained within the Corporations Act as part of the ‘replaceable rules’. AWI has chosen to replace this rule to remove this obligation. This is not best practice and must be changed.” - industry representative organisation*

Others comments

? *“Given the nature of the company and the fact that shareholdings are of a compulsory nature, AWI must operate in the most transparent and accountable manner possible and engage governance standards higher than a ‘normal’ public company. Replaceable rules should not apply if they diminish the transparency and accountability to shareholders” - industry representative organisation*

? *“The matter governing of internal management of AWI by provisions of the Corporations Act 2001 (replaceable rules) or its Constitution or a combination of both is outside my area of expertise so I have no comment to make.” - industry representative organisation*

Observation: Stakeholders indicated that the applicable replaceable rules should apply if they support transparency

Replaceable rules analysis

- ▶ It is unusual for a public company to rely on the replaceable rules in place of a Constitution
- ▶ It is better corporate governance practice for a public company, particularly one that is required to comply with the ASX Corporate Governance Principles, to have a Constitution instead of relying on the replaceable rules
- ▶ The following analysis and recommendations looks at the replaceable rules and how they are represented AWI's corporate governance framework

Replaceable rules – findings and recommendations

This section is presented differently to other Terms of Reference as each recommendation on the AWI Constitution was made in relation to provisions that applied as replaceable rules. All of these recommendations should be implemented by 31st January 2019.

Provisions that apply as replaceable rules			AWI Constitution		
	Officers and Employees	Section	Findings	Rule	Recommendation
1.11.1	Negotiable instruments	198B	Not contained in the AWI Constitution.	N/A	Section 198B be included so that a negotiable instrument is only signed, drawn, accepted, endorsed or otherwise by two or more Directors.
1.11.2	Managing Director	198C	Consistent. Section 198C also provides that the Board may vary a conferral of powers on the managing Director (which is not covered in Rule 14.1).	14.1	The powers to vary be included.
1.11.3	Company may appoint a Director	201G	Rule 13.3 provides that a Director will be elected at AGMs. However, only a person who is nominated by the Board or by more than 99 shareholders (or a lesser number prescribed by law) who are entitled to vote is eligible to be appointed a Director. This has restricted the number of persons who are eligible to be elected at AGM to be a Director.	13.3	Rule 13.3 is amended so that any shareholder can nominate a person to be elected as Director.
1.11.4	Alternate Directors	201K	Not contained in the AWI Constitution	N/A	While section 201K would ordinarily be included in a company's Constitution to give the Director the flexibility to appoint an alternate if necessary, this is usually on the basis that the Director is representing a particular shareholder or group of shareholders. Given the shareholding structure and purpose of RDCs and AWI in particular, it is not appropriate for AWI to include an equivalent of section 201K in its Constitution.

Replaceable rules – findings and recommendations

Provisions that apply as replaceable rules			AWI Constitution		
	Officers and Employees	Section	Findings	Rule	Recommendation
1.11.5	Termination of appointment of managing Director	203F	<p>Section 203F(1) provides that a person ceases to be a managing Director if they cease to be a Director. Rule 14.1 provides that the managing Director ceases to be a managing Director upon him or her ceasing to hold office as a Director if the Board so resolved.</p> <p>Section 203F(2) provides that the Directors may revoke or vary an appointment of a managing Director.</p>	14.1	Rule 14.1 be amended to incorporate section 203F(1) so the managing Director automatically ceases to be a managing Director upon him or her ceasing to hold office as a Director, and to include the rights of Directors under section 203F(2).
1.11.6	Terms and conditions of office for secretaries	204F	Not contained in the AWI Constitution.	N/A	Section 204F be included to make it clear that a secretary holds office on the terms and conditions (including remuneration) that the Directors determine.
1.11.7	Circulating resolutions of companies with more than 1 Director	248A	<p>Section 248A(1) provides that the Directors may pass a resolution without a meeting if all of them entitled to vote on the resolution sign a document stating that they are in favour of the resolution set out in the document.</p> <p>Rule 15.8 provides that a resolution is valid if it was signed by:</p> <ul style="list-style-type: none"> ▶ All Director, or ▶ A majority of the Directors entitled to vote if notice has been given to all Directors. 	15.8	To demonstrate good corporate governance, Rule 15.8 be amended so that a resolution is only passed without a Directors' meeting if all the Directors (as opposed to a majority of Directors) entitled to vote sign the resolution.

Replaceable rules – findings and recommendations

Provisions that apply as replaceable rules			AWI Constitution		
	Officers and Employees	Section	Findings	Rule	Recommendation
1.11.8	Chairing Directors' meetings	248E	<p>Consistent to a large extent except that section 248E(2) also provides that the Directors must elect a new Chair if a previously elected Chair declines to act (as opposed to merely not present at the meeting).</p> <p>Section 248E(2) used the term “must” which connotes a mandatory requirement for a new Chair to be elected while Rule 15.4 used the term “may” which connotes an optional requirement.</p>	15.4	Rule 15.4 be amended to be consistent with section 248E(2) to ensure that any meeting will be chaired.
1.11.9	Quorum at Directors' meetings	248F	<p>Section 248F provides that unless the Directors determined otherwise, the quorum for a Directors' meeting is 2 Directors and the quorum must be present at all times during the meeting.</p> <p>Rule 15.1(b) provides that the quorum is 2 Directors or 50% of the number of Directors if the company has more than 4 Directors. The only exception to this requirement is that when the Directors appoint a new Director to increase the number of Director so that it is sufficient to constitute a quorum. It also requires a quorum to be present at the meeting.</p>	15.1(b)	Rule 15.1(b) be amended to require a quorum to be present “at all times during the meeting”.

Replaceable rules – findings and recommendations

Provisions that apply as replaceable rules			AWI Constitution		
	Officers and Employees	Section	Findings	Rule	Recommendation
	Meetings of members				
1.11.10	When notice by post or fax is given	249J(4)	<p>Section 249J(4) provides that a notice of meeting sent by fax or other electronic means is taken to be given on the business day after it is sent.</p> <p>However, Rule 17.2 provides that such notice is considered to have been served when the transmission is sent.</p>	17.2	Rule 17.2 be amended so that a notice sent by electronic means is taken to be given on the business day after it is sent. This may avoid disputes or complaints when the notice is sent outside the normal business hours.
1.11.11	When notice under paragraph 249J(3)(cb) is given	249J(5)	<p>Section 249J(5) provides that a notice of meeting given to a member by electronic means nominated by the member is taken to be given on the business day after the day on which the member is notified that the notice of meeting is available.</p> <p>However, Rule 17.2 provides that such notice is considered to have been served when the transmission is sent.</p>	17.2	Rule 17.2 be amended so that a notice sent by electronic means is taken to be given on the business day after it is sent. This may avoid disputes or complaints when the notice is sent outside the normal business hours.
1.11.12	Notice of adjourned meetings	249M	Not contained in the AWI Constitution.	N/A	Section 249M be included.

Replaceable rules – findings and recommendations

Provisions that apply as replaceable rules			AWI Constitution		
	Officers and Employees	Section	Findings	Rule	Recommendation
1.11.13	Quorum	249T	<p>Section 249T(1) provides that the quorum for a general meeting is 2 members and the quorum must be present at all times during the meeting. Rule 11.2(a) provides that the quorum is 60% of all shareholders or 50 shareholders (whichever is lesser) and that no business may be transacted unless a quorum is present at the commencement of the meeting.</p> <p>Section 249T(2) sets out how quorum is determined. There is no similar provision in the AWI Constitution.</p> <p>Sections 249T(3) and (4) provide that if quorum is not present within 30 minutes after the meeting time, the meeting is adjourned to the date, time and place as specified by the Director (otherwise the same date, time or place). Rule 11.2(b) provides that the meeting is dissolved if quorum is not present within 30 minutes unless the Chairman adjourns the meeting. The adjourned meeting will be dissolved if no quorum is present at the adjourned meeting.</p>	11.2	<ul style="list-style-type: none"> ▶ Rule 11.2(a) be amended to require a quorum to be present “at all times during the meeting” (as opposed to only at the commencement of the meeting) ▶ Section 249T(2) be included, and ▶ Rule 11.2(b) be amended to be consistent with sections 249T(3) and (4).
1.11.14	Business at adjourned meetings	249W(2)	Not contained in the AWI Constitution.	N/A	Section 249W(2) be included.

Replaceable rules – findings and recommendations

Provisions that apply as replaceable rules			AWI Constitution		
	Officers and Employees	Section	Findings	Rule	Recommendation
1.11.15	How many votes a member has	250E	<p>Section 250E(1) provides that at a meeting of members of a company with a share capital, each member has 1 vote on a show of hands, and 1 vote for each share they hold on a poll. Rule 12.1(b) and Rule 5.3 provide that on a poll, each shareholder has 1 vote for each whole \$100 Rolling Wool Levy Amount registered by the Company at the time of the vote. The Board will make its determination not later than 35 days before the AGM.</p> <p>Section 20E(3) provides that the Chair has a casting vote and any vote they have in their capacity as a member. Rule 5.3 provides that the Chairman does not have a second or casting vote if he or she is a shareholder.</p>	12.1 5.3 11.7	Rule 5.3 be amended so that the Board make its determination before any general meeting (as opposed to AGM only).

Replaceable rules – findings and recommendations

Provisions that apply as replaceable rules			AWI Constitution		
	Officers and Employees	Section	Findings	Rule	Recommendation
	Transfer of shares				
1.11.16	Transmission of shares on death	1072A	<p>Section 1072A(2) provides that the personal representative is entitled to the same rights as the deceased shareholder whether or not registered as a shareholder.</p> <p>Rule 9 contains similar concepts. However, rule 12.2 provides that the personal representative may vote at the general meeting if he or she satisfies the Board at least 48 hours before the general meeting that he or she is a personal representative.</p>	9 12.2	Rule 12.2 be amended so the personal representative can vote at the meeting as soon as they satisfy the Board that he or she is a personal representative.
1.11.17	Transmission of shares on bankruptcy	1072B	Not contained in the AWI Constitution.	N/A	Section 1972B be included.
1.11.18	Transmission of shares on mental incapacity	1072D	Not contained in the AWI Constitution.	N/A	Section 1972D be included.
1.11.19	Registration of transfers	1072F	Section 1072F(4) provides that the Directors may suspend registration of transfer of shares.	8	Rule 8 be amended to give the Directors the flexibility to suspend registration of transfer of shares.

Annexure 1.12: Assessment of proxies and Board Nomination Committee membership

This Annexure has addressed the following Terms of Reference:

“6. Consider whether AWI’s handling of proxies and reporting of proxies, and the manner in which Board Nomination Committee members are selected is appropriate for a company of its type (as outlined above) and sufficiently transparent.”

Current handling and reporting of proxies

- ▶ During elections at the AGM, shareholders can choose to direct their vote to a proxy if they will not attend the meeting. They can give instructions on how they would like to vote to the proxy, or leave their vote open for the proxy to use during the vote at the meeting
- ▶ Shareholders submit their proxy documents to Link Market Services Ltd at least 48 hours prior to the meeting. Link Market Services Ltd is a share registry and financial services provider
- ▶ Resolutions are proposals submitted for a vote at the company's annual meeting. Every second year at the AWI AGM resolutions are submitted for the election of new Directors
- ▶ Some key definitions relating to this section:
 - ▶ Directed proxy (for or against): a proxy nominated to a person that includes directions on whether to vote for or against a resolution
 - ▶ Open proxy: a proxy nominated to a person that is left open for that proxy to decide the direction to vote for resolutions
- ▶ The proxy handling process is outlined below:

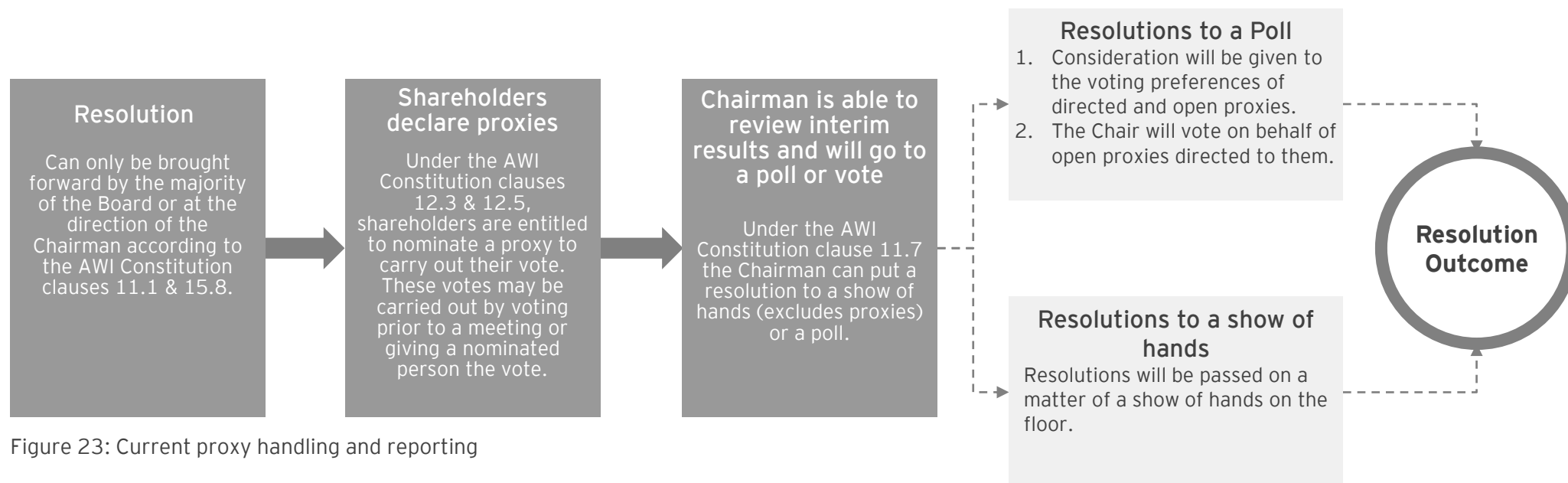


Figure 23: Current proxy handling and reporting

Stakeholder opinions relating to the handling and reporting of proxies

Among the views expressed through written submissions received and extensive stakeholder interviews, the following comments were made and fell broadly into the following areas. Below are some examples of the words used by various stakeholder groups through written submissions and stakeholder interviews:

Generally positive

- ✓ *"I have considered whether AWI's handling of proxies and reporting of proxies, and the manner in which Board Nomination Committee members are selected is appropriate for a company of its type (as outlined above) and sufficiently transparent and believe that they are appropriate and sufficiently transparent."* - [woolgrower](#)

Generally negative

- X *"...feel a lack of influence over what AWI does and how they are managed...as the Chair carries the majority of the proxies, it makes it difficult for levy payers to have an impact"* - [industry representative organisation](#)
- X *"Wally used undirected proxies to get rid of a person who had a different view"* - [woolgrower](#)
- X *"2011 AWI actively took action to remove the corporations act replaceable rules under constitution...took transparency away from levy payers and shareholders"* - [industry representative organisation](#)
- X *"Clearly the AWI Board has undertaken measures to ensure that Directors are specifically chosen to suit the current Board style and control. In the 2017 Director elections, much effort was made by AWI Board Members to openly campaign against a potential new Independent Director, Mr Don MacDonald, who managed to get onto the Board despite all efforts and defy the Chairman's proxies."* - [industry representative organisation](#)

Others comments

- ? *"There is a lack of transparency in the use of proxies in the Director election, but at least there are real elections. MLA by contrast only gives a choice of accepting or rejecting candidates."* - [woolgrower](#)

Observation: Stakeholders who mentioned AWI's handling and use of proxies indicated they were dissatisfied with the transparency of the process and the perception that the Chair was given disproportionate power during an election

Assessment of AWI's handling of proxies

On review of the stakeholder comments and issues raised during senate estimates, we identified the following questions to investigate as part of this Review.

1. Does the Chairman have the ability to change the outcome of an election through the use of open proxies?
2. What information on proxy voting does AWI disclose to its shareholders? Does this align to principles of good governance?

1. Does the Chairman have the ability to change the outcome of an election through the use of open proxies?

- ▶ Open proxies often account for 20-30% of all proxies lodged
- ▶ The Chairman of the meeting in 2017 was directed 68% and in 2015, 84% of open proxies for the resolutions involving the election of Directors on behalf of shareholders

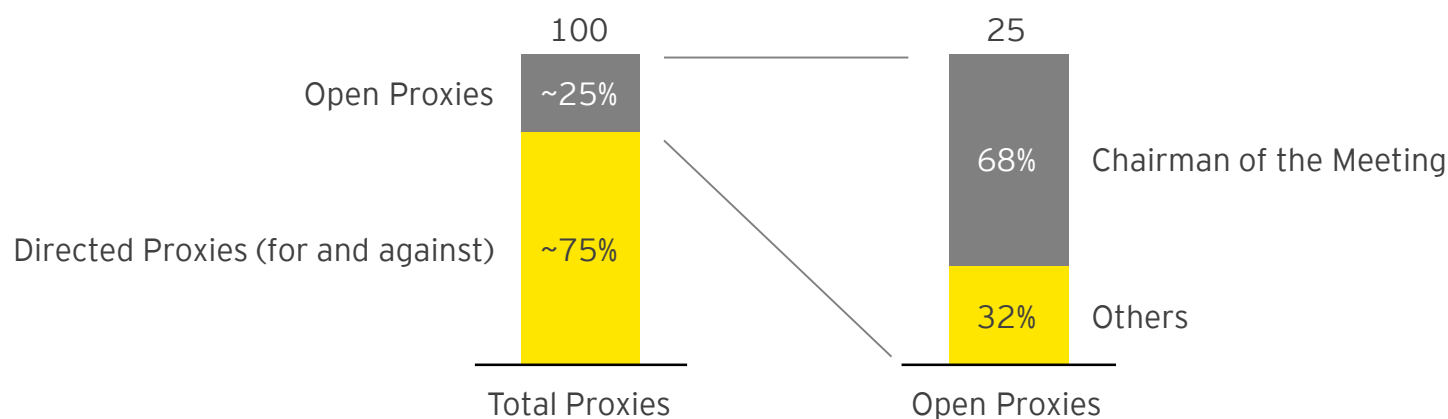


Figure 24: 2017 Director elections, use of proxies

- ▶ The use of open proxy votes by the Chairman of the meeting *can* have the ability to change the outcome of the resolutions and, therefore, elections. This is dependent on how the directed proxies are cast and other open proxies are directed. We have used the 2017 Director elections as an example to demonstrate how this is possible.

Assessment of AWI's handling of proxies

The 2017 Director elections have been used as an example to demonstrate how the use of open proxies by the Chair of the meeting can influence the outcome of a resolution or an election:

1. The interim results based on directed proxies indicated that Ms Collette Garnsey and Mr Paul Cocking would retain their position on the Board and Mr Don McDonald would be elected to the Board
2. The analysis below indicates that the Chair of the meeting used his 68% of open proxies (which equates to 15-18% of the total open proxies for these resolutions as shown in columns 4 and 5) to support Ms Collette Garnsey and Mr James Morgan. This finding is based on review of the numbers in column 2
3. The result of the 2017 Director elections were for Ms Collette Garnsey to retain her position on the Board and Mr James Morgan and Mr Don McDonald being elected to the Board

This resulted in the election of Mr James Morgan over Mr Paul Cocking.

2017 Candidates	1. Interim result - Directed valid proxy votes (For)	2. Open proxies used For + Votes For on the day*	3. Final result - Total votes For (from AWI website)	4. Total open Valid Proxy Votes	5. Subset of 4. Open proxies nominated to the Chair of the meeting
Mr Paul Cocking	114,026 (3)	14,592	128,618 (4)	48,641	33,059
Ms Colette Garnsey	151,544 (1)	54,040	205,584 (1)	48,544	33,059
Mr James Morgan	95,398 (4)	40,494	135,892 (3)	48,544	33,059
Mr Don McDonald	122,147 (2)	14,237	136,384 (2)	48,544	33,059
Mr William Wilson	70,993 (5)	3,315	74,308 (5)	48,544	33,059

* This has been calculated based on 3. Final results - 1. Interim results

Assessment of AWI's reporting of proxies

The second part of the Review investigated the following question:

What information on proxy voting does AWI disclose to its shareholders? Does this align to better practice?

In the interest of supporting transparency and good governance, all steps in the proxy handling process should be disclosed to shareholders.

This assessment is based on the following assessment system:

- ▶ **✓ Meets criteria:** Better practice and/or Terms of Reference criteria have been met
- ▶ **~ Partially meets criteria:** Better practice and/or Terms of Reference criteria have been met in some areas, and not in others
- ▶ **X Does not meet criteria:** No evidence of the better practice criteria being met
- ▶ **? Unable to assess:** insufficient evidence available provided by AWI to make a judgement on assessment against the better practice criteria

Proxy handling process step	Evidence	Finding
How and when proxy votes must be submitted	▶ Notice of the Annual General Meeting includes instructions on how proxy votes must be submitted: <i>'proxies must be properly completed and sent back to Link Market Services Ltd by the specified date in order to be counted'</i>	✓ Meets criteria
What classifies a vote as an invalid proxy	▶ On review of the AWI AGM Webcast this explanation is provided during the Annual General Meeting ▶ Invalid proxies are those that are incorrectly filled out or not received	✓ Meets criteria
Number of proxy votes received	▶ Not Disclosed (Senate estimates transcripts October 2017)	X Does not meet criteria
Direction of proxy voting by the Chair	▶ Not Disclosed (Senate estimates transcripts October 2017)	X Does not meet criteria

Handling and use of proxies – findings and recommendations

Findings	Recommendations	Criticality	
Other Matters			
TOR 6. Consider whether AWI's handling of proxies and reporting of proxies, and the manner in which Board Nomination Committee members are selected is appropriate for a company of its type (as outlined above) and sufficiently transparent.			
1.12.1	The use of open proxy votes can have the ability to change the outcome of resolutions, and the outcomes of elections of Directors. This is dependent on how many open proxies shareholders direct to the Chair of the meeting.	Open proxy votes allocated to sitting Directors for casting in elections of Directors should be exercised according to the BNC recommendation. The Rules and Procedures Governing the Election of Directors and the Board Nomination Committee Charter should be updated to reflect this change. This should be implemented at the 2018 AGM in preparation for the next cycle of Director elections in 2019.	Critical
1.12.2	AWI does not disclose the number of open proxies received by the Chair and how these votes are cast in respect to a resolution. Disclosure of this information is not required by law but it does provide transparency of the will of shareholders.	Increase the transparency of the use of open proxies. The Chair should disclose at the beginning of the meeting the number of proxies they hold, how many are directed and undirected and of the undirected ones how he or she intends to vote. This practice should be implemented for the 2018 AGM.	Critical

The Board Nomination Committee

The Board Nomination Committee is responsible for identifying candidates with necessary competencies to stand for election for directorship. This committee currently provides a Board Nomination Committee report to the Board and shareholders that outlines whether candidates have the necessary competencies to stand for election

Current rules of appointment and composition of the Board Nomination Committee

- ▶ The Board must appoint a Board Nomination Committee no later than four months prior to the date of the Annual General Meeting of the company in each Board election year
- ▶ The Board Nomination Committee is to consist of five people appointed by the Board, fulfilling the following criteria:
 - ▶ Two independent Non-executive Directors of the company, and
 - ▶ Three people who are not Directors of the company
- ▶ No person who is a candidate for re-election as a Director may be appointed as a member of the Board Nomination Committee
- ▶ No member of the Board Nomination Committee, whilst they remain a member of the Committee, may be nominated for election as Director of the company
- ▶ The members of the Board Nomination Committee must appoint one member of the Committee as Chairperson to preside at each meeting of the Committee
- ▶ A member of the Board Nomination Committee holds office until the Board acts in accordance with rules 2.1 in the next election year, or until that member otherwise resigns or becomes incapable of fulfilling the role
- ▶ In the event a member of the Board Nomination Committee resigns or becomes otherwise incapable of fulfilling his or her role, the Board will appoint a person to replace that member

The full Board Nomination Committee Charter can be accessed via the [AWI website corporate governance page](#)

The Board Nomination Committee process and membership

Process for Board Nomination Committee member selection

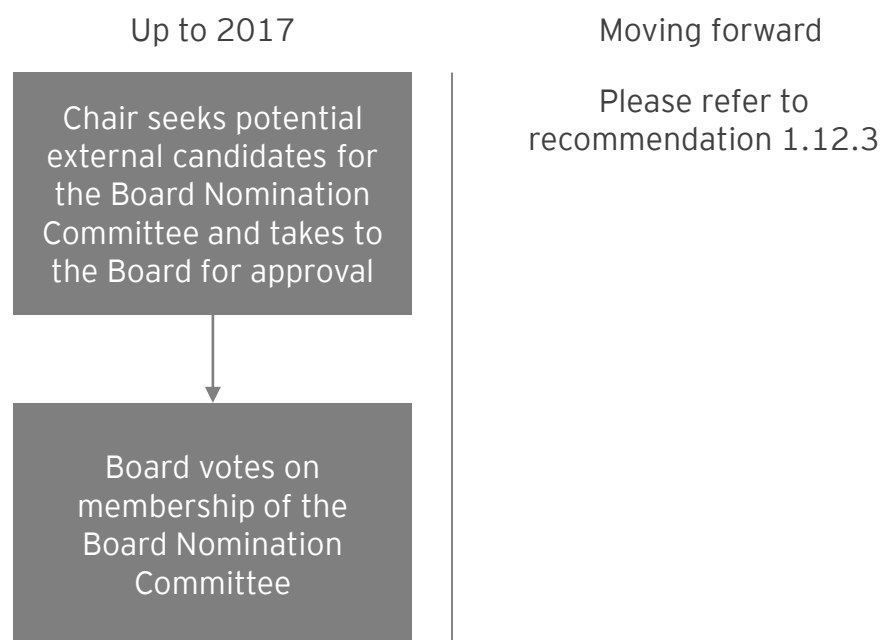


Figure 25: Board Nomination Committee process

Membership of the Board Nomination Committee during the Review period

2015

- ▶ Mr Ian Armstrong, former Deputy Premier of NSW and former leader of the National Party in NSW (Committee Chair in 2015)
- ▶ Mr Will Wilson, independent investor relations adviser
- ▶ Mr Rob Ashby, past President of the World Federation of Merino Breeders, and Member of the Order of Australia
- ▶ AWI Director Colette Garnsey
- ▶ AWI Director Brian van Rooyen (who has since retired from the AWI Board)

2017

- ▶ Ms Katrina Hodgkinson, a Member of the NSW Legislative Assembly from 1999 to 2017, and has served in several Ministerial portfolios including Primary Industry
- ▶ Mr Brian van Rooyen, who served as a Director of AWI from 2002 until his retirement from the Board in 2015 and has also served on the Boards of several bodies with interests in the wool industry
- ▶ Mr Rob Ashby, past President of the World Federation of Merino Breeders, and Member of the Order of Australia, and
- ▶ AWI Director Wal Merriman
- ▶ AWI Director Meredith Sheil

Stakeholder opinions relating to the Board Nomination Committee

Among the views expressed through written submissions received and extensive stakeholder interviews, the following comments were made and fell broadly into the following areas. Below are some examples of the words used by various stakeholder groups through written submissions and stakeholder interviews:

Generally positive

Generally negative

X *“The BNC was set up to ensure a “skills based” AWI Board, but has been corrupted & is used by the leadership faction to ensure control. It can be seen as a “pathway” for potential friendly Directors, with 2 former BNC members seeking Board positions. Even relatives of the Chairman have been included on the BNC.” - industry representative organisation*

Others comments

? *“There are no set criteria for the selection of the three persons who are not Directors of the Company, but there is a requirement that these three are independent of the company, however this independence is not explicit or defined.” - industry representative organisation*

? *“There are no set criteria for the selection of the three non-director positions. Good governance would dictate that these people must be independent of the company, but this is not explicitly provided. Set criteria and a process for nomination and election should be established.” - industry representative organisation*

Observation: Stakeholders highlighted the need for greater transparency of the Board Nomination Committee member selection process as there are growing perceptions that the process is not independent.

Review of member selection process for the Board Nomination Committee

Current process	Consideration of better practice and other RDC processes	Finding
<p>The Chair seeks potential external candidates for the Board Nomination Committee and takes to the Board for approval.</p>	<p>The current process is inappropriate as the Chair of the Board has a substantial influence over the membership of the Committee, which then reviews potential candidates for Director roles.</p> <p>Consultation with another RDC indicated that their process is multi-staged and independent. The Board Nomination Committee is comprised of a majority of industry representatives and one RDC representative.</p> <p>The process for reviewing Board candidates is driven by the skills matrix and roles advertised in Australian Financial Review. This is consistent with principles of good governance, transparency and independence.</p>	<p>There is a need to strengthen the selection process for members of the Board Nomination Committee to increase the independence of the function to identify candidates for Board selection.</p> <p>Consideration:</p> <ul style="list-style-type: none"> ▶ A Chair independent of the wool industry. This individual should be an eminent person with experience in commerce or Government but who has no commercial or family interests in the wool industry and should be appointed by the Secretary of the Department of Agriculture and Water Resources ▶ One Non-Executive Director of AWI, other than the Chair ▶ A person with significant experience in the wool industry who should be nominated by the President of the National Farmers Federation ▶ A senior executive from an international executive search firm who should be nominated by the CEO of AWI and subject to approval of the independent Chair <p>The committee should be renewed prior to each election cycle and operated through consensus. The role of the committee is to identify candidates appropriate for the Board based on the Board skills assessment.</p> <p>The full requirements of this recommendation are outlined in recommendation 1.12.3.</p>

Review of perceived independence of members

In response to stakeholder queries about perceived issues with the membership of the Board Nomination Committee, the Review analysed the circumstances surrounding some members of the Committee and whether or not they were in line with good governance practices.

- ▶ Jock Laurie and William Wilson have both been members of the Board Nomination Committee and, subsequently, sought election as Directors. Neither ran in the years they were on the Committee, only in the next election cycle. Jock was a member of Board Nomination Committee in 2013 and ran for Director in 2015. William was a member of the Board Nomination Committee in 2015 and ran for Director in 2017. This is in compliance with the rules set out in the Charter, however, does not reflect good governance practices
- ▶ Mr Brian van Rooyen joined the Committee in 2017 after being a Director on the AWI Board until 2015. This is in compliance with the rules set out in the Board Nomination Committee Charter. However, Brian was not independent of AWI and not reflective of good governance practices
- ▶ Mr William Wilson was an AWI contractor. This status does not exclude him from being a member of the Committee based on the Charter. However, as a contractor, Mr Wilson was not independent of AWI. Further, it is arguable that he was conflicted if he was dependent on AWI for income as a contractor at the time he was a member of the Committee. In any event, it is not reflective of good governance practices

Board Nomination Committee member selection process – findings and recommendations

Findings	Recommendations	Criticality
Other Matters		
TOR 6. Consider whether AWI's handling of proxies and reporting of proxies, and the manner in which Board Nomination Committee members are selected is appropriate for a company of its type (as outlined above) and sufficiently transparent.		
1.12.3	<p>The current process for member selection of the Board Nomination Committee is inappropriate as the Chair of the Board has a substantial influence over the membership of the Committee, which then reviews potential candidates for Director roles.</p> <p>The Board Nomination Committee (BNC) should comprise:</p> <ul style="list-style-type: none"> ▶ A Chair independent of the wool industry and independent from AWI, initially appointed by the Secretary of the Department of Agriculture and Water Resources. This individual should be an eminent person with experience in commerce or Government but who has no commercial or family interests in the wool industry ▶ One Non-Executive Director of AWI, other than the Chair ▶ A person with significant experience in the wool industry who should be nominated by the President of the National Farmers Federation ▶ A senior executive from an international executive search firm, who should be nominated by the CEO of AWI, and subject to approval by the independent Chair <p>The intent of the BNC is to identify a pool of candidates that meet the requirements of the Board based on the Board skills assessment. For example, this would include the removal of any candidate who was assessed as not meeting sufficient requirements for the target skills sought by the Board. Potential candidates should be identified through a robust and transparent process including advertising for nominees. The BNC should also consider the independence of candidates in their review in alignment with updated independence criteria as per recommendation 1.9.10. The Board should have the opportunity to put forward candidates for the consideration of the BNC and will have the opportunity endorse the recommendations of the BNC prior to a Director election. The BNC should conduct an executive search function in addition to relying on nominations. The BNC should make a recommendation to shareholders which should be limited to the number of vacancies for Board positions. The Committee should be renewed prior to each election cycle and operate through consensus. The Chair of the Committee should have a casting vote to enable decisions to be made where the committee members are divided. Members should be remunerated according to applicable standards and parties responsible for nominating members of the BNC should consider diversity and other relevant standards for their appointees.</p>	Critical

Board Nomination Committee member selection process – findings and recommendations

Findings	Recommendations	Criticality	
Other Matters			
TOR 6. Consider whether AWI's handling of proxies and reporting of proxies, and the manner in which Board Nomination Committee members are selected is appropriate for a company of its type (as outlined above) and sufficiently transparent.			
1.12.3 cont.		<p>The Chair of the BNC may decide to disclose the requisite skills gaps if they deem it suitable to do so. Open proxies should be used in alignment with recommendations of the BNC as per recommendation 1.12.1. The SFA and the Constitution should be updated to reflect these requirements as per recommendation 1.1.5. The recommendation does not intend for the BNC to remove the democratic rights of levy payers. This should be implemented by 31st October 2018 so that it is in operation for the next Director election cycle. Following the first election overseen by this model, the Independent Chair should work with AWI and Department to determine a long term model for an independent BNC without requiring a nominee from the Department.</p>	

Board Nomination Committee member selection process – findings and recommendations

Findings	Recommendations	Criticality	
Other Matters			
TOR 6. Consider whether AWI's handling of proxies and reporting of proxies, and the manner in which Board Nomination Committee members are selected is appropriate for a company of its type (as outlined above) and sufficiently transparent.			
1.12.4	<p>The Board Nomination Committee selection process and Director elections are perceived by stakeholders to be 'controlled' by the current Board.</p>	<p>Board members or AWI should not be allowed to campaign for Director nominees. They should, however, be able to note if the Board supports the assessment and recommendations made by the Board Nomination Committee. This does not restrict the ability for the Board to communicate with shareholders.</p> <p>Members of the BNC should not nominate to be a Director of AWI until at least three years after their membership of the BNC ceases. Additionally, participation on a previous BNC should be included in the Director nomination materials shared with members. This is in line with behaviours of good governance and updates to the Board Nomination Committee Charter and Rules and Procedures Governing the Election of Directors should reflect this change. This update should be implemented by 31st January 2019.</p>	Recommended

Annexure 1.13: Employment practice review

This Annexure has addressed the following Terms of Reference:

- “7. Consider whether AWI’s employment practices are appropriate, including whether the:*
- a. Engagement of former staff as contractors is undertaken appropriately for a company of its type*
 - b. Redundancy benefits and policies are appropriate for a company of its type*
 - c. Executive level remuneration is appropriate for a company of its type.”*

AWI Employment Practices – contracting of former employees

AWI has no formal policy on the engagement and management of contractors.

General managers and Department heads are responsible for identifying the resources they require for their functions. Resources are then managed under a contract and not an employee arrangement.

Portfolio managers approve the procurement of contractors.

The On-farm and PIEE teams are those who have largely made use of former employees.

- ▶ The On-farm team has a formal checklist to support the process of engaging contractors. This has been re-implemented in April 2018
- ▶ The PIEE team has established an External Technical Consultant Panel in the past 12-18 months to advise AWI in areas of technical expertise and specialty, where the skills, experience or expertise is not available in-house. This Panel includes a number of individuals, including a couple who were former employees of AWI. They are contracted when a need arises

AWI has a contract with Terms & Conditions and time sheet, which all external consultants complete.

Former employees are contracted only on a basis of when they can provide specific expertise, knowledge or skills to assist AWI in delivering a project.

During the Review Period, AWI has used the services of six former employees as independent contractors.

- ▶ Four of these left due to redundancy and two due to resignation
- ▶ They were all paid between \$1,000 and \$1,500 per day for their services

AWI Employment Practices – redundancy

AWI's Redundancy Policy outlines the situations in which an employee of AWI will be entitled to severance pay as a result of the redundancy of their position. It also sets out the way that severance pay will be determined.

- ▶ AWI's current Redundancy Policy came into effect at the same time as the National Employment Standards (NES) on 1st January 2010
- ▶ AWI's Redundancy Policy allows for 4 weeks of pay per year of service capped at 20 weeks. Under the NES, employees are entitled up to 16 weeks of severance pay, dependent on years of service
- ▶ During the termination negotiations, an ex gratia payment may be negotiated. There is no legal requirements to make an ex-gratia payment, and is often a commercial decision. These decisions are made on a case by case basis and consider the following factors:
 - a. Avoidance of litigation
 - b. Time served with the company
 - c. Personal circumstances
 - d. Age
 - e. Contribution to the company and thereby to woolgrowers
 - f. Ability to get another job

During the Review Period, eight employees were made redundant and were provided with severance packages:

- ▶ Seven of the eight employees were subject to this policy. Of these seven, two received ex-gratia payments as part of their severance package
- ▶ The remaining employee was subject to a grandfathered arrangement, where the provisions were for an individual aged 50 or over (which the employee was at the time), one month of pay for each year of service, subject to a maximum of 24 months of salary

AWI Employment Practices – remuneration

Remuneration

- ▶ AWI's remuneration strategy is to reward performance through a pay-for-performance approach, rewarding for superior performance. Any annual salary increment is directly linked to the performance rating achieved in the annual review process
- ▶ AWI's principal remuneration strategy for fixed remuneration (base plus Super) is to align it with the medians (50th percentile) of comparable positions
- ▶ Sometimes discretion is used to vary this if/when they are trying to find talent for a particularly competitive or specialised or senior role e.g. Digital, Science etc.
- ▶ Roles are assessed using job evaluation criteria and techniques that facilitate comparison with the markets in which AWI competes for employees. This is undertaken using various data points but primarily through a subscription to Korn Ferry Pay Hub

Executive

- ▶ Executive remuneration consists of base salary, benefits and superannuation. These elements are structured at the executives' discretion as a total employment cost package, which may be delivered as a mix of cash and non cash benefits. The value of non financial benefits is calculated on the basis of the total cost to the Group, so that the total expense to the Group is no more than it would have been had the Group paid cash base salary plus statutory superannuation contributions
- ▶ Superannuation payments are made in accordance with the Superannuation Guarantee legislation in Australia and per overseas jurisdictions, to the executive's choice of superannuation fund. Australian Wool Innovation Limited does not offer a defined benefit retirement plan
- ▶ There are no guaranteed pay increases expressed in any senior executive contracts

Stakeholder opinions relating to AWI employment practices

Among the views expressed through written submissions received and extensive stakeholder interviews, the following comments were made and fell broadly into the following areas. Below are some examples of the words used by various stakeholder groups through written submissions and stakeholder interviews:

Generally positive

- ✓ *"I have considered whether AWI's employment practices are appropriate, including whether the engagement of former staff as contractors is undertaken appropriately for a company of its type and redundancy benefits and policies are appropriate for a company of its type and executive level remuneration is appropriate for a company of its type and believe that they are appropriate" - woolgrower*
- ✓ *"I think AWI's employment practices are quite appropriate" - woolgrower*
- ✓ *"If a person is no longer employed by AWI in a full-time capacity, it would be prudent to employ them as a contractor to facilitate the implementation of a project in which they have superior knowledge or experience. Employing as a contractor should usually be a cost saving to AWI. This would be consistent with normal practice in private business operations" - woolgrower*

Generally negative

- X *"The remuneration that AWI provide is not always responsible and there is clear evidence that overly generous remuneration contradicts policy. Superfluous expenditure is highly concerning as AWI's funding must be prudently managed as it is acquired compulsorily from growers." - industry representative body*
- X *"Press reports regarding paying high consulting fees for past employees including (name of former employee), is a great concern. Salaries and board member fees should be published regularly so we can determine who is paying their way and who isn't. We should get this information in every edition of on the Bale, [sic] it should be there on the first page" - woolgrower*
- X *"Payouts (golden handshakes) are very large and prevalent at AWI" - woolgrower*

Others comments

- ? *"In terms of former staff being contracted, it would be expected that expressions of interest or tenders would be sought from a range of consultants and a fully transparent and robust process followed, to avoid accusations of favouritism or preferential treatment to any one consultant." - industry representative body*

Observations: Stakeholders highlighted a number of concerns with redundancy benefits, engagement of former staff as contractors and executive remuneration

Criteria for the maturity assessment of engagement of former staff as contractors

The maturity model used to evaluate AWI's current state maturity consists of a number of stages, ranging from 'basic' through to 'leading'. It incorporates five levels along the maturity continuum, defined as follows:

Maturity	Attribute
Leading	The particular area is considered best in class
Advanced	The particular area exceeds expectations
Established	The policy for engagement of and management of contractors is pragmatically defined, consistently applied and fit for purpose
Developing	The organisation understands the importance of the particular area and has undertaken some measures to improve its performance
Basic	The organisation has little understanding of a particular area of practice or of its importance

Key Attribute	Basic	Developing	Established	Advanced	Leading
Engagement of Former Staff as Contractors	<ul style="list-style-type: none"> ▶ A policy is not in place and there is no standardisation ▶ Information disclosed is very limited ▶ Based on current need and is on a case-by-case basis. ▶ There is no emphasis on managing conflicts of interest 	<ul style="list-style-type: none"> ▶ A policy is in place but is not widely communicated within the organisation ▶ Some standardisation exists ▶ There is limited disclosure of information 	<ul style="list-style-type: none"> ▶ Policy and processes are well established ▶ The process is standardised throughout the organisation ▶ There is some disclosure of information 	<ul style="list-style-type: none"> ▶ A policy exists and is used as basis for decision making ▶ There is generally disclosure of information 	<ul style="list-style-type: none"> ▶ There exists a comprehensive policy ▶ A sourcing, screening and selection process is in place, that identifies candidates with the right knowledge, skills and behaviours to perform the job. ▶ The organisation has a well understood practice of full and timely disclosure

Engaging former staff as contractors - maturity assessment

Key attributes	Basic	Developing	Established	Advanced	Leading	Evidence
Engagement and management of contractors		●				<ul style="list-style-type: none"> ▶ There are no internal policies or guidelines for AWI to follow if they wish to engage former staff as independent contractors. In response to review questions AWI advised they engage independent contractors when they require specific skills or experience ▶ AWI has rehired four former employees who were previously made redundant. This is an unusual practice as typically a redundancy is genuine only if (a) their role is no longer required to be performed by anyone, (b) consultation obligations are met, and (c) if there are no other roles or positions that the employee could have performed within AWI's business. This indicates that there is either a potential gap in AWI's Redundancy Policy, recruitment policy and/or procurement policy ▶ For example there are arrangements applying in the Australian Public Service (APS) which limit the subsequent employment of people who have received a redundancy benefit. The circumstances where the restrictions apply are set out in section 48 of the Australian Public Service Commissioner's Directions 2016 (the Directions). The restrictions vary depending on the redundancy entitlement received

Redundancy Policy assessment

Based on a comparison of selected organisations and standards, AWI's redundancy entitlement appears to be appropriate for an organisation of its type.

Organisation	Weeks per year	Cap
Australian Wool Innovation	4 weeks per year	20 weeks
National Employment Standards	4 weeks for 1-2 years 6 weeks for 2-3 years 7 weeks for 3-4 years 8 weeks for 4-5 years 10 weeks for 5-6 years 11 weeks for 6-7 years 13 weeks for 7-8 years 14 weeks for 8-9 years 16 weeks for 9-10 years 12 weeks for 10 years+	-
Australian Public Service	2 weeks per year	48 weeks
Meat and Livestock Australia	4 weeks up to 5 years 2 weeks after 5 years	48 weeks
Dairy Australia	Refers to the National Employment Standards	Refers to the National Employment Standards
GrainCorp	Refers to the National Employment Standards	Refers to the National Employment Standards

External benchmarking of executive remuneration

In order to assess the appropriateness of AWI's executive level remuneration, external benchmarking assessments were conducted. Please note the following in relation to AWI's current remuneration practices:

- ▶ AWI subscribes to Korn Ferry Pay Hub for remuneration comparison with the market. The difference in database used may have contributed to the difference in the relative position of AWI's executive remuneration against the selected peer groups. The National Salary Survey was selected on this occasion because a proportion of the benchmark organisations is not-for-profit, which is similar to AWI
- ▶ AWI acknowledged the limited external benchmarking data available for some of its executive roles. In such circumstances, AWI referenced other remuneration databases (e.g. Robert Walter 2017 Salary Survey) and consulted with recruitment agency
- ▶ AWI conducts remuneration benchmarking under the following circumstances:
 - ▶ When the job position description is reviewed for a particular role to reflect new/different responsibilities
 - ▶ If the individual is being promoted into an entirely new role
 - ▶ Where an employee leaves the company and AWI needs to understand what the external market is paying

Method	Result
<ul style="list-style-type: none"> ▶ Remuneration of seven AWI's executives was benchmarked against remuneration data from the 2018 National Salary Survey by the Institute of Managers and Leaders Australia & New Zealand ▶ This annual data was collected from 435 organisations, representing 29,240 employees nationally ▶ AWI's executives were matched against positions based on position descriptions of those who were surveyed ▶ Salary package consists of base salary and 9.5% of superannuation ▶ To provide a fair comparison, AWI was only compared to organisations with either (1) an annual turnover between \$20 and \$100 million or (2) employee headcount of 101-200 ▶ The sample size for each comparator group varied depending on the commonality of the position amongst the sampled organisations. The sample size for the seven executives ranged from 6 to 97 ▶ Five of the twelve executive roles were not benchmarked as there was no appropriate position match for these specific roles ▶ Note this benchmarking was based on relevant domestic data and provides only an indication on the appropriateness of AWI executive level remuneration and does not consider matters such as specialised skills, roles and international staff 	<ul style="list-style-type: none"> ▶ At an aggregate level, AWI's executive remuneration is above the median when compared against matching positions in companies with an annual turnover between \$20 and \$100 million ▶ Four of the seven benchmarked executive roles was above the 75th percentile, and the remaining three were between the median and the 75th percentile

Employment practices – findings and recommendations

Findings		Recommendations	Criticality
Other Matters			
<p>TOR 7. Consider whether AWI's employment practices are appropriate, including whether the:</p> <ol style="list-style-type: none"> Engagement of former staff as contractors is undertaken appropriately for a company of its type Redundancy benefits and policies are appropriate for a company of its type Executive level remuneration is appropriate for a company of its type. 			
1.13.1	AWI has no formal policy or process that outlines how contractors are engaged and managed.	<p>Update the redundancy and procurement policy to include guidelines for potential future engagement of employees who are made redundant (e.g. an employee made redundant cannot be engaged through a contract for six months after they leave AWI):</p> <ul style="list-style-type: none"> ▶ Include a policy for multiple contractors to be considered over a procurement value threshold. Another RDC indicated the threshold they applied was \$20,000 for this purpose ▶ Increase transparency of engagement of former staff as contractors, redundancy decisions and executive remuneration by increasing the disclosure of these in future Annual Reports <p>These changes should be made by 31st July 2019.</p>	Recommended
1.13.2	Based on a comparison with a selection of other organisations and standards, AWI's redundancy benefits and policy appears to be appropriate for an organisation of its type.	<p>Develop a policy for the delegation of authority regarding ex-gratia payments. This should include a cap on the financial amount on which the CEO should consult with legal counsel prior to making an ex-gratia payment. This change should be made by 31st July 2019.</p>	Recommended

Employment practices – findings and recommendations

Findings	Recommendations	Criticality	
Other Matters			
<p>TOR 7. Consider whether AWI's employment practices are appropriate, including whether the:</p> <ul style="list-style-type: none"> a. Engagement of former staff as contractors is undertaken appropriately for a company of its type b. Redundancy benefits and policies are appropriate for a company of its type c. Executive level remuneration is appropriate for a company of its type. 			
1.13.3	<p>At an aggregate level, AWI's executive remuneration is above the median when compared against matching positions in companies with an annual turnover between \$20 and \$100 million. Note this benchmarking was based on relevant domestic data and provides only an indication on the appropriateness of AWI executive level remuneration and does not consider matters such as specialised skills, roles and international staff.</p>	<p>Perform remuneration benchmarking against companies with (1) an annual turnover between \$80 and \$120 million or (2) employee headcount of 150-250 with a similar international reach on a regular basis (annually) so that it is consistent with AWI's remuneration strategy. This update should be implemented by 31st July 2019.</p>	Recommended

Annexure 2: SFA compliance – supporting assessments

Statutory Funding Agreement compliance

Obligation Reference	Obligation	Evidence	Finding
Term and Operation of this Agreement			
3.4	The parties must, at least six months before the expiry of this Agreement, commence renegotiation of the Agreement in good faith with a view to entering into a new agreement relating to the subject matter of this Agreement on terms and conditions as agreed by the parties. If the parties are unable to agree on the terms of a new Agreement to replace this Agreement within that six month period, then the parties agree that this Agreement will continue in full force and effect for an additional six months, or such other period as agreed between the parties, unless once of the parties notifies the other party in writing that it does not wish to extend this Agreement.	The current SFA was signed by the Commonwealth on 26 th October 2016 with the termination of the agreement occurring 4 years from that date. January 2016 Board minutes reference papers reporting on initial discussion with the Department of Agriculture and Water Resources for the new Statutory Funding Agreement and compliance with the current agreement were noted.	✓ Compliant
3.5	Unless otherwise agreed, this Agreement may only be altered by an agreement in writing signed by both parties.	There have been no variations to the SFA since it took effect. As such, this clause has not been used	✓ Compliant
Access to Records and Use of Information			
4.2	AWI must cooperate fully with the Commonwealth or its delegated representative to enable them to exercise their rights under clause 4	The Department has not made a request for access under clause 4 during the term of the current agreement.	✓ Compliant

Statutory Funding Agreement compliance

Obligation Reference	Obligation	Evidence	Finding
4.4	<p>Each party must, in respect of Confidential Information given by the other party:</p> <ol style="list-style-type: none"> Use that Confidential information only for the purposes of administering or enforcing this agreement or the Act, and Not disclose that Confidential information to any person (other than employees or advisors of that party with a need to know such Confidential Information for the purposes of administering or enforcing this Agreement or the Act) without the prior approval in writing from the other party and subject to any reasonable conditions or restrictions imposed by the other party in giving approval 	Through consultation with AWI and the Department, EY confirmed that AWI has not breached clause 4.4.	✓ Compliant
4.8	If AWI includes any material in which a third party owns all or part of the copyright in any report or plan provided to the Commonwealth under this agreement, AWI shall use its best endeavours to obtain from that third party, at AWI's own cost, a licence of such material for the Commonwealth on terms equivalent to those set out in clause 4.7	The information provided to the Commonwealth by AWI is generally in the form of its extensive briefing materials, and the content and images in these are generated by AWI. AWI advised the Review that their practice for complying with this obligation is that they do not provide any third party intellectual property requiring a licence to the Department. However, this is not documented. Better and standard practice is for companies to maintain a register of third party IP that outlines copyright and licences.	? Unable to Assess

Statutory Funding Agreement compliance

Obligation Reference	Obligation	Evidence	Finding
4.9	Where AWI is unable to obtain such a licence for the Commonwealth, AWI must: <ol style="list-style-type: none"> Notify the Commonwealth where third party copyright is included in any report or plan provided to the Commonwealth under this Agreement, and Clearly identify third party copyright in any report or plan provided to the Commonwealth under this Agreement. 	There is no need to inform the Commonwealth as no restrictions apply as AWI does not licence nor disclose third party IP.	✓ Compliant
Assignment			
8.1	AWI must not assign or novate this Agreement or any right or obligation under this Agreement unless AWI: <ol style="list-style-type: none"> Is not in breach other this Agreement, and Obtains the prior written consent of the Commonwealth, and Ensures that the assignee agrees to be bound by all of AWI's obligations under this Agreement 	AWI confirmed it has not novated nor assigned any right or obligation under the SFA.	✓ Compliant
Notice			
13.1	A party giving notice or notifying under this Agreement must do so in writing or by Electronic Communication: <ol style="list-style-type: none"> Directed to the recipients address specified in this clause 13, as varied by any notice, or Hand delivered or sent by prepaid post to facsimile or Electronic Communication to that address 	AWI confirmed that no notice has been provided under this Agreement.	✓ Compliant

Statutory Funding Agreement compliance

Obligation Reference	Obligation	Evidence	Finding
Corporate Governance			
14.1	AWI must maintain, implement and regularly review a framework of good corporate governance practice to ensure proper use and management of the Funds, which should draw on better practice guidelines, including guidelines provided by the Commonwealth and the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (Third Edition)(2014)	This is assessed under the Terms of Reference 3 a) - f). Findings from the recommendations and timeframes 1.9.1 to 1.9.10 support the finding that this obligation has not been fully met. AWI has a suite of corporate governance documents and while AWI advised that all governance documents are reviewed annually, many of these documents have not been updated in a number of years. Throughout the Review, the Review team made a number of observations relating to governance practices that highlighted accountability issues. These are outlined in Annexure 1.9.	~ Partially Compliant
14.2	The framework under clause 14.1 must include a governance policy which includes a clear statement of AWI's commitment to effective governance and cover: <ol style="list-style-type: none"> Board Charter Matters reserved for the Board Board delegations of authority Charter of the Audit Committee and Nomination Committee Board appointments, composition (including requirements for diversity and a number of Independent Directors) renewal and succession planning, and Code of Conduct for Directors and Senior Management 	The following corporate governance documents include the items listed in a) - f) <ul style="list-style-type: none"> ▶ Corporate Governance Policy 2015 ▶ AWI Board Charter November 2011 ▶ AWI Charter of the Committees of the Board 2015 ▶ Board Nomination Committee Charter 2011 ▶ AWI Code of Conduct and Business Ethics 2013 The Board appointments and composition information do not include requirements for diversity, renewal and succession planning.	~ Partially Compliant

Statutory Funding Agreement compliance

Obligation Reference	Obligation	Evidence	Finding
Corporate Governance			
14.3	<p>AWI must establish a skills based Board of Directors which can demonstrate collective expertise against each of the following:</p> <ol style="list-style-type: none"> Corporate governance Production and/or processing in the wool industry Finance and business management Legal and compliance Domestic and international market development, marketing and international trade Technology and technology transfer, commercialisation and adoption, and Administration of research, development and marketing 	<p>AWI's Directors Information includes a skill list of the following with assessments for Directors since 2002. This list is as follows and does not include legal and compliance skills:</p> <ol style="list-style-type: none"> Corporate governance Wool growing Wool processing Product promotion and retail marketing Domestic and international market development and international trade R&D, technology, technology transfer, commercialisation and adoption of R&D and innovation Conservation and management of natural resources Administration of research and development, and Finance and business management. 	~ Partially Compliant
14.4	<p>The nomination committee and the audit committee must each comprise a majority of Independent Directors</p>	<p>The Board Nomination Committee Charter states that it must include two Independent Directors and three persons who are not Directors of the company.</p> <p>AWI confirmed that all members of the BNC are assessed in terms of independence criteria in the Board Charter.</p> <p>The audit committee Charter states it must be made up of majority of Independent Directors.</p>	~ Partially Compliant

Statutory Funding Agreement compliance

Obligation Reference	Obligation	Evidence	Finding
14.5	If a person is appointed as a member of an AWI committee or panel concerned with the selection and funding of Research and Development Activities and/or marketing activities and/or other activities and has a pecuniary interest that relates to the affairs under consideration by the committee or panel, that person must disclose that interest in accordance with any instructions given by AWI	<p>AWI confirmed that for the following committees they have either registers of declarations or are aware of the interests of the members of these committees and panels:</p> <ul style="list-style-type: none"> ▶ MLP Industry Steering Committee ▶ The Wool Life Cycle Analysis Technical Advisory Group ▶ Feedbase panel ▶ Australian Veterinary Association Genetics Panel ▶ Project Advisory Committee for AWI Wild Dog Coordinators ▶ AWI Wild Dog Advisory Committee ▶ AWI Rabbit Advisory Committee 	✓ Compliant
Role of AWI			
15.1	AWI must do all things necessary to ensure that it effectively represents and reflects the Research and Development and Marketing interests of its shareholders and Levy Payers	The Review notes AWI is compliant with the SFA; however the SFA is broad and no specific measures are provided. The Review has identified a number of significant opportunities to improve engagement and consultation processes which are outlined in Annexure 1.5 Engagement evaluation.	✓ Compliant
15.2	AWI must use reasonable endeavours to ensure eligible levy payers who are not shareholders of AWI are advised of their entitlements to be become shareholders, and how they may become shareholders of AWI	<p>As per the December 2017 compliance report, AWI writes to levy payers in the lead up to each AGM inviting them to become a shareholder.</p> <p>The company's website also outlines how to become a shareholder. (https://www.wool.com/about-awi/shareholder-information/becoming-a-shareholder/)</p>	✓ Compliant

Statutory Funding Agreement compliance

Obligation Reference	Obligation	Evidence	Finding
15.3	<p>AWI must not use funds to:</p> <ul style="list-style-type: none"> a. Engage in Agri-Political Activity or activities that aim to influence public policy and resource allocation decisions, or b. Act as an Industry Representative Body or provide information or an opinion which states or implies to stakeholders that AWI is an Industry Representative Body, or c. Encourage or support a campaign for an election of a candidate, person or party for public office 	<p>Communications with stakeholders explain AWI's role as the Research and Development and Marketing organisation for the Australian Wool Industry, not as the Industry Representative Body (e.g. Strategic Plan).</p> <p>AWI introduced the Woolgrower Industry Consultative Committee (ICC) in 2010 to formally and systematically engage with key woolgrower representative organisations. The ICC's key role is to provide woolgrower input into AWI's business planning and priority-setting processes.</p>	✓ Compliant
15.4	<p>AWI must ensure that its Constitution remains appropriate to a body performing the functions of the declared Industry Services Body and:</p> <ul style="list-style-type: none"> a. Discuss any proposed changes to its Constitution with the Commonwealth, and b. Give the Commonwealth a copy of each notice of a resolution to modify its Constitution, at the same time as it gives notice of the resolution to its shareholders, and c. As soon as practicable after any modification of the Constitution is made, give the Commonwealth notice setting out the modification and explaining its effect. 	<p>The last update to the Constitution was in 2011. There have been no proposed changes to the Constitution within the past 3 years.</p> <p>Please refer to Annexure 1.10 Constitution review for more information.</p>	✓ Compliant
Notification of Significant Issues			
16.1	<p>AWI must give reasonable notice to the Commonwealth if it becomes aware of any significant issues that may affect or have affected AWI or any of its subsidiaries.</p>	<p>AWI confirmed that no notification has been provided under this Agreement.</p>	✓ Compliant

Statutory Funding Agreement compliance

Obligation Reference	Obligation	Evidence	Finding
Conflict of Interest			
17.1	AWI warrants that, at the agreement date, no conflict of interests exists or is likely to arise in the performance of its obligations under this agreement.	AWI confirmed that no conflict of interest or risk of conflict of interest existed during the term of the agreement.	✓ Compliant
17.2	If a conflict of interest, or risk of a conflict of interest, arises in the performance of AWI's obligations under this agreement, AWI must notify the Commonwealth of that conflict or risk and take steps acceptable to the Commonwealth to resolve or avoid the conflict.	AWI confirmed that no conflict of interest or risk of conflict of interest existed during the term of the agreement.	✓ Compliant
Review of Performance			
18.1	AWI must complete a Performance Review and deliver the final Performance Review Report to the Commonwealth at least 6 months before the expiry of this agreement, but no more than 12 months before the expiry of this agreement without the agreement of the Commonwealth	AWI to note that it will need to perform another performance review and deliver the final report between October 2019 and April 2020.	✓ Compliant
18.2	AWI must agree the Terms of Reference for the Performance Review with the Commonwealth at least 6 months before the performance review commences	The Government confirmed the Terms of Reference for the independent Review of Performance with AWI on 15 th March 2018. This was less than six months prior to the commencement of the Review of Performance. AWI confirmed discussions began on the TOR in October / November 2017.	~ Partially Compliant
18.3	AWI must engage an independent organisation to undertake the Performance Review and prepare the Performance Review Report. The organisation engaged to undertake the Performance Review must, not within the previous four years, have carried out any corporate governance activity or reviews, performance audit or similar reviews of AWI	EY meets this criterion for the current Review and Deloitte met this criterion for the previous review	✓ Compliant

Statutory Funding Agreement compliance

Obligation Reference	Obligation	Evidence	Finding
18.4	<p>The term of the reference for the Performance Review must take into account AWI's performance in:</p> <ol style="list-style-type: none"> Meeting its obligations under this agreement and the Act Implementing governance arrangements and practices for ensuring proper use and management of the funds Meeting the planned outcomes and targets of its Strategic Plan Delivering benefits to shareholders, Levy payers and the broader community Consulting with levy payers and woolgrower Industry Representative Bodies, and Any other matters consistent with AWI's Strategic Plan and the Act the Commonwealth requires the Performance Review to cover. 	Each of these elements is included in the Terms of Reference for this Review and the Terms of Reference for the previous review.	✓ Compliant
18.5	AWI must provide the Commonwealth with a copy of the draft Performance Review Report at the same time as AWI receives a copy; and provide the final Performance Review Report to the Commonwealth with 14 days of it being provided to the Board.	AWI confirmed ROP Report was provided to the AWI Board and accepted on 7 th August 2015. SFA Compliance Report December 2017 states that AWI provided a copy to the Minister on 14 th August 2015.	✓ Compliant
18.6	AWI must develop a response to the final Performance Review Report and a proposed implementation plan including dates and milestones for the implementation of recommendations within three months of the Board's acceptance of the Performance Review Report; and provide the response to the Commonwealth within 30 days of the Board's acceptance of that response.	<ul style="list-style-type: none"> ▶ AWI Response and Implementation Plan 2012-15 ▶ AWI Response and Implementation Plan 2012-15 Update May 2017 ▶ The proposed implementation plan was provided to the Commonwealth on 14th August 2018 	✓ Compliant

Statutory Funding Agreement compliance

Obligation Reference	Obligation	Evidence	Finding
18.7	The Parties must take the outcomes of the latest Performance Review Report into account when negotiating renewal of this Agreement	This will need to be considered when negotiating renewal of the next agreement	✓ Compliant
18.8	AWI must: <ol style="list-style-type: none"> Publish the Performance Review Report on its public website at least 28 days prior to sending out ballot papers in accordance with Poll Regulations, and Provide a summary of the latest Performance Review Report to Levy Payers and woolgrower Industry Representative Bodies together with the information required by the Poll Regulations 	<p>SFA Compliance Report December 2017 states that the <i>2015 ROP was made available on AWI's website on 14th August 2015</i></p> <p>AWI confirmed that voting packs were sent to all eligible levy payers on 14th September 2015. A summary of the Performance Review was provided in the voting pack.</p>	✓ Compliant
Performance Management			
19.2	In reviewing AWI's performance and compliance with this Agreement or the Act, the Commonwealth will consult with AWI and may have regard to any information available to it. The Commonwealth may also request additional reports or explanations relating to management and expenditure of the Funds from AWI, including an audit report or opinion to inform its consideration.	The Commonwealth did not make any formal request for additional reports or explanations. However the Department meets regularly with AWI under the funding agreement, and seeks and receives some information and explanation relating to management and expenditure of funds through this process.	✓ Compliant
19.3	AWI must give the Commonwealth any additional reports or explanations that the Commonwealth requests as soon as reasonably practicable.	No additional reports or explanations were requested.	✓ Compliant

Statutory Funding Agreement compliance

Obligation Reference	Obligation	Evidence	Finding
19.4	<p>If the Commonwealth requests an audit report or opinion AWI must at its own expense</p> <ol style="list-style-type: none"> a. Promptly obtain the audit report or opinion from AWI's auditor, or b. If, in the opinion of the Commonwealth, the audit report or opinion cannot be properly given by AWI's auditor, promptly engage another auditor to conduct an audit and give the audit report or opinion, and c. Give a copy of the audit report or opinion to the Commonwealth within 14 days after AWI receives it 	No audit report or opinion was requested by the Commonwealth.	✓ Compliant

Statutory Funding Agreement compliance

Obligation Reference	Obligation	Evidence	Finding
19.5	<p>The Commonwealth may:</p> <ul style="list-style-type: none"> a. Issue a notice requiring AWI to take actions in relation to the outcomes or recommendations of any review under clause 19 within a reasonable timeframe or within the timeframe (if any) specified in the notice. Before issuing a notice under clause 19 the Commonwealth will provide AWI an opportunity to review and comment on performance issues raised in the Review, or b. Provide a report of a review (or extract of its recommendations) to AWI for its consideration and response. AWI must: <ul style="list-style-type: none"> i. Within 30 days of receiving the report, provide a notice to the Commonwealth detailing the actions it intends to undertake to address the recommendations of the report ii. Within 60 days of receiving the report, negotiate in good faith with the Commonwealth any recommendations of the report or review that AWI has not agreed to implement iii. Within 90 days of receiving the report, provide the Commonwealth with a written report detailing progress and substantiating the actions it has taken in implementing the recommendations of the report 	<p>The Commonwealth has not issued a notice to take action under clause 19 in the past three years. The Commonwealth has not provided a report of a review to AWI for consideration and response during the Review period.</p>	<p>✓ Compliant</p>

Statutory Funding Agreement compliance

Obligation Reference	Obligation	Evidence	Finding
19.6	In each Annual Report AWI must include a written report detailing process and substantiating the actions it has taken in implementing the recommendations of the report until all the recommendations that AWI has agreed to implement under clause 19.5 (b) or the Commonwealth has directed AWI to implement under clause 19.5 (a) are implemented to the satisfaction of the Commonwealth.	EY has reviewed the Annual Reports relevant to the Review period in relation to this criterion: <ul style="list-style-type: none"> ▶ 2014-15 Annual Report ▶ 2015-16 Annual Report ▶ 2016-17 Annual Report 	✓ Compliant

Statutory Funding Agreement compliance

Obligation Reference	Obligation	Evidence	Finding
Consultations with the Commonwealth			
23.1	<p>The Chair of the Board, or in the Chair's absence, a Director nominated by the Chair of the Board must meet with the Commonwealth at not more than six-monthly intervals from the Effective date or at any other time requested by the Commonwealth on reasonable notice, to brief the Commonwealth on AWI's performance of its functions including:</p> <ol style="list-style-type: none"> Progress on implementing AWI's Annual Operational Plan and Strategic Plan and the other plans referred to in clause 25.4 Progress on the implementation of the relevant sectoral and cross-sectoral strategies under the RD&E framework Consultation with levy payers and woolgrower Industry Representative Bodies Measures taken to enhance corporate governance in accordance with clause 14 Progress in developing and implementing the Evaluation Framework Progress on implementing the recommendations from the most recent performance review, and The development and implementation of additional systems, processes and controls necessary to meet the requirements of this Agreement 	<p>EY has reviewed the follow meeting minutes considering whether the functions a) - g) are addressed:</p> <ul style="list-style-type: none"> ▶ SFA Meeting Minutes July 2015 ▶ SFA Meeting Minutes December 2015 ▶ SFA Meeting Minutes June 2016 ▶ SFA Meeting Minutes December 2016 ▶ SFA Meeting Minutes June 2017 ▶ SFA Meeting Minutes December 2017 	✓ Compliant

Statutory Funding Agreement compliance

Obligation Reference	Obligation	Evidence	Finding
Consultations with the Commonwealth			
23.4	<p>Where the Board considers that the proposed variation to the Guidelines may, if issued:</p> <ol style="list-style-type: none"> Require the Directors to act, or omit to act, in a manner that may breach any duty owed by the Directors to any person Cause the contravention of any law Be likely to prejudice commercial activities carried on by or on behalf of AWI, or Be contrary to the public interest or the best interest of the industry, <p>then the Directors must notify the Commonwealth.</p>	AWI confirmed there has been no variation to the guidelines during the reporting period, therefore no situations eventuated where this clause was required to be invoked.	✓ Compliant

Statutory Funding Agreement compliance

Obligation Reference	Obligation	Evidence	Finding
Payment of Funds			
24.5	AWI must provide a non-binding estimate of the amount of the wool levy and matching payment payable to AWI for the current and forward financial years upon request by the Commonwealth.	SFA Compliance Report December 2017 states that ' <i>AWI provides regular budget updates to DAWR levies Department on request. The last update was provided on 26 September 2017</i> '	✓ Compliant
24.8	<p>The Final Claim for the Financial Year must be supported by an independent audit report which confirms:</p> <ul style="list-style-type: none"> ▶ The amount of R&D Expenditure expended for the relevant Financial Year, and ▶ That claims for Commonwealth Matching Payments under clause 24.5 and the declared R&D Expenditure for that Financial Year are accurate and in accordance with the Act and this Agreement. 	<p>The certification reports are used to support the final claim for the financial year and EY has reviewed the following documents:</p> <ul style="list-style-type: none"> ▶ Certification Report 1 July 2014 - 30 June 2015 ▶ Certification Report 1 July 2015 - 30 June 2016 ▶ Certification Report 1 July 2016 - 30 June 2017 <p>For FY 2016-2017 EY has also reviewed the independent audit report, which confirms the items outlined in the SFA.</p>	✓ Compliant
Management of the Funds			
25.1	<p>AWI must establish and maintain systems, procedures and controls to ensure:</p> <ol style="list-style-type: none"> a. Funds are spent only in accordance with this Agreement and the Act b. All dealings with the funds are properly authorised, conducted and accounted for, and c. An auditor is able to readily verify that the funds have been used only in accordance with this Agreement and the Act. 	<p>The report on compliance with the SFA included in the last three Annual Reports:</p> <ul style="list-style-type: none"> ▶ 2014-15 Annual Report ▶ 2015-16 Annual Report ▶ 2016-17 Annual Report 	✓ Compliant

Statutory Funding Agreement compliance

Obligation Reference	Obligation	Evidence	Finding
25.2	AWI must notify the Commonwealth of the details of the systems, procedures and controls established in accordance with clause 25.1 on request	The report on compliance with the SFA included in the last three Annual Reports: <ul style="list-style-type: none"> ▶ 2014-15 Annual Report ▶ 2015-16 Annual Report ▶ 2016-17 Annual Report 	✓ Compliant
25.3	AWI must not delegate or outsource the responsibility for the management, allocation, or investment of funds to third parties, including to woolgrower Industry Representative Bodies.	The report on compliance with the SFA included in the last three Annual Reports: <ul style="list-style-type: none"> ▶ 2014-15 Annual Report ▶ 2015-16 Annual Report ▶ 2016-17 Annual Report 	✓ Compliant
25.4	AWI must maintain, implement and regularly review a Risk Management Plan, a Fraud Control Plan and an Intellectual Property Management Plan. AWI must provide any material variations or updates to the Risk Management Plan, Fraud Control Plan and Intellectual Property Management Plan, to the Commonwealth within 30 days of the variations or updates being adopted by AWI.	Report on compliance with the SFA included in the last three Annual Reports: <ul style="list-style-type: none"> ▶ Fraud Control and Risk Management Plan ▶ Intellectual Property Management Plan ▶ SFA Compliance Report December 2017 outlines the dates of last review and dates provided to the Department for these three plans <p>The Fraud and Risk plans are reviewed every three years, the last review being carried out by the AWI Board in November 2016.</p>	✓ Compliant

Statutory Funding Agreement compliance

Obligation Reference	Obligation	Evidence	Finding
25.5	The accounting systems, processes and controls to manage the funds with clause 25.1 must take into account the Risk Management Plan, Fraud Control Plan and Cost Allocation Policy	<p>The report on compliance with the SFA included in the last three Annual Reports:</p> <ul style="list-style-type: none"> ▶ 2014-15 Annual Report ▶ 2015-16 Annual Report ▶ 2016-17 Annual Report <p>The following policies, processes and controls were reviewed: Cost Allocation Policy, Marketing Project Proposal Template, Project Proposal Templates</p>	✓ Compliant
25.6	<p>AWI must:</p> <ol style="list-style-type: none"> a. Keep complete and detailed accounts and records of receipt, use and expenditure of the Funds in accordance with good accounting practice including all applicable Australia accounting standards, and b. Keep the accounts and records referred to in clause 25.6 (a) separately in relation to the Wool Levy Funds and Commonwealth Matching Payments, and Voluntary Contributions, and c. Keep accounts and records referred to in clause 25.6 (a) to enable disclosure of the full costs of the Research and Development, Marketing and Other programs. 	<p>The report on compliance with the SFA included in the last three Annual Reports:</p> <ul style="list-style-type: none"> ▶ 2014-15 Annual Report ▶ 2015-16 Annual Report ▶ 2016-17 Annual Report 	✓ Compliant

Statutory Funding Agreement compliance

Obligation Reference	Obligation	Evidence	Finding
Application of the Funds			
26.1	<p>AWI must only spend the funds:</p> <ul style="list-style-type: none"> a. In accordance with the Act and this Agreement, and b. In a manner that is consistent with: <ul style="list-style-type: none"> i. Its current Strategic Plan and AOP, and ii. The Guidelines 	<p>The report on compliance with the SFA included in the last three Annual Reports:</p> <ul style="list-style-type: none"> ▶ 2014-15 Annual Report ▶ 2015-16 Annual Report ▶ 2016-17 Annual Report 	✓ Compliant
26.2	<p>The funds may only be applied by AWI as follows:</p> <ul style="list-style-type: none"> a. In the case of Wool Levy Funds, to Research and Development Activities, Marketing Activities and Other Activities related to the industry, for the benefit of shareholders and levy payers, and b. In the case of Commonwealth Matching Payment: <ul style="list-style-type: none"> i. To Research and Developments related to the industry, for the benefit of shareholders and levy payers and the Australian community generally, and/or ii. To make payments to the Commonwealth under section 31 (7) of the Act 	<p>The report on compliance with the SFA included in the last three Annual Reports:</p> <ul style="list-style-type: none"> ▶ 2014-15 Annual Report ▶ 2015-16 Annual Report ▶ 2016-17 Annual Report 	✓ Compliant

Statutory Funding Agreement compliance

Obligation Reference	Obligation	Evidence	Finding
26.3	<p>AWI must not spend the funds on making payments to woolgrower Industry Representative Bodies. This does not preclude</p> <ol style="list-style-type: none"> a. Payments by way of membership fees where that membership contributes to AWI pursuing the objects of the Act b. Payments to procure goods or services in accordance with AWI's procurement policy, and when all of the following conditions are met: <ol style="list-style-type: none"> i. The procurement process is open, transparent and competitive ii. The conditions of the transaction between AWI and the relevant body are the same as they would be for an arm's length transaction with any third part providing those goods or services, and iii. The arrangement for goods and services incorporates appropriate measures to demonstrate the performance of the relevant body undertaking the task. This assessment must be provided to the Commonwealth on request. 	<p>The report on compliance with the SFA included in the last three Annual Reports:</p> <ul style="list-style-type: none"> ▶ 2014-15 Annual Report ▶ 2015-16 Annual Report ▶ 2016-17 Annual Report 	✓ Compliant

Statutory Funding Agreement compliance

Obligation Reference	Obligation	Evidence	Finding
26.4	If AWI spends the funds other than in accordance with this Agreement or the Act, the Commonwealth may, by written notice to AWI, require AWI to repay all or a part of those Funds to the Commonwealth within the timeframe specific in the notice.	The report on compliance with the SFA included in the last three Annual Reports: <ul style="list-style-type: none"> ▶ 2014-15 Annual Report ▶ 2015-16 Annual Report ▶ 2016-17 Annual Report 	✓ Compliant
26.5	AWI must publish a copy of any written notice under clause 26.4 in its next Annual Report	The report on compliance with the SFA included in the last three Annual Reports: <ul style="list-style-type: none"> ▶ 2014-15 Annual Report ▶ 2015-16 Annual Report ▶ 2016-17 Annual Report 	✓ Compliant
Acknowledgement of Funding			
27.1	Unless otherwise agreed with the Commonwealth, AWI must ensure that all significant publications and publicity by AWI in relation to matters on which Commonwealth Matching Payments are expended acknowledge the provisions of the Commonwealth Matching Payments by the Commonwealth	Publications include: <i>'AWI gratefully acknowledges the funds provided by the Australian Government to support research, development and marketing of Australian Wool'</i> The SFA Compliance Report December 2017 outlines an approval process step to ensure this occurs	✓ Compliant

Statutory Funding Agreement compliance

Obligation Reference	Obligation	Evidence	Finding
Consultations with Industry			
28.1	<p>AWI must, communicate directly with Levy Payers and shareholders to:</p> <ol style="list-style-type: none"> Review priorities for Research and Development Activities, Marketing Activities and Other Activities, and Report on AWI's performance against the Strategic Plan and the Annual Operational Plan 	<ul style="list-style-type: none"> ▶ AWI Consultation Summary Grower R&D priorities 2017-18 	✓ Compliant
28.2	<p>AWI must meet with woolgrowers Industry Representative Bodies at not more than six-monthly intervals to:</p> <ol style="list-style-type: none"> Review industry priorities for Research and Development and Marketing investments, including any regional equity considerations, and Report on AWI's performance against the Strategic Plan and the Annual Operational Plan 	<ul style="list-style-type: none"> ▶ SFA Compliance Report December 2017 outlines the dates of all ICC meetings in the past 3 years ▶ ICC Meeting Agenda, Handouts and Minutes - October 2016 ▶ ICC Meeting Agenda, Handouts and Minutes - March 2017 ▶ ICC Meeting Agenda, Handouts and Minutes - June 2017 ▶ ICC Meeting Agenda, Handouts and Minutes - October 2017 ▶ ICC Meeting Agenda, Handouts and Minutes - February 2018 	✓ Compliant

Statutory Funding Agreement compliance

Obligation Reference	Obligation	Evidence	Finding
Information on Activities			
29.1	<p>AWI must ensure the following is available on its public website:</p> <ol style="list-style-type: none"> This Agreement AWI's governance policy developed in accordance with clause 14.2 AWI's Strategic Plan, including the consultation plan developed in accordance with clause 30.3 and other information relating to its development and any changes The priorities used by AWI to determine which projects it will fund An overview of planned outcomes and Programs to achieve those outcomes Key Research and Development Activities (including Extension), Marketing Activities and Other Activities which AWI is funding AWI's Evaluation Framework and the outcomes of evaluations AWI's Annual Operating Plan AWI's Annual Report The Performance Review Report and AWI's response to the Performance Review Report recommendations Minutes of meetings conducted under clause 28.2 and AWI's response to issues raised, and Public submissions received on the development of its Strategic Plan under clause 30.4 	<p>EY reviewed the Wool.com website to check if all of the information in a) - l) was able to be located</p> <ul style="list-style-type: none"> ▶ The consultation plan developed for the purposes of the Strategic Plan is not published on AWI's website in line with c) ▶ Public submissions received on the development of its Strategic Plan are not published on AWI's website in line with l) <p>The current SFA (2016-20) was signed on 26th October 2016. The current SFA and its requirements came into effect from 27th October 2016, nearly 4 months after the finalisation of AWI's current Strategic Plan.</p>	✓ Compliant

Statutory Funding Agreement compliance

Obligation Reference	Obligation	Evidence	Finding
29.2	<p>The information to be published under the preceding subclause shall not include information of the following kinds:</p> <ol style="list-style-type: none"> Personal information as defined in the Privacy Act 1988 (Cth), unless permitted by the Privacy Act Information about the business, commercial, financial or professional affairs of any person if it would be unreasonable to publish that information, such as Confidential information Information which would, or could reasonably be expected to damage <ol style="list-style-type: none"> AWI The industry, or The national interest. 	<p>Privacy Policy is available on website https://www.wool.com/legal/privacy-policy/</p> <p>AWI confirmed that this has been complied with to the best of its knowledge.</p>	✓ Compliant
29.3	Where AWI spend the funds to make grants, AWI must provide feedback on the outcomes of funding applications to all applicants.	EY reviewed evidence of AWI providing feedback on the outcomes of funding applications.	✓ Compliant

Statutory Funding Agreement compliance

Obligation Reference	Obligation	Evidence	Finding
Strategic Plan			
30.1	<p>AWI must maintain a Strategic Plan covering a three to five year period and must:</p> <ol style="list-style-type: none"> Review and, if necessary, update the Strategic Plan at least once every year Obtain the Commonwealth's endorsement of any proposed new or amended draft Strategic Plan within 30 days of Board approval Provide the Commonwealth with a copy of any new or amended Strategic Plan within 30 days of Board approval Publish the Strategic Plan on its public website within 30 days of approval, and Consult with the Commonwealth during the term of this Agreement to ensure its Strategic Plan has regard to the Guidelines. 	<ul style="list-style-type: none"> ▶ SFA Compliance Report December 2017 states that AWI provided the Commonwealth with a copy of the 2016-17 to 2018-19 Strategic Plan in early July 2016 ▶ SFA Compliance Report December 2017 states that the Strategic Plan was published on the website in early July ▶ The Board approved the current Strategic Plan on 27th May 2016 Board meeting 	✓ Compliant

Statutory Funding Agreement compliance

Obligation Reference	Obligation	Evidence	Finding
30.2	<p>The Strategic Plan must include:</p> <ul style="list-style-type: none"> a. AWI's roles and responsibilities as declared research body under the Act including AWI's <ul style="list-style-type: none"> i. Mutual obligations as partner with the Commonwealth in delivering services to shareholders and Levy Payers, and ii. Responsibilities for proper use and management of the funds b. An overview of the priorities and outcomes identified by shareholders, levy payers and woolgrower Industry Representative Bodies during consultations, including an explanation on the extent to which these priorities are reflected in the Strategic Plan c. Details on how the outcomes of the Poll have informed the development of the Strategic Plan d. Key investment priorities and planned outcomes for the period of the Strategic Plan e. Detailed of the Programs that AWI intends to deliver Research and Development Activities, Marketing Activities and Other Activities to achieve the planned outcomes, including details of key activities under those programs f. Key deliverables and performance indicators and that clearly set out how planned outcomes will be achieved g. Details of planned evaluation activities to demonstrate the extent to which planned outcomes have been delivered h. Details on how the Programs link, and give effect, to the Guidelines i. Planned collaboration with other RDC's on priority Research and Development issues j. Planned contributions to the implementation of relevant industry sector and cross-sectoral strategies under the National Primary Industries RD&E Framework k. Details on how Extension, technology transfer, and commercialisation of R&D will be addressed and demonstrating that Extension and adoption and incorporated into the planning and approval processes l. Estimates of income and expenditure for the life of the plan including broad estimates of expenditure separately for the Research and Development, Marketing and Other Programs m. An overview of AWI's approach to ensuring a Balanced Portfolio of investment appropriate to the industry 	<p>EY reviewed AWI's 2015-16 to 2018-19 Strategic Plan and is satisfied it includes a) - k) and m)</p> <p>For l) elements of expenditure outlined are not for the life of the plan, only for the first year</p>	~ Partially compliant

Statutory Funding Agreement compliance

Obligation Reference	Obligation	Evidence	Finding
30.3	In developing or varying the Strategic Plan, AWI must develop a consultation plan including, details of proposed consultations with: <ol style="list-style-type: none"> Levy Payers The Commonwealth Woolgrower Industry Representative Bodies Other RDCs as appropriate, and Other stakeholders as appropriate 	<p>The annual planning and consultation cycle is included in the Strategic Plan. AWI confirmed the consultation on the Strategic Plan this starts generally between October - March prior to the finalisation of the Strategic Plan.</p> <p>The current SFA (2016-20) was signed on 26th October 2016. The current SFA and its requirements came into effect from 27th October 2016, nearly 4 months after the finalisation of AWI's current Strategic Plan.</p>	✓ Compliant
30.4	The consultation plan must include provision for online and electronic submissions to be made	AWI confirmed that during the drafting process, updates were provided on AWI's website and comments encouraged from April 2016. In total, comments were received from five parties. These were incorporated as appropriate into AWI's Strategic Plan.	✓ Compliant
30.5	The consultation plan must be discussed with woolgrower Industry Representative Bodies and agreed by the Commonwealth before consultation on development or variation of the Strategic Plan commences.	<p>AWI confirmed the consultation plan for the Strategic Plan has never been 'formalised' in terms of an actual document, but rather each ICC meeting or other relevant forum identified by management is used to identify those priorities and then incorporate them into the drafting process.</p> <p>The current SFA (2016-20) was signed on 26th October 2016. The current SFA and its requirements came into effect from 27th October 2016, nearly a full 4 months after the finalisation of AWI's current Strategic Plan.</p>	✓ Compliant
30.6	For minor variations to an existing Strategic Plan, AWI may request approval from the Commonwealth not to develop a consultation plan	The current strategic period is reviewed each year, and AWI is required to inform the Government of any substantive changes, there have been no substantive changes to the current Strategic Plan since it came into operation on 1 st July 2016.	✓ Compliant

Statutory Funding Agreement compliance

Obligation Reference	Obligation	Evidence	Finding
Evaluation Framework			
31.1	AWI must develop an Evaluation Framework within six months of the Effective Date. The Evaluation Framework must: <ol style="list-style-type: none"> Be consistent with AWI's Strategic Plan Ensure that key performance related information is routinely collected and monitored Include a structured plan for the systematic evaluation of the efficiency, effectiveness and impact of AWI's key investments, and Include a means of publishing and disseminating relevant Research and Development outcomes and outcomes of evaluations 	There has been no update to the evaluation framework within six months of the Effective Date of the Statutory Funding Agreement. The current version of the Monitoring and Evaluation Framework is dated 2014.	X Not Compliant
31.2	AWI must: <ol style="list-style-type: none"> Consult with the Commonwealth in preparing the Evaluation Framework Participate in any Commonwealth or collective RDC evaluation project relevant to AWI's operations, and Demonstrate AWI's commitment to provide adequate expenditure for this purpose 	As the Evaluation and Monitoring framework has not been updated since the inception of this Agreement this obligation has not been met.	X Not Compliant
31.3	The Evaluation Framework must be published on its public website within 30 days of being adopted by AWI	The Evaluation and Monitoring framework is published on AWI's website.	✓ Compliant

Statutory Funding Agreement compliance

Obligation Reference	Obligation	Evidence	Finding
Annual Operational Plan			
32.1	<p>Before 1 July each year, AWI must provide to the Commonwealth with an Annual Operation Plan to implement its Strategic Plan during the next Financial Year. The AOP must set out:</p> <ol style="list-style-type: none"> All activities to be funded by AWI during the next Financial year Performance indicators, key deliverables, timetables and milestones for AWI's proposed activities and expenditure which demonstrate progress being made towards planned outcomes Estimates of all income and expenditure for the Financial year separately details, and Detailed information on how AWI intends to implement and operationalise a Balanced Portfolio for the next Financial Year 	<p>EY has reviewed the following Annual Operating plans:</p> <ul style="list-style-type: none"> ▶ AWI 2015-2016 Annual Operating Plan ▶ AWI 2016-2017 Annual Operating Plan ▶ AWI 2017-2018 Annual Operating Plan 	✓ Compliant
32.2	<p>AWI must provide any material variations or updates to the Annual Operating Plan, to the Commonwealth within 30 days of the variations or updates being adopted by AWI</p>	<p>A significant change was made to the Annual Operating Plan for this strategic period to clearly document not only the fiscal resources being used at a program level but also the Human Resources being used at a program level.</p> <p>The update was put to the Board for decision on 27th May 2016 and was provided to the Department on 10th June 2016.</p>	✓ Compliant

Statutory Funding Agreement compliance

Obligation Reference	Obligation	Evidence	Finding
Annual Report			
33.1	AWI must prepare its Annual Report in accordance with the requirements of Chapter 2M of the Corporations Act and this Agreement and provide four copies of its Annual Report to the Commonwealth by December each year.	Annual report includes statement: <i>These general purpose financial statements have been prepared in accordance with Australian Accounting interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001</i> . SFA Compliance Reports confirm that five copies were sent to various representatives of the Commonwealth on 24 th October 2016 and 23 rd October 2017.	✓ Compliant

Statutory Funding Agreement compliance

Obligation Reference	Obligation	Evidence	Finding
33.2	<p>If the Annual Report prepared in accordance with clause 33.1 does not include comprehensive coverage of:</p> <ol style="list-style-type: none"> Sources of all income separately identified The full cost of the Marketing, Research and Development and Other Programs, with costs being allocated in accordance with the Cost Allocation Policy Progress against key performance indicators specified in the Strategic Plan and Annual Operating Plan Key marketing and Research and Development Programs deliverables and associated outcomes achieved Collaboration with stakeholders and levy payers and other research providers Directions given by the Minister Consultation undertaken with stakeholders referred to in clause 30.3 on AWI's Strategic Plan, Annual Operational Plan, Programs and Activities Details of senior executive and Board remuneration The rationale for the mix of projects included in the Balanced Portfolio, and Any other relevant matters notified to AWI by the Commonwealth <p>AWI must provide additional comprehensive information to the Minister in relation to these matters at the same time as providing its Annual Report</p>	<p>EY has reviewed the following AWI Annual Reports and is satisfied they include coverage of the topics:</p> <ul style="list-style-type: none"> ▶ 2014-15 Annual Report ▶ 2015-16 Annual Report ▶ 2016-17 Annual Report 	✓ Compliant

Statutory Funding Agreement compliance

Obligation Reference	Obligation	Evidence	Finding
Compliance Audit Report			
34.1	AWI must, within five months after the end of its Financial Year, give the Commonwealth a report (Compliance Audit Report) providing an audit opinion on whether AWI has complied with its obligations under clauses 25 and 26 during the financial year. The Compliance Audit Report must: <ol style="list-style-type: none"> Be prepared in accordance with the relevant Australian Auditing and Assurance Standards Include a review of the efficacy of the accounting systems processes and controls required under clause 25.1 Include any qualifications to the Compliance Audit Report and any material incidences of non-compliance, and Contain a detailed explanation of any incidence of material non-compliance 	Compliance Audit Reports are included in the Annual Report each year	✓ Compliant
34.2	The Compliance Audit Report must include a statement that it has been prepared for the Commonwealth for the purposes of this Agreement.	The statement in the Annual Reports states <i>'prepared for the Directors of Australian Wool Innovation in accordance with the agreement'</i>	✓ Compliant

Statutory Funding Agreement compliance

Obligation Reference	Obligation	Evidence	Finding
Certification Report			
35.1	<p>AWI must, within 5 months after the end of the Financial Year, give the Minister a report (Certification Report) from AWI's Board of Directors signed by the Chair of the Board and the Chief Executive Officer of AWI:</p> <ol style="list-style-type: none"> Certifying whether AWI has complied with its obligations under the Act and this Agreement during the financial year Confirming that the Audit Committee has carried out all of its functions/responsibility in accordance with its Charter Detailing any material non-compliance and providing an explanation of the non-compliance, and Containing an acknowledgement that the Certification Report will be relied upon by the Commonwealth 	<p>EY has reviewed the following reports and confirmed they are in alignment with the Agreement:</p> <ul style="list-style-type: none"> ▶ Certification Report 1 July 2014 - 30 June 2015 ▶ Certification Report 1 July 2015 - 30 June 2016 ▶ Certification Report 1 July 2016 - 30 June 2017 	✓ Compliant

Wool Services Privatisation Act 2000

Obligation Reference	Obligation	Evidence	Finding
32 Setting the rate of wool levy	<ol style="list-style-type: none"> 1. The research body is taken to be a designated body in relation to wool levy for the purposes of the rate-setting clauses. 2. Before 1 January 2004, the research body must make a single recommendation for the purposes of the rate-setting clauses. 3. The research body must continue to make recommendations in relation to the rate-setting clauses so that each recommendation is made not later than the third anniversary of the previous recommendation. 4. Before making each recommendation, the research body must conduct a poll in accordance with the regulations. The recommendation must be in accordance with the results of the poll. 5. This section does not apply in relation to the regulations that initially impose wool levy. 	<p>The levy rate was set as per the results of WoolPoll 2015:</p> <ul style="list-style-type: none"> ▶ WoolPoll results 2015 	✓ Compliant

Wool Services Privatisation Act (Wool Levy Poll) Regulation 2003

Obligation Reference	Obligation	Evidence	Finding
7 Cut off and return dates	<ol style="list-style-type: none"> 1. Before conducting a poll, the research body must determine a cut-off date, and a return date, for the poll. 2. The cut-off date must be at least 8 weeks before the return date. 3. If it becomes apparent that 1 or more eligible entities will be unable to return their ballot papers to the research body by the return date for a poll, because of circumstances that: <ol style="list-style-type: none"> a. Were not foreseen when the return date was determined b. Under subregulation (1), and c. Are outside the control of the entity or entities; the research body may vary the return date to allow a reasonable amount of time for all eligible entities to return their ballot-papers to the research body before the return date. 4. If the research body varies the return date for a poll under subregulation (3), the research body must: <ol style="list-style-type: none"> a. Tell every eligible entity who has not already returned its ballot-paper, in writing, the new return date for the poll, or b. Publish a notice, stating the new return date for the poll, in 1 or more newspapers that have circulation generally in areas where there are eligible entities. 	<p>In approximately October-November the year prior to each WoolPoll, AWI works closely with Link Market Services to determine the regulatory dates inline with the practicalities of running the poll. These dates will invariably be presented to the AWI Board at the November or January meeting for signoff.</p> <p>In the first instance they work back from the AWI AGM where the Poll results will be announced, and work out the timing required for Link to finalise the voting. The AGM date in 2015 was 20th November 2015. AWI also works forward from the earliest possible date that DAWR's Levy Revenue Services will be able to finalise the EOFY levy paid by woolgrowers. This usually is finalised by late July/ early August. Once these are finalised they are provided to Intense (who calculates the actual voting entitlements for each levy payer).</p> <p>Once the voting entitlement is calculated, Link notifies growers. In 2015, the return date was determined to be 30th October, and the cut-off date to be 4th September (i.e. Reg 7.2 requires at least eight weeks prior to Poll Return Date)</p>	✓ Compliant

Wool Services Privatisation Act (Wool Levy Poll) Regulation 2003

Obligation Reference	Obligation	Evidence	Finding
8 Determination of Eligibility	<ol style="list-style-type: none"> 1. The research body must determine, as at the cut-off date, the eligibility to vote, and voting entitlement, of each entity who is to participate in the poll. 2. To make a determination under subregulation (1), the research body may use any information available to it, including: <ol style="list-style-type: none"> a. Any register it maintains, including its register of shareholders, and b. Information provided by any entity who claims to be eligible to vote. 3. The research body may invite entities who may be eligible to vote to provide information to the research body, or to another person on behalf of the research body, about the amount of wool levy they have paid in the last 3 financial years before the poll year. 4. The research body may issue an invitation under subregulation (3) in any manner that it chooses, including by publishing a notice in 1 or more newspapers. 5. If the research body invites entities to provide information under subregulation (3): <ol style="list-style-type: none"> a. There must be a sufficient period between the issuing of the invitation and the cut-off date to allow a reasonable time for the provision of that information, and b. The research body must take into account any information received before the cut-off date. 6. If the research body does not have enough information about the amount of wool levy paid by an entity in a financial year to determine the entity's eligibility to vote, or voting entitlement, the research body may determine the entity's eligibility or entitlement by reference to the amount of wool levy paid by the entity in another financial year. 	<p>DAWR (LRS) provides the total levy paid by levy payers and Intense then calculates their levy entitlement, of which growers are notified by Link.</p> <p>In 2015:</p> <ul style="list-style-type: none"> ▶ DAWR (LRS) provided the data to Intense on 5/8/15 ▶ Intense notified Link on 12/8/15 ▶ Link wrote to all eligible levy payers on 17/8/15 ▶ Cut-off for entitlements was 4/9/15 	✓ Compliant

Wool Services Privatisation Act (Wool Levy Poll) Regulation 2003

Obligation Reference	Obligation	Evidence	Finding
9 The poll	<ol style="list-style-type: none"> 1. The research body must propose 3 to 5 different rates of wool levy at the poll, including a zero rate. 2. Each proposed rate, other than the zero rate, must be a whole multiple of 0.5. 	The 2015 WoolPoll proposed 5 options for the levy rate: 0%, 1%, 2%, 2.5% and 3%	✓ Compliant
10 Conduct of poll	<p>Not later than 6 weeks before the return date, but after the cut-off date, for a poll, the research body must send to each eligible entity:</p> <ol style="list-style-type: none"> a. A ballot-paper, and b. A copy of the voting instructions, and c. A copy of the information memorandum, and d. A reply-paid envelope, addressed to the research body, for the return of the ballot-paper. 	AWI confirmed that on 14 th September 2015, the voting packs were sent to all eligible levy payers, consistent with clause 10 of the WoolPoll Regulations.	✓ Compliant
11 Ballot-paper	<ol style="list-style-type: none"> 1. The ballot-paper sent to each entity must set out: <ol style="list-style-type: none"> a. The name of the entity, and b. The entity's voting entitlement, and c. The rates proposed by the research body. 2. The ballot-paper approved under regulation 14 may be made available for voting in electronic form using the Internet, at an address stated in the voting instructions. 3. The research body may make changes to the form of the ballot-paper approved under regulation 14 only if necessary to facilitate the display of the ballot-paper in electronic form. 	EY reviewed the Voter Information provided for the 2015 WoolPoll which includes each of the elements outlined in section 11.	✓ Compliant

Wool Services Privatisation Act (Wool Levy Poll) Regulation 2003

Obligation Reference	Obligation	Evidence	Finding
12 Voting instructions	<ol style="list-style-type: none"> 1. The voting instructions must state that, to vote, an entity must: <ol style="list-style-type: none"> a. Mark the ballot-paper by: <ol style="list-style-type: none"> i. Recording the number '1' in the square next to the rate that the entity most prefers from among the rates listed on the ballot-paper, and ii. If the entity wishes, recording the numbers '2', '3' and so on in the squares next to as many of the other rates listed on the ballot-paper as the entity wishes to indicate a preference for, in the order of the entity's preference for them, and b. If using the ballot-paper provided under regulation 10: <ol style="list-style-type: none"> i. Place the completed ballot-paper inside the reply-paid envelope, and ii. Seal the envelope, and iii. Return the envelope to the research body, so that it is received not later than the return date, and c. If voting in electronic form using the Internet – save and send the completed ballot-paper in accordance with the directions displayed online with the electronic form of the ballot-paper. 2. The voting instructions do not need to state the detail in paragraph (1) (c) if the ballot-paper is not to be made available for voting in electronic form. 3. If the ballot-paper is to be made available for voting in electronic form, the voting instructions must state the Internet address where the ballot-paper may be accessed. 4. The voting instructions must state the return date. 	EY reviewed the Voter Information provided for the 2015 WoolPoll which includes each of the elements outlined in section 12.	✓ Compliant

Wool Services Privatisation Act (Wool Levy Poll) Regulation 2003

Obligation Reference	Obligation	Evidence	Finding
13 Information memorandum	<p>The information memorandum must set out:</p> <ol style="list-style-type: none"> a. For each of the rates listed on the ballot-paper: <ol style="list-style-type: none"> i. The amount of funds the research body estimates it will receive under the funding contract if that rate is adopted, and ii. How the research body proposes to expend those funds, and b. The research body's recommended rate from among the rates listed on the ballot-paper, and c. The reasons for the research body's recommendation, and d. Any other information the research body considers appropriate. 	<p>The WoolPoll 2015 Information Memorandum set out all of the required information under clause 13.</p>	✓ Compliant
14 Minister to approve forms	<ol style="list-style-type: none"> 1. The ballot-paper, voting instructions and information memorandum must be in a form approved by the Minister. 2. The research body must submit a draft of the ballot-paper, voting instructions and information memorandum that are to be used at a poll to the Minister for approval at least 8 weeks before the cut-off date for the poll. 3. The Minister may approve the forms of the ballot-paper, voting instructions and information memorandum only if he or she is satisfied that the research body has: <ol style="list-style-type: none"> a. Consulted, in the preparation of the draft forms, with a representative, or representatives, of the entities that will be, or are likely to be, eligible to vote in the poll, and b. Confirmed that the draft forms and the process for conducting the ballot have been examined and assessed as appropriate by a panel formed for the poll. 4. For paragraph (3) (b): <ol style="list-style-type: none"> a. The composition of the panel is to be agreed between the research body and a representative, or representatives, of the entities that will be, or are likely to be, eligible to vote in the poll, and b. The panel must include a representative, or representatives, of those entities. 	<p>The AWI and 2015 WoolPoll Panel Chair wrote to the Minister on the 2nd July 2015 seeking endorsement for the information to send to voters. The Minister responded on the 14th July 2015 noting his approval.</p>	✓ Compliant

Wool Services Privatisation Act (Wool Levy Poll) Regulation 2003

Obligation Reference	Obligation	Evidence	Finding
16A Multiple ballot papers	If the research body receives 2 or more ballot-papers on or before the return date, whether in faxed, electronic or original form, the first ballot-paper received must be included in the count and all other ballot-papers must be disregarded.	EY reviewed the Business rules of the WoolPoll and how the returning officer (Link, on behalf of AWI) processes the voting. These Business rules are signed off by the AWI Board at the February 2015 Board meeting when the Returning Officer was also appointed.	✓ Compliant
17 Returning officer	<ol style="list-style-type: none"> 1. The research body must appoint an individual with relevant expertise to be the returning officer. 2. The returning officer must not be: <ol style="list-style-type: none"> a. An employee of the research body, or b. An entity, or an associate of an entity, who is entitled to vote in the poll. 3. For paragraph (2) (b), an entity (the first entity) is an associate of another entity (the second entity) if the first entity is: <ol style="list-style-type: none"> a. A member of the second entity's family, if the second entity is an individual, or b. An employee of the second entity, or c. An entity connected with the second entity, or an associate of the second entity (within the meaning of the Corporations Act 2001), if the second entity is a corporation, or d. A beneficiary under a trust administered by the second entity. 4. The returning officer may appoint 1 or more assistant returning officers to assist with counting the votes. 	See above, Link was appointed by Board at the February 2015 Board meeting	✓ Compliant

Wool Services Privatisation Act (Wool Levy Poll) Regulation 2003

Obligation Reference	Obligation	Evidence	Finding
18 Counting votes	<ol style="list-style-type: none"> 1. After the close of polling, the returning officer must, for each rate proposed in the poll, add the number of votes represented by the ballot-papers on which a first preference is indicated for the rate. 2. If a rate has a majority of votes, based on the number of votes represented by ballot-papers on which a first preference is indicated for each rate, the returning officer must declare that rate to be elected as the rate that must, under subsection 32 (4) of the Act, be recommended by the research body. 3. If, after ascertaining the total number of first preference votes for each rate in accordance with subregulation (1), no rate has a majority of votes, the returning officer must take the following steps: <ol style="list-style-type: none"> a. The rate with the fewest votes must be excluded, and each ballot-paper marked with a vote for that rate must be re-allocated to the rate (if any) indicated next in order of preference on the ballot-paper b. The process of excluding the rate with the fewest votes, and re-allocating ballot-papers marked with a vote for that rate to the unexcluded rate (if any) indicated next in order of preference on the ballot-paper must be repeated (if necessary) until 1 rate has a majority of votes c. The returning officer must declare the rate that has a majority of votes after the exclusion of other rates under this subregulation to be elected as the rate that must, under subsection 32 (4) of the Act, be recommended by the research body. 	EY reviewed the Business Rules which outlines the rules by which the Returning Officer (Link) processes the votes.	✓ Compliant

Wool Services Privatisation Act (Wool Levy Poll) Regulation 2003

Obligation Reference	Obligation	Evidence	Finding
18 Counting votes cont.	<ol style="list-style-type: none"> 4. For subregulation (1), the number of votes represented by a ballot-paper is the same as the voting entitlement stated on the ballot-paper. 5. In paragraphs (3) (b) and (c), majority means a majority of the votes represented by formal ballot-papers other than any ballot-papers that do not indicate a preference for any unexcluded rate. 6. For paragraphs (3) (a) and (b), a ballot-paper is marked with a vote for a rate if: <ol style="list-style-type: none"> a. The ballot-paper indicates a first preference vote for the rate, or b. All rates for which the ballot-paper indicates higher preferences have been excluded from the count by a previous operation of paragraph (3) (a). 7. If, on any count: <ol style="list-style-type: none"> a. 2 or more rates (lowest ranking rates) have an equal number of votes, and b. One of them has to be excluded; the rate to be excluded is the rate with fewer votes than any of the other lowest ranking rates at the last count at which one of those rates had fewer votes than any of the others, but, if there has been no such count, the returning officer must decide by lot which of them is to be excluded. 8. For counting votes under this regulation, the returning officer may use a computer program for counting votes electronically. 	EY reviewed the Business Rules which outlines the rules by which the Returning Officer (Link) processes the votes.	✓ Compliant

Wool Services Privatisation Act (Wool Levy Poll) Regulation 2003

Obligation Reference	Obligation	Evidence	Finding
18A When must research body make rate-setting recommendations	For subsection 32(3) of the Act, each recommendation must be made not later than 3 years after the previous recommendation made under that subsection.	EY reviewed the correspondence to the Minister on 21 st December 2015. The previous advice was provided on 21 st December 2012.	✓ Compliant
19 Report to accompany research body's recommendation	The research body's recommendation under subsection 32 (2) or (3) of the Act must be accompanied by: <ol style="list-style-type: none"> A summary of the results of the poll, and A statement as to how the recommendation is in accordance with the results of the poll. 	The correspondence included a summary of the results of the poll and a statement as to how the recommendation is in accordance with the results of the poll.	✓ Compliant

Annexure 3: Strategic Plan performance – supporting assessment

Assessment of AWI's Strategic Plan 2013-14 to 2015-16 performance: A selected sample of strategic targets

Focus	Progress status (from AWI 2015-16 Annual Report)	Evidence (taken from PAR and other documents provided by AWI)	Finding
On-farm R&D			
Strategy 1: Sheep Health, Welfare & Productivity			
Wild Dogs			
12 new community groups established each year	Achieved	34 new groups established in FY14; 20 new groups established in FY15 and 29 new groups established in FY15 exceeds the target.	Completed
22 active groups supported each year	Achieved	34 active groups provided with AWI support in FY14; 33 active groups in FY14 and 29 active groups in FY15 exceeds the target.	Completed
Support for any individual wild dog group is nominally a maximum of three years	Achieved	Support for wild dog groups (average of 1.43 years)	Completed
Value of avoided stock loss (sheep) is greater than costs to woolgrowers and AWI combined	Achieved	A BCA of 8.6 indicates target was met	Completed
Genetics & Genomics			
Increase use of genetic benchmarking by 5% a year to 2017 across stud animals	On track	Averaged use of one benchmarking tool increased	Completed
Preliminary target of 6% increase in the current rate of genetic gain across the industry by 2017	Progressing	Evidence of increased rate of genetic gain over the target was met	Completed

Assessment of AWI's Strategic Plan 2013-14 to 2015-16 performance: A selected sample of strategic targets

Focus	Progress status (from AWI 2015-16 Annual Report)	Evidence (taken from various documents provided by AWI)	Finding
Marketing			
Strategy 8: Fibre marketing & eco-credentials			
The story of wool - content origination and distribution			
Continuous improvement of three core websites and social media activities	Achieved	In mid-2015 AWI changed its digital strategy, bringing on new team members and altering the way it approached its digital eco-system to help ensure continuous improvement. The reach of AWI's posts increased by 75% YOY (15V16) while its impressions increased by 154% meaning AWI's posts were seen as more relevant and informative. Clicks on AWI's links experience a 1590% increase.	Completed
Cost saving achieved from provision of materials based on 40% of commercial rate	Achieved	Beyond the Bale was taken in house entirely since 2010: <ul style="list-style-type: none"> ▶ 2009 external is \$45,000, while current in-house is \$17,000 (37,7% of \$45,000) ▶ Taking into account inflation and Beyond the Bale now equating to 3 times the size than before, there is a cost saving of at least 40% ▶ 2007-08 was the last Annual Report designed externally (\$118,254) ▶ Internal costs incurred from producing in house (~\$12,000) ▶ Continuing external cost for report for (\$22,116 in 2016-17) ▶ Therefore internal/ external cost, factoring inflation still equates to significantly less than 40% of external 	Completed

Assessment of AWI's Strategic Plan 2013-14 to 2015-16 performance: A selected sample of strategic targets

Focus	Progress status (from AWI 2015-16 Annual Report)	Evidence (taken from various documents provided by AWI)	Finding
Marketing			
Strategy 8: Fibre marketing & eco-credentials			
The story of wool - content origination and distribution			
Increase cost-effectiveness of websites by reducing cost per hit to \$1.40 by 2016	Achieved	<p>To increase the cost-effectiveness of its website, AWI changes its long-term development partner (LOWE PROFERO, incumbent since 2013) and deployed a paid search strategy with the aim of bringing the cost per click (CPC) under \$1.40.</p> <p>The cost to develop Woolmark.com by Profero was \$215,708, whereas when Levo did this work in 2017 the site totalled \$146,100. The paid search strategy led to an average CPC on the year of \$1.21, below target.</p>	Completed

Assessment of AWI's Strategic Plan 2013-14 to 2015-16 performance: A selected sample of strategic targets

Focus	Progress status (from AWI 2015-16 Annual Report)	Evidence (taken from various documents provided by AWI)	Finding
Marketing			
Strategy 8: Fibre marketing & eco-credentials			
The campaign for wool			
Number of retail partners involved to increase from 445 to 800 by 2015-16	Partly achieved	AWI noted that globally the Campaign for Wool has built to around 600 partners from across the supply chain, including manufacturing (weavers, spinners etc).	Incomplete
An average increase in wool sales per store involved with the program of 1020 units a year or 675 kg of wool	Partly achieved	AWI noted that while convenient in its simplicity as a measure, access to sales data, and the subsequent estimated conversion to kilograms of wool proves challenging, however, is gathered where possible. AWI also noted that the Woolmark Company will look to appoint data analyst specialists in the coming months to better support measurement and evaluation of CFW direct impact on sales.	Unable to assess
Media value to reach GBP 18 million in 2015-16. Social media targets a follower base of 100,000 by 2015-16, with websites hitting 500,000 that year	Partly achieved	From 2012 there has been a 290% increase to 2015 with the CFW Facebook channel now having 39,000 fans. Top Facebook post from Wool Week reached 244K people CFW Twitter and Facebook combined communication reaches an audience of 45.2m. In China CFW Weibo and Wechat social media activity reached a combined audience of 7m.	Not yet completed (on track)

Assessment of AWI's Strategic Plan 2016-17 to 2018-19 performance: A selected sample of strategic targets

Focus	Progress status (from AWI 2016-17 Annual Report)	Evidence (taken from various marketing documents from AWI)	Finding
Marketing			
Fashion			
Menswear and Womenswear			
2.5 million kgs of new demand	On target	<ul style="list-style-type: none"> ▶ Menswear: 240,910 units in 2015/16, 294,643 units in 2016-17 ▶ Womenswear: 6,125,275 units in 2015/16, 3,229,376 units in 2016-17 	Unable to assess: AWI has indicated that the TWC will look to employ a measurement and consulting firm to propose additional methodologies required to illustrate effectiveness of marketing on new demand
6 new global partnerships	On target	<ul style="list-style-type: none"> ▶ Menswear: 19 partners in 2015/16, 34 partners in 2016-17 ▶ Womenswear: 24 partners in 2015/16, 177 partners in 2016-17 	Not yet completed (on track)

Assessment of AWI's Strategic Plan 2016-17 to 2018-19 performance: A selected sample of strategic targets

Focus	Progress status (from AWI 2016-17 Annual Report)	Evidence (taken from various marketing documents from AWI)	Finding
Marketing			
Global campaign			
International Woolmark Prize			
An additional 3.5 million kgs in new demand by 2019	On target	In the Woolmark Company's Nielsen Brand Tracking Winter 2016 Global report, it was noted that total awareness levels have increased from 10% in 2015 to 14% in 2016. This alone however is not sufficient to quantify additional demand.	Unable to assess: AWI has noted that a designer survey will be issued to all IWP nominees who participated in the award from 2016 - 2018 at the end of the strategic period to determine the direct impact of the program on additional wool sales AWI has provided evidence for previous strategic period and Designer survey methodology
Grow the Alumni database by 60 new designers annually	Achieved and exceeded for 2016/16	More than 300 emerging fashion designers from across 46 countries applied to take part in the International Woolmark Prize 2018-19.	Complete
Grow media awareness and editorial coverage by \$10 million	In progress	Total editorial value in 2016-17 was \$28M and according to PR agency ROI 2018 a total of \$78.2M of editorial was achieved by the global PR agency network.	Complete
Grow the retailer partner network by 3 new retailers from a base of 11	Achieved and exceeded	These brands are included in AWI's 2018 winners of global buy database.	Complete

Assessment of AWI's Strategic Plan 2016-17 to 2018-19 performance: A selected sample of strategic targets

Focus	Progress status (from AWI 2016-17 Annual Report)	Evidence (taken from PAR and other documents provided by AWI)	Finding
Sheep Production			
Healthy, productive sheep			
Sheep Health & Welfare			
Pre-operative pain relief available for routine surgical procedures	On target	<p>AWI published a research report on Welfare assessments of analgesic options in female lambs for surgical and its alternatives, as part of a CSIRO project</p> <p>AWI also has the following manuscripts accepted for publication:</p> <ol style="list-style-type: none"> 1. A randomised pen study evaluating the effectiveness of buccal meloxicam and topical local anaesthetic formulations administered singly or in combination at providing pain relief in female Merino lambs undergoing surgical mulesing plus hot knife tail docking (accepted on 26th February 2018) 2. A randomised field study evaluating the effectiveness of buccal meloxicam and topical local anaesthetic formulations administered singly or in combination at improving welfare of female Merino lambs undergoing surgical mulesing and hot knife tail docking (accepted on 7th March 2018) <p>AWI also provided pain relief updates and research in the Dec 2017 and June 2018 Beyond the Bale</p>	Not yet delivered (on track)
Breech modification alternatives commercialised	In progress	Legal issues and R&D support relating to commercialisation are present	Not yet delivered (delayed)

Assessment of AWI's Strategic Plan 2016-17 to 2018-19 performance: A selected sample of strategic targets

Focus	Progress status (from AWI 2016-17 Annual Report)	Evidence (taken from PAR and other documents provided by AWI)	Finding
Sheep Production			
Healthy, productive sheep			
Sheep Health & Welfare			
Development of an ASBV for faecal consistency, so fostering development of non-allergenic genetic resistance to internal parasites	In progress	The SWC has removed this target from the current strategic period.	Discontinued: The SWC has removed this target from the current strategic period
Improved laboratory diagnostic testing for worms and larvae	In progress	AWI noted that there are projects to demonstrate a novel worm egg count method for a) Conducting worm egg counts in rams to generate ASBVs, b) Conducting faecal egg count reduction tests have commenced Specifically, AWI has provided a progress report "Demonstration of a new method for conducting worm egg counts for ASBVs". The final report is due 31st December 2018.	Not yet completed (on track)

Assessment of AWI's Strategic Plan 2016-17 to 2018-19 performance: A selected sample of strategic targets

Focus	Progress status (from AWI 2016-17 Annual Report)	Evidence (taken from PAR and other documents provided by AWI)	Finding
Sheep Production			
Healthy, productive sheep			
Sheep Health & Welfare			
Sustained increase in grower utilisation of the ParaBoss website	On target	The Paraboss progress report demonstrated online use tracking. However, the data is not specific to woolgrowers	Unable to assess: AWI has provided the Paraboss Operational Plan FY 2017-19 and noted that a follow-up survey is due to be reported in 1 December 2018
Wool bale decontamination and disinfection procedures developed	In progress	Evidence supplied for disinfection - A collaborative project with DEDJTR to explore use of Digibale-supplied tags for the dual purpose of determining the accumulation of time and temperature in wool bales, and facilitating electronic bale identification is underway. AWI has provided progress reports relating to the Wool Bale Sprayer field evaluation, dated April and July 2018	Not yet completed (on track)

Assessment of AWI's Strategic Plan 2016-17 to 2018-19 performance: A selected sample of strategic targets

Focus	Progress status (from AWI 2016-17 Annual Report)	Evidence (taken from PAR and other documents provided by AWI)	Finding
Sheep Production			
Healthy, productive sheep			
Reproduction			
An extra 1500 AWI-funded participants in LTEM (500 per annum), representing 15% of the adult ewe flock in Australia, that increase lamb weaning rates by 7%, and reduce ewe mortality by 30%	On target	AWI provided progress reports from 2016, 2017 and 2018 outlining participant numbers. Evidence provided that a total of 978 participants are involved as of 30th March 2018. AWI also provided data on lamb marking (correlated to weaning rates) and ewe mortality, which comes from surveys done by the participants before and after the course AWI noted that there is an ongoing project ON-00437 LTEM Evaluation that will evaluate the impact of the LTEM program over 2016, 2017 and 2018 quantifying changes in knowledge, attitude, skills and aspiration, practise and productivity. Results will be available at the end of June 2019.	Not yet completed (on track)
At least 250 producers engaged in determining the impact of lambing density (ewe mob size and stocking rate) on lamb survival	In progress	Evidence provided that for 2017, 176 lambing producers had been recruited to provide data, although not all producers had submitted data	Not yet completed (on track)

Assessment of AWI's Strategic Plan 2016-17 to 2018-19 performance: A selected sample of strategic targets

Focus	Progress status (from AWI 2016-17 Annual Report)	Evidence (taken from PAR and other documents provided by AWI)	Finding
Sheep Production			
Healthy, productive sheep			
Reproduction			
At least 200 producers engaged in developing the strategies and guidelines for improving weaner and maiden ewe performance	In progress	As of March 2018, there were 928 enrolled AWI funded positions. In the strategic period, LTEM 6+ was contracted which delivered 91 enrolments. This brings a total for the Strategic Plan 2016-19 to 1019 new enrolments to date AWI also noted that the LTEM 7 contract has places for 1404 participants and it is endeavouring to fill them The total of 1019 to March 2018 does not include those participants that finished their course during the current strategic period after enrolling in the previous strategic period	Not yet completed (on track)
Undertake market research on a range of producer and industry segments to inform: (i) strategies that enhance producer engagement, (ii) design/pilot extension approaches that increase adoption of best practice, (iii) more thorough evaluation of whole farm impacts of LTEM, and (iv) quantify the degree and reasons for Merino ewe displacement	On target	Target dropped according to SWC decision on 1st February 2018	Discontinued: Target dropped according to SWC decision on 1st February 2018

Assessment of AWI's Strategic Plan 2016-17 to 2018-19 performance: A selected sample of strategic targets

Focus	Progress status (from AWI 2016-17 Annual Report)	Evidence (taken from PAR and other documents provided by AWI)	Finding
Sheep Production			
Healthy, productive sheep			
Genetic Improvement			
At least 3,800 Merino ewe progeny being evaluated for lifetime productivity across at least 4 regionally representative sites, in partnership with Australian Merino Sire Evaluation Association	On target	Merino lifetime productivity project report was provided F1 4,479 Ewe Progeny tagged from 2015-17, across more than 4 regional sites	Completed
Routine, low-cost per head alternatives to genomic parentage technology in wide commercial use for mothering-up Merino lambs	On target	Report on comparing Bluetooth and other AWI sensor technology to DNA for maternal pedigree was provided	Not yet completed (on track)

Assessment of AWI's Strategic Plan 2016-17 to 2018-19 performance: A selected sample of strategic targets

Focus	Progress status (from AWI 2016-17 Annual Report)	Evidence (taken from PAR and other documents provided by AWI)	Finding
Sheep Production			
Healthy, productive sheep			
Genetic Improvement			
Australian sheep breeders maintain access to consolidated and improved wether trial, central test sire evaluation and MERINOSELECT databases	On target	AWI noted that the Australian Merino Sire Evaluation milestone report July 2017 "Funding Agreement Milestone Report ON-000340 Milestone 4002737-0050" demonstrates AWI funding and the active MerinoSelect data base into which AMSEA data is put for analysis. AWI also noted that it does not require or receive reports from the contract between AMSEA and Animal Genetics Breeding Unit or Sheep Genetics Australia to demonstrate AMSEA data entering MerinoSelect. However, the AMSEA budget in Schedule 3 of the AWI AMSEA contract "EDOC169880" requires AMSEA to submit data and the descriptor of Merino Super Sires (AMSEA output) clearly states this analysis is done in MerinoSelect.	Not yet completed (on track)
Broad range of Merino types included in the MLP project representative of industry usage (17-18 target)	No mentioned in Annual Report	AWI has provided the MLP Stocktake from May 2018, and noted that this document demonstrates the cluster descriptor sires have been placed into for analysis, the different average ASBVs for a variety of traits between each cluster, the split of sheep types (Dohne, Fine/fine medium, Medium, Ultra fine and unknown) across clusters, the split of genomic poll status, the number of entrants split by MerinoSelect / non MerinoSelect membership.	Not yet completed (on track)

Assessment of AWI's Strategic Plan 2016-17 to 2018-19 performance: A selected sample of strategic targets

Focus	Progress status (from AWI 2016-17 Annual Report)	Evidence (taken from PAR and other documents provided by AWI)	Finding
Sheep Production			
Feedbase & fibre advocacy			
Fibre Advocacy			
Internationalise studies demonstrating that Merino base-layer garments ameliorate chronic skin conditions associated with microclimate management of the skin	On target	AWI provided the following examples of international studies (e.g. The paper on the Australian eczema study "Determining the Effects of Superfine Sheep wool in Infantile Eczema" was published in the British Journal of Dermatology in March 2017).	Not yet completed (on track)
Demonstrate that wool bedding and sleepwear improves sleeping conditions	On target	The University of Sydney study showed the benefits of wool sleepwear fibre is complete with all milestones submitted. The paper arising from the study has been completed and was submitted to the journal PLOS ONE in April 2018. In addition, an earlier AWI-funded study of both sleepwear and bedding "The effects of fabric for sleepwear and bedding on sleep at ambient temperatures of 17°C and 22°C" was published in the Journal Nature of Sleep in April 2016.	Not yet completed (on track)

Assessment of AWI's Strategic Plan 2016-17 to 2018-19 performance: A selected sample of strategic targets

Focus	Progress status (from AWI 2016-17 Annual Report)	Evidence (taken from PAR and other documents provided by AWI)	Finding
Sheep Production			
Feedbase & fibre advocacy			
Fibre Advocacy			
Support development of product market opportunities in categories such as corporate wear, safety wear, medical product and infants wear	On target	<p>AWI has noted that several projects have been initiated to develop market opportunities for corporate and safety wear:</p> <ol style="list-style-type: none"> 1. A project co-funded by AgResearch and AWI (OF-230, 45-8026) focussed on enhancing wool's access to base-layer garment markets for emergency services and the military. The project was initiated in June 2016 2. More recently a new project has been initiated (OF-374) seeking to develop a base-layer fabric for high performance emergency service end-uses that has been optimised for fire/heat protection, comfort and cost. A product that meets these performance criteria and key price points, may achieve far greater market penetration than a 100% Merino version 	Not yet completed (on track)
Develop specifications for next-to-skin wear to improve reliability and consumer confidence in Merino base-layer garments	On target	Milestone reports provided on 'specification of non-irritant apparel wool products' and 'wool's impact on skin barrier function'.	Not yet completed (on track)

Assessment of AWI's Strategic Plan 2016-17 to 2018-19 performance: A selected sample of strategic targets

Focus	Progress status (from AWI 2016-17 Annual Report)	Evidence (documents provided by AWI)	Finding
Woolgrower Services			
Consultation			
Woolgrowers			
Provide multiple channels for shareholders to access and consult AWI directly, in person at specific and industry events or digitally	On target	Please refer to Annexure 1.5 Engagement evaluation	Not yet completed (on track)
A greater awareness amongst shareholders of the ongoing research, development and marketing projects conducted by AWI for the wool industry	In progress	Please refer to Annexure 1.5 Engagement evaluation	Not yet completed (on track)
Provide a more customised flow of information to and from shareholders, delivered regularly and digitally through Beyond the Bale quarterly and newsletters monthly	On target	<ul style="list-style-type: none"> ▶ AWI noted that a project to enable woolgrowers to choose, via a preference centre, the type of digital information they wish to receive is underway. Building the company's database of woolgrowers' emails has been a major focus this year ▶ Beyond the Bale goes out to all eligible levy payers every quarter ▶ Other digital stats include: <ul style="list-style-type: none"> ▶ Market Intel SMS - Daily - 4694 ▶ Market Intel SMS - Weekly - 4933 ▶ Market Intel EDM (weekly) - 7392 ▶ Woolgrower EDM (Monthly) - 8800 ▶ Views have increased to over 17,000 in May 2018 	Not yet completed (on track)

Assessment of AWI's Strategic Plan 2016-17 to 2018-19 performance: A selected sample of strategic targets

Focus	Progress status (from AWI 2016-17 Annual Report)	Evidence (documents provided by AWI)	Finding
Woolgrower Services			
Consultation			
Woolgrowers			
Create the most valued market intelligence in the wool industry	On target	Wool market reviews are uploaded on AWI's website on a weekly basis: https://www.wool.com/market-intelligence/weekly-price-reports/ The reports outline currency movements, EMI, commentaries and wool forwards report.	Not yet completed (on track)
Continue to provide strong and recognised support for over 50 wool industry events nationwide	On target.	AWI has provided a calendar of wool industry events between 2015 and 2018. In 2017-18, more than 50 events were held annually.	Completed

Annexure 4: 2012-15 review of AWI's performance

2012-15 review of AWI's performance

In AWI's Response & Implementation Plan, AWI has indicated that the company agrees to all recommendations in the 2015 Review of performance. Below is AWI's response to each recommendation:

2012-15 Recommendation	AWI response	AWI's implementation plan	Implementation progress (provided by AWI, last updated in 2017)
Strategic Benefits			
1. A strategic benefits framework should be developed and applied to fully capture and demonstrate the value add and synergies that are being achieved for woolgrowers across Programs and from investments made by others as a result of AWI's efforts.	<p>AWI Agrees with this recommendation</p> <p>With the ongoing evolution of AWI's M&E Framework, a culture of reporting and monitoring has become embedded within the business. This recommendation will allow AWI to report more fully to growers.</p>	<p>AWI will look to expanding the way it reports and monitors its activities. Traditionally AWI has only accounted for and reported on the direct impact of its investment in areas. However consideration for how AWI investment acts as a catalyst for others to invest and thereby leveraging growers' levies even further should be monitored and reported.</p> <p>Milestone for Delivery - commenced 30 June 2016</p>	<p>Implemented. AWI has asked its independent economist to look into ways to determine the indirect benefits from AWI's investment. This work is ongoing and has been in place for nearly 7 years. While this may be an interesting piece of work from Deloitte's perspective, AWI is mindful of the benefit and cost of conducting such work across its portfolios, balanced against AWI's primary purpose to deliver benefit to woolgrowers.</p>

2012-15 review of AWI's performance

2012-15 Recommendation	AWI response	AWI's implementation plan	Implementation progress (provided by AWI, last updated in 2017)
Strategic Benefits			
<p>2. Communication of strategic benefits should be included in future consultation plans (such as for the development of the Strategic Plan) and in extension sessions so as to help all woolgrowers fully understand AWI's efforts on their behalf.</p>	<p>AWI Agrees with this recommendation</p> <p>Between 2012-15 AWI has focused on improving its communications and engagement with woolgrowers. In the past 12 months AWI has commenced communicating benefits delivered which have not previously been captured in the formal reporting.</p>	<p>AWI will continue to improve and expand the way it communicates the outcomes of its investments to growers. This will not be limited to the traditional forms of communications and consideration for including this type of information to growers in AWI funded forums and networks such as the state based extension networks will also be considered if appropriate.</p> <p>Milestone for Delivery - Implemented by 30 June 2016</p>	<p>Implemented. Significant work has been undertaken to improve AWI's communications and consultation with woolgrowers in order to better communicate strategic benefits. This has included a review of consultation activities and development of a new model which was workshoped with AWI's ICC and DAWR, and has also involved the recruitment of a new staff member who will lead the consultation effort with woolgrowers. AWI is always open to new ways to communicate more effectively with woolgrowers. Two recent initiatives include 'The Yarn' podcast available from itunes and also work on the database enabling AWI to target communications to growers' interests. Work in this area is dynamic and ongoing.</p>

2012-15 review of AWI's performance

2012-15 Recommendation	AWI response	AWI's implementation plan	Implementation progress (provided by AWI, last updated in 2017)
Governance			
<p>3. The AWI Board should work closely with the AWI Independent Governance Advisor in the course of the next Review period to evolve to a full skills matrix to be included in in the Board Charter, reviewed annually, and used in the Nominations Process. This would Matrix would evolve and improve the current documentation in time to inform the 2017 Director elections process.</p>	<p>AWI Agrees with this recommendation</p> <p>Particularly since 2009, the AWI Board has made a number of major improvements to the functioning of the Board and AWI governance in general. While AWI currently complies with all its relevant Constitution, regulations, legislation and SFA - including a skills based Board and Board Nominations Committee - this recommendation reflects the next stage of ongoing improvement.</p>	<p>The AWI Board will continue to work with the Independent Governance Advisor to develop a skills matrix appropriate to the needs of AWI, and consistent with AWI's existing regulatory and governance requirements.</p> <p>Milestone for Delivery - implemented in time for the 2017 AWI Director elections</p>	<p>Implemented. The AWI Board has reviewed this recommendation, in partnership with the Independent governance Advisor. The outcome was that at this time no further work is required.</p>

2012-15 review of AWI's performance

2012-15 Recommendation	AWI response	AWI's implementation plan	Implementation progress (provided by AWI, last updated in 2017)
Governance			
<p>4. The AWI Board should work with the AWI Independent Governance Advisor over the course of the next Review period to formalise a revised Governance Policy. The Policy will specifically address how the Board intends to manage any Conflicts of Interest. The Policy should incorporate, as Appendices, the AWI Board Charter and all other documentation relating to governance and Board procedure. This will create one single source of governance documentation, and support and amplify the Constitution.</p>	<p>AWI Agrees with this recommendation</p> <p>Particularly since 2009, the AWI Board has made a number of major improvements to the functioning of the Board and AWI governance in general. This 'umbrella' Governance Policy would act as a catch-all for AWI's existing governance policies required under its Constitution, regulations, legislation and SFA. As such this recommendation reflects the next stage in ongoing improvement.</p>	<p>The AWI Board will continue to work with the Independent Governance Advisor to formalise a revised Governance Policy. Milestone for Delivery - implemented prior to June 2018</p>	<p>Implemented. The AWI Board has reviewed this recommendation, in partnership with the Independent Governance Advisor. The outcome was that at this time no further work is required. AWI has had a Corporate Governance Policy since 2004, and last updated in June 2015. This Policy forms one of a suite of documents which constitute AWI's Governance framework.</p>
<p>5. The AWI Board should work closely with the AWI Independent Governance Advisor in the course of the next Review period to formalise succession planning for the Board and key executive functions.</p>	<p>AWI Agrees with this recommendation</p> <p>Since 2012 the Board has required the executive management team to review succession planning. The Board has also paid consideration to its own succession during this time. This recommendation formalises this recent work of AWI's Board.</p>	<p>Milestone for Delivery - implemented prior to June 2018</p>	<p>Implemented. The Board of AWI are regularly and continuously discussing succession planning at a Board level. The CEO has regular dialogue with the Board regarding his and his executive succession. Assessing the skills and absent skills of both the Board and Executive is ongoing. Work in this area is dynamic and ongoing.</p>

2012-15 review of AWI's performance

2012-15 Recommendation	AWI response	AWI's implementation plan	Implementation progress (provided by AWI, last updated in 2017)
Operations			
<p>6. The role of the CEO should be supplemented by a COO or CoS to enable the CEO to optimise their focus on impact and benefit for woolgrowers.</p>	<p>AWI Agrees with this recommendation</p> <p>In light of the recent succession planning review required of the Board, the CEO and Board have been informally discussing the recruitment of a similar role. This recommendation formalises those discussions.</p>	<p>AWI will recruit a COO or CoS to allow the CEO to work more efficiently for the benefit of woolgrowers.</p> <p>Milestone for Delivery - implemented by June 2016</p>	<p>Implemented. Rather than appoint a COO, a significant review of operations was conducted earlier in 2016, resulting in the redundancy or termination of a number of staff.</p> <p>This review has resulted in a more streamlined reporting structure to the CEO, which is what Deloitte were specifically addressing with the recommendation of the appointment of a Deputy COO. An Office Manager has also been appointed, whose role is to help run the office and business.</p>

2012-15 review of AWI's performance

2012-15 Recommendation	AWI response	AWI's implementation plan	Implementation progress (provided by AWI, last updated in 2017)
Operations			
<p>7. The AWI Board should work with the Independent Governance Advisor to formalise within 12 months an all-encompassing Deed of Delegation to the CEO (using the Carver model or similar) and supported by formalised role specific Deeds of Delegation to all Executives.</p>	<p>AWI Agrees with this recommendation</p> <p>This recommendation reflects the next stage in AWI's recent work to streamline and optimise delegations with in the business. This recommendation will formalise the delegations from Board to CEO, and from CEO to executives.</p>	<p>AWI will engage the Independent Governance Advisor to assist in developing an appropriate Deed of Delegation for AWI. Milestone for Delivery - implemented by June 2016</p>	<p>The purpose of this recommendation was to ensure that it was clear to the executive team what their responsibilities and delegations were. Financial delegations are reviewed by the AWI Board every 6 months and subsequently communicated to relevant staff. These financial delegations outline five levels of financial authority within the business. AWI continues working with their Independent Governance Advisor to ensure appropriate and practical systems are in place. These are also regularly discussed within the fortnightly executive team meetings and through the monthly disclosure surveys conducted not only by the executive but by other senior managers across the business. The CEO noted that AWI's response to the implementation plan should be revised to reflect the work done on this issue.</p> <p>This recommendation is now resolved.</p>

2012-15 review of AWI's performance

2012-15 Recommendation	AWI response	AWI's implementation plan	Implementation progress (provided by AWI, last updated in 2017)
Operations			
<p>8. To ensure the process for measurement and evaluation is sustainably embedded into the organisation, the AWI CEO should formalise a single policy document within 12 months which documents: whole of business requirements, processes, standards, criterion for implementing and reviewing of the program, and project measurement and evaluation, including the three year cycle for CBAs.</p>	<p>AWI Agrees with this recommendation</p> <p>With the ongoing evolution of AWI's M&E Framework, a culture of reporting and monitoring has become embedded within the business. This recommendation will formalise the activity underway in AWI and provide greater transparency into the M&E Framework.</p>	<p>AWI CEO will work with the Independent economist to assist in developing a policy which outlines among other things the sequencing, rationale and frequency of monitoring and evaluation of AWI's programs.</p> <p>Milestone for Delivery - implemented prior to June 2016</p>	<p>The M&E framework has continued to evolve over the past 6-7 years. The framework is now well and truly embedded into the organisational reporting structure which includes quarterly Program Achievement Reports (PARs) to the Board which allow the Board to monitor the progress of targets.</p> <p>This recommendation is now resolved.</p>

Annexure 5: Engagement assessment - maturity assessment criteria

AWI engagement evaluation maturity framework summary

Assessment Component	Basic	Developing	Established	Advanced	Leading
Definition	<ul style="list-style-type: none"> ▶ There process for defining stakeholders does not meet minimum stakeholder expectations 	<ul style="list-style-type: none"> ▶ The process for defining stakeholders meets minimum stakeholder expectations 	<ul style="list-style-type: none"> ▶ The process for defining stakeholders exceeds stakeholder expectations 	<ul style="list-style-type: none"> ▶ The process for defining stakeholders far exceeds stakeholder expectations 	<ul style="list-style-type: none"> ▶ The process for defining stakeholders is clearly articulated and available for public view ▶ Each stakeholder's role and purpose is defined in relation to the industry objectives

AWI engagement evaluation maturity framework summary

Assessment Component	Basic	Developing	Established	Advanced	Leading
Transparency	<ul style="list-style-type: none"> ▶ There is no publicly available stakeholder engagement plan ▶ Record keeping of consultations does not meet minimum stakeholder expectations 	<ul style="list-style-type: none"> ▶ A high level stakeholder engagement plan is publicly available ▶ Record keeping of consultations meets minimum stakeholder expectations 	<ul style="list-style-type: none"> ▶ A detailed stakeholder engagement plan is publically available ▶ Record keeping of consultations exceeds stakeholder expectations 	<ul style="list-style-type: none"> ▶ A detailed stakeholder engagement plan is publically available and there is evidence to show iteration over time ▶ Record keeping of consultations far exceeds stakeholder expectations. Key trends from consultations over time are publically available 	<ul style="list-style-type: none"> ▶ A detailed stakeholder engagement plan is publically available and there is evidence to show iteration over time. A review schedule is also publically available ▶ Record keeping of consultations far exceeds stakeholder expectations. All historical consultation data is publically available in a dashboard format

AWI engagement evaluation maturity framework summary

Assessment Component	Basic	Developing	Established	Advanced	Leading
Evaluation	<ul style="list-style-type: none"> ▶ The formal procedure for reviewing engagement, communication and consultation practices does not meet the minimum expectations of stakeholders ▶ The review of engagement practices does not meet stakeholder expectations ▶ The organisational record of improving practices does not meet stakeholder expectations 	<ul style="list-style-type: none"> ▶ The formal procedure for reviewing engagement, communication and consultation practices meets the minimum expectations of stakeholders ▶ The review of engagement practices meets stakeholder expectations ▶ The organisational record of improving practices meets stakeholder expectations 	<ul style="list-style-type: none"> ▶ The formal procedure for reviewing engagement, communication and consultation practices exceeds the minimum expectations of stakeholders ▶ The review of engagement practices exceeds stakeholder expectations ▶ The organisational record of improving practices exceeds stakeholder expectations 	<ul style="list-style-type: none"> ▶ The formal procedure for reviewing engagement, communication and consultation practices far exceeds the minimum expectations of stakeholders ▶ The review of engagement practices far exceeds stakeholder expectations ▶ The organisational record of improving practices far exceeds stakeholder expectations 	<ul style="list-style-type: none"> ▶ The formal procedure for reviewing engagement, communication and consultation practices is standardised and implemented semi-annually ▶ Engagement review practices are standardised and implemented semi-annually ▶ The organisational record of improving practices is fully documented and available for public view

AWI engagement evaluation maturity framework summary

Assessment Component	Basic	Developing	Established	Advanced	Leading
People Centric Values	<ul style="list-style-type: none"> ▶ Limited stakeholder definition is present and stakeholders are not prioritised according to a weighted matrix ▶ Stakeholder engagement is not an operating principle ▶ No historical actions demonstrating the pursuit of trust throughout the industry are documented ▶ Actioning of activities is not tracked 	<ul style="list-style-type: none"> ▶ There are definitions of all stakeholders and a listing of how they are prioritised but no explanation to why stakeholders have been prioritised in a particular manner ▶ Stakeholder engagement is an operating principle ▶ There is evidence of historical actions demonstrating the pursuit of industry trust but they are not documented ▶ Actioning of activities is tracked but records are not available publicly 	<ul style="list-style-type: none"> ▶ Major stakeholders clearly defined and prioritised according to a weighted matrix that is aligned with industry and Government objectives ▶ Stakeholder engagement is stated as a core operating principle but there is limited evidence to demonstrate this throughout the organisation ▶ Major historical actions demonstrating the pursuit of trust throughout the industry are partially documented and available for public view ▶ Actioning of most activities is tracked but not available for public view 	<ul style="list-style-type: none"> ▶ Most stakeholders are clearly defined and prioritised according to a weighted matrix that is aligned with industry and Government objectives ▶ Stakeholder engagement is a core operating principle and there is some evidence to demonstrate this throughout the organisation ▶ Historical actions demonstrating the pursuit of trust throughout the industry are partially documented and available for public view ▶ Actioning of most activities is tracked and available for public view 	<ul style="list-style-type: none"> ▶ Stakeholders are clearly defined and prioritised according to a weighted matrix that is aligned with industry and Government objectives ▶ Stakeholder engagement is a core operating principle and there is significant evidence to demonstrate this throughout the organisation over several years ▶ Historical actions demonstrating the pursuit of trust throughout the industry are fully documented and available for public view ▶ Actioning of activities is tracked and available for public view

AWI engagement evaluation maturity framework summary

Assessment Component	Basic	Developing	Established	Advanced	Leading
Delivery	<ul style="list-style-type: none"> ▶ Stakeholder engagement via preferred methods does not meet expectations ▶ Quality assurance of content prior to distribution does not take place ▶ Content sources are not stated ▶ The frequency of engagement with stakeholders does not meet expectations according to a predefined stakeholder prioritisation matrix 	<ul style="list-style-type: none"> ▶ Key defined stakeholders are engaged via preferred methods listed in a stakeholder prioritisation matrix ▶ Quality assurance of content prior to distribution takes place for major outgoing content ▶ All content sources are stated and traceable ▶ All highest priority stakeholders are engaged according to a frequency set within a stakeholder prioritisation matrix 	<ul style="list-style-type: none"> ▶ Most defined stakeholder are engaged via preferred methods listed in a stakeholder prioritisation matrix, but inconsistently ▶ Quality assurance of content prior to distribution takes place for most outgoing content ▶ All content sources are stated and traceable ▶ Most stakeholders are engaged according to a frequency set within a stakeholder prioritisation matrix 	<ul style="list-style-type: none"> ▶ Most defined stakeholders are engaged via their preferred methods ▶ Most content is quality assured prior to public distribution ▶ Most content sources are deemed reputable by an independent third party for outgoing material associated with the investment of levy payer funds ▶ All defined stakeholders are engaged according to a frequency set within a stakeholder prioritisation matrix, but inconsistently 	<ul style="list-style-type: none"> ▶ All defined stakeholders are engaged via their preferred methods ▶ All content is quality assured prior to public distribution ▶ All content sources are deemed reputable by an independent third party for outgoing material associated with the investment of levy payer funds ▶ All defined stakeholders are engaged according to a frequency set within a stakeholder prioritisation matrix

AWI engagement evaluation maturity framework summary

Assessment Component	Basic	Developing	Established	Advanced	Leading
Right Time Drivers	<ul style="list-style-type: none"> ▶ The organisation does not have a history of proactive engagement with stakeholders ▶ There is little to evidence to support the organisation influencing stakeholder behaviour 	<ul style="list-style-type: none"> ▶ There is limited evidence to support a record of proactive engagement with stakeholders by the organisation ▶ There some evidence to support the actioning of feedback from stakeholders 	<ul style="list-style-type: none"> ▶ There is some evidence to support a record of proactive engagement with stakeholders by the organisation ▶ There some evidence to support the actioning of feedback from stakeholders and partial, publically available record of this taking place 	<ul style="list-style-type: none"> ▶ There is strong evidence to support a record of proactive engagement with stakeholders by the organisation ▶ There some evidence to support the actioning of feedback from stakeholders and partial, publically available record of this taking place 	<ul style="list-style-type: none"> ▶ All history of proactive engagement with stakeholders is documented and available for public view ▶ There is a publically available record of all stakeholder feedback, how it has been reviewed and what action has been taken.

Annexure 6: Monitoring and evaluation assessment - maturity assessment criteria

AWI Monitoring and Evaluation framework and assessment summary

Assessment Component	Basic	Developing	Established	Advanced	Leading
ROI	<ul style="list-style-type: none"> ▶ Unclear ROI assessment ▶ No explanation for assumptions used ▶ Inappropriate sampling methods used to support ROI analysis 	<ul style="list-style-type: none"> ▶ ROI calculations completed for all programs on an annual basis ▶ Some explanation of assumptions used ▶ Some explanation for sampling methods used 	<ul style="list-style-type: none"> ▶ ROI calculations completed for all programs on an annual basis ▶ ROI calculations completed for some projects on an annual basis ▶ Some explanation of assumptions used ▶ Some explanation for sampling methods used 	<ul style="list-style-type: none"> ▶ ROI calculated for each program on a semi-annual basis ▶ ROI calculated for each project on a semi-annual basis ▶ Most assumptions detailed for all ROI calculations ▶ Most assumptions detailed for sampling methods 	<ul style="list-style-type: none"> ▶ ROI calculated for each project on a semi-annual basis ▶ ROI calculated for each program on a semi-annual basis ▶ Detailed assumptions for all ROI calculations ▶ Detailed assumptions for all sampling methods
Inform decision making	<ul style="list-style-type: none"> ▶ There are clear gaps between organisational decision making and the outputs from monitoring and evaluation activities 	<ul style="list-style-type: none"> ▶ Monitoring and evaluation activities drive key components of organisational decision making but there is significant evidence to suggest there are other drivers involved 	<ul style="list-style-type: none"> ▶ Monitoring and evaluation activities drive key components of organisational decision making. There is some evidence to suggest decisions are made without reference to monitoring and evaluation activities 	<ul style="list-style-type: none"> ▶ Monitoring and evaluation activities drive all components of organisational decision making ▶ On rare occasions, minor organisational decisions are made without reference to organisational activities 	<ul style="list-style-type: none"> ▶ Monitoring and evaluation activities drive all organisational decision making

AWI Monitoring and Evaluation framework and assessment summary

Assessment Component	Basic	Developing	Established	Advanced	Leading
Compliance	<ul style="list-style-type: none"> ▶ The Monitoring and Evaluation framework does not align with the council of RDC guidelines or the SFA ▶ The Monitoring and Evaluation framework is not communicated appropriately internally or externally ▶ There is no evidence to demonstrate the intended use of the Monitoring and Evaluation framework 	<ul style="list-style-type: none"> ▶ The Monitoring and Evaluation framework meets the minimum standards set out by the SFA but does not meet the majority of Council of RDC guidelines ▶ The Monitoring and Evaluation framework is communicated at a high level publically. ▶ Key individuals within the organisation know of the framework's purpose and role ▶ There is evidence to demonstrate the intended use of the Monitoring and Evaluation framework at a high level 	<ul style="list-style-type: none"> ▶ The Monitoring and Evaluation framework exceeds the minimum standards set out by the SFA and meets the majority of Council of RDC guidelines ▶ The Monitoring and Evaluation framework is communicated at a detailed level publically ▶ The majority of individuals within the organisation are aware of the frameworks purpose and role ▶ There is evidence to demonstrate the intended use of the Monitoring and Evaluation framework at a detailed level 	<ul style="list-style-type: none"> ▶ The Monitoring and Evaluation framework exceeds the minimum standards set out by the SFA and meets all of the minimum requirements of the Council of RDC guidelines ▶ The Monitoring and Evaluation framework is communicated at a detailed level publically ▶ All individuals within the organisation are aware of the framework's role, purpose and functionality ▶ There is evidence to demonstrate the intended use of the Monitoring and Evaluation framework at a detailed level 	<ul style="list-style-type: none"> ▶ The Monitoring and Evaluation framework completely aligns and exceeds both the SFA and Council of RDC guidelines ▶ All organisational members and the public have a detailed understanding of how the framework's role, purpose and functionality ▶ The framework is used in its intended manner

AWI Monitoring and Evaluation framework and assessment summary

Assessment Component	Basic	Developing	Established	Advanced	Leading
Feedback loop	<ul style="list-style-type: none"> ▶ There is no evidence to demonstrate a post implementation review of the Monitoring and Evaluation framework has been undertaken ▶ There is no evidence to show any iterations to the framework have occurred post implementation 	<ul style="list-style-type: none"> ▶ A framework review has taken place since the initial implementation ▶ The initial framework has been iterated at least once based on the findings of a review ▶ There is a set review cycle for the Monitoring and Evaluation framework 	<ul style="list-style-type: none"> ▶ Multiple reviews have taken place since the initial framework implementation ▶ Multiple iterations of the framework have occurred based upon the findings of previous reviews ▶ There is a set review cycle for the Monitoring and Evaluation framework 	<ul style="list-style-type: none"> ▶ Multiple reviews have taken place since the initial framework was implemented. These reviews have encompassed deep organisation wide consultation undertaken by an independent third party ▶ Multiple iterations of the framework have occurred based upon the findings of previous reviews conducted by an independent third party ▶ There is a set review cycle for the Monitoring and Evaluation framework 	<ul style="list-style-type: none"> ▶ There is a strong history of Monitoring and Evaluation framework reviews undertaken by an independent third party ▶ There is strong evidence to support actioning of recommendations from reviews including post iteration consultation with affected stakeholders ▶ There is a set review cycle for the Monitoring and Evaluation framework

AWI Monitoring and Evaluation framework and assessment summary

Assessment Component	Basic	Developing	Established	Advanced	Leading
Outcomes	<ul style="list-style-type: none"> ▶ The use of the Monitoring and Evaluation framework has not produced the desired outcomes sought by stakeholders 	<ul style="list-style-type: none"> ▶ The use of the Monitoring and Evaluation framework has met the minimum expectations of stakeholders 	<ul style="list-style-type: none"> ▶ The use of the Monitoring and Evaluation framework has exceeded the minimum expectations of stakeholders 	<ul style="list-style-type: none"> ▶ The use of the Monitoring and Evaluation framework has far exceeded the minimum expectations of stakeholders and there is evidence to show improved organisational performance and accountability 	<ul style="list-style-type: none"> ▶ The use of the Monitoring and Evaluation framework has produced outcomes that are far superior than those sought by stakeholders and has demonstrably improved organisational performance and accountability

AWI Monitoring and Evaluation framework and assessment summary

Assessment Component	Basic	Developing	Established	Advanced	Leading
Methodology	<ul style="list-style-type: none"> ▶ Metrics and driver selection is unfocused and based on availability ▶ The informational output provides little or no benefit to the organisation ▶ Multiple processes unique to each business unit ▶ A large number of report types are prepared and used. Standardisation does not exist 	<ul style="list-style-type: none"> ▶ Limited linkage between metrics and Drivers to strategy and current initiatives ▶ There is no or little correlation between drivers and financial performance ▶ Processes remain unique to each unit but focused around regional/related units ▶ Some parts of the organisation have consolidated report types, but a large number of report types still exist 	<ul style="list-style-type: none"> ▶ Limited consensus on prioritisation of metrics and drivers and ineffective use ▶ Some refinement of the drivers and metrics selected is needed ▶ Consistent timeframes developed across organisation ▶ The organisation has an established limited set of report types that are used throughout most of the organisation 	<ul style="list-style-type: none"> ▶ Few important metrics and drivers that are linked to strategy and understood ▶ The correct metrics have been developed, but aren't used effectively ▶ Core strategy directly influences processes ▶ The organisation has established report types which are used throughout the organisation 	<ul style="list-style-type: none"> ▶ Measurable, sustainable metrics and drivers linked to strategy & understood ▶ Correct drivers and metrics that relate to performance are implemented ▶ Performance Management processes are managed as strategic function ▶ The organisation has standard report types and standard reporting packages which are used throughout the organisation

AWI Monitoring and Evaluation framework and assessment summary

Assessment Component	Basic	Developing	Established	Advanced	Leading
Frequency	<ul style="list-style-type: none"> ▶ The frequency of Monitoring and Evaluation framework use is not appropriate 	<ul style="list-style-type: none"> ▶ The frequency of Monitoring and Evaluation framework use meets the minimum requirements (annually) 	<ul style="list-style-type: none"> ▶ The frequency of Monitoring and Evaluation framework use exceeds the minimum requirements at program level but meets the requirements at a project level (semi annually) 	<ul style="list-style-type: none"> ▶ The frequency of Monitoring and Evaluation framework use exceeds the minimum requirements at both a program and project level (semi annually) 	<ul style="list-style-type: none"> ▶ The frequency of Monitoring and Evaluation framework use far exceeds the minimum requirements at both a program and project level (quarterly)
Ownership	<ul style="list-style-type: none"> ▶ The Monitoring and Evaluation framework is not owned by any team or individual 	<ul style="list-style-type: none"> ▶ The Monitoring and Evaluation framework has high level ownership within the organisation at the Board level 	<ul style="list-style-type: none"> ▶ The Monitoring and Evaluation framework is owned by an individual or team within the organisation 	<ul style="list-style-type: none"> ▶ The Monitoring and Evaluation framework is owned by an individual or team within the organisation ▶ High level roles and responsibilities are set out regarding ownership of the framework for all designated individuals 	<ul style="list-style-type: none"> ▶ The Monitoring and Evaluation framework is owned by designated individual or team within the organisation. ▶ Clear roles and responsibilities are set out regarding ownership of the framework for all designated individuals

AWI Monitoring and Evaluation framework and assessment summary

Assessment Component	Basic	Developing	Established	Advanced	Leading
Process	<ul style="list-style-type: none"> ▶ There is no process for interaction to occur between the Strategic Planning and monitoring and evaluation processes ▶ There is no evidence to support cascading of a linkage between the Strategic Planning and monitoring and evaluation processes throughout the organisation 	<ul style="list-style-type: none"> ▶ Interaction between the Strategic Planning and monitoring and evaluation processes meets minimum stakeholder expectations ▶ Cascading of a linkage between the Strategic Planning and monitoring and evaluation processes throughout the organisation meets minimum stakeholder expectations 	<ul style="list-style-type: none"> ▶ Interaction between the Strategic Planning and monitoring and evaluation processes exceeds minimum stakeholder expectations in most instances ▶ There is strong evidence to support cascading of a linkage between the Strategic Planning and monitoring and evaluation processes throughout the organisation 	<ul style="list-style-type: none"> ▶ Interaction between the Strategic Planning and monitoring and evaluation processes exceeds minimum stakeholder expectations in all instances ▶ There is significant evidence to support cascading of a linkage between the Strategic Planning and monitoring and evaluation processes throughout the organisation 	<ul style="list-style-type: none"> ▶ Strategic planning and monitoring and evaluation processes are completely aligned with one another ▶ There is a clear cascading of a linkage between the Strategic Planning and monitoring and evaluation processes throughout the organisation

Annexure 7: Cross-collaboration - maturity assessment criteria

Maturity assessment of cross-RDC collaboration criteria

The maturity assessment of cross-RDC collaboration has been classified into key attributes aligned with the drivers of effective collaboration. Each attribute has been broken down into specific dimensions for better understanding:

Key Attribute	Basic	Developing	Established	Advanced	Leading
Governance	<ul style="list-style-type: none"> ▶ No operating plan is in place outlining resources, technology and people required ▶ Self-interest is prioritised over shared interest. Collaborator knowledge and experiences are not shared across relevant parties to identify opportunities and minimise mistakes ▶ Governance procedures are not followed through systematically 	<ul style="list-style-type: none"> ▶ An operation plan is in place, providing limited information on resources, technology and people required ▶ Collaborator knowledge and experiences are rarely shared ▶ Governance procedures are not always followed through 	<ul style="list-style-type: none"> ▶ An operation plan is in place, providing sufficient information on resources, technology and people required ▶ Collaborator knowledge and experiences are shared on a regular basis ▶ Governance procedures are always followed through 	<ul style="list-style-type: none"> ▶ An operation plan is in place, providing detailed information on resources, technology and people required ▶ Collaborator knowledge and experiences are constantly shared ▶ Governance procedures are always followed through 	<ul style="list-style-type: none"> ▶ An operating plan is established, outlining resources, technology and people required for the cross-RDC collaborations ▶ Shared interest is prioritised over self-interest. Collaborator knowledge and experiences are shared across relevant parties to identify opportunities and minimise mistakes ▶ Governance procedures and behaviours (e.g. screening of candidate), are consistently applied

Maturity assessment of cross-RDC collaboration criteria

Key Attribute	Basic	Developing	Established	Advanced	Leading
Reporting and evaluation	<ul style="list-style-type: none"> ▶ There is no systematic methodology to track performance over time ▶ Reporting on collaboration programs is not done systematically to ensure they can be responded timely 	<ul style="list-style-type: none"> ▶ A method for reporting and evaluation is in place, however it is not being followed through consistently ▶ Reporting is rarely done 	<ul style="list-style-type: none"> ▶ A method for reporting and evaluation is in place, however it is not being followed through consistently ▶ Reporting is done on a regular basis 	<ul style="list-style-type: none"> ▶ A method for reporting and evaluation is in place and is followed through systematically ▶ Reporting is done on a regular basis 	<ul style="list-style-type: none"> ▶ An evaluation process is in place for monitoring progress over time against objectives ▶ Reporting on collaboration programs is in place to ensure that programs can be tracked and responded to in a timely manner
Communication and feedback	<ul style="list-style-type: none"> ▶ There is a lack of transparency on collaboration outcomes, and no communication mechanisms are built between the collaborators 	<ul style="list-style-type: none"> ▶ There is some transparency on collaboration outcomes 	<ul style="list-style-type: none"> ▶ Some mechanisms are in place to communicate outcomes to limited parties 	<ul style="list-style-type: none"> ▶ Mechanisms are built between the collaborators, such that outcomes are communicated to most parties 	<ul style="list-style-type: none"> ▶ Mechanisms are built between the collaborators, such that outcomes are communicated to relevant parties in a transparent way

Annexure 8: Corporate governance performance – supporting assessments

A Governance framework components

An effective governance framework establishes appropriate mechanisms to guide organisations towards the achievement of their strategic objectives through effective decision making, delegation and oversight. To achieve this, organisations must determine the right balance between Board engagement, oversight and management level responsibilities. A selection of key drivers impacting an organisations Governance Framework are outlined below:

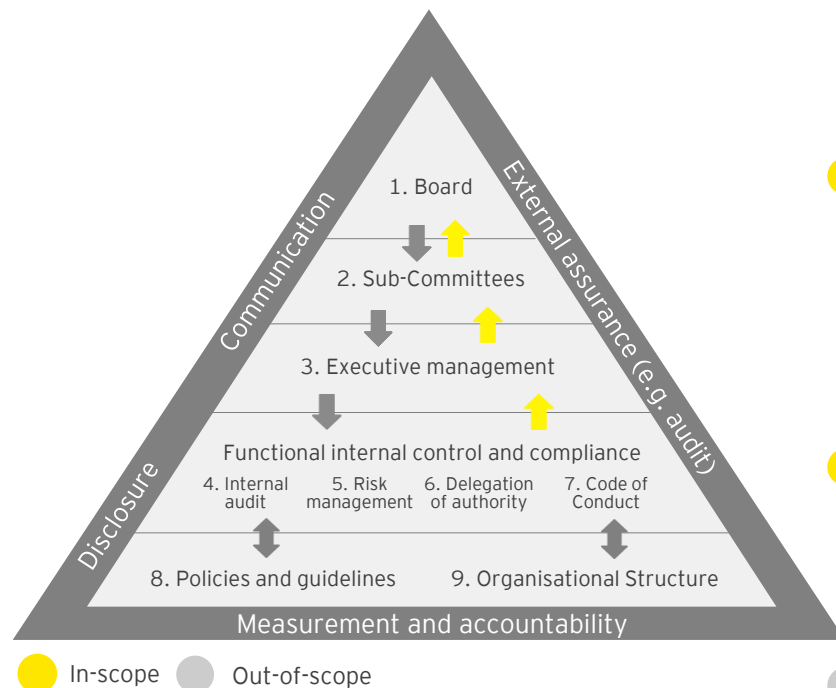


Figure 26: Governance framework

- 1 **Board** - The Board is responsible for setting the strategic direction and goals for an organisation and to provide effective oversight of management in the execution and achievement of those goals through the setting and monitoring of performance expectations
- 2 **Board Sub-Committees** - The Board establishes committees to assist in discharging its responsibilities effectively and efficiently. Further, committees are responsible for ensuring good governance and that effective systems and processes are in place to shape, enable and oversee the management of an organisation
- 3 **Executive management ("management")** - Management personnel are appointed by the Board/Committee to implement processes and to execute day to day affairs in accordance with the strategic direction, tone and expectations set by the Board
- 4 **Internal Audit** - To provide a level of monitoring activity over risk and to support in the identification of process improvements and efficiency gains
- 5 **Risk management** - The Risk Management Framework establishes expected business practices for the effective identification, assessment and management of risk
- 6 **Delegation of authority** - A delegation of authority is established to delegate the Board's authority and powers downward and to assist employees in understanding their authority to make decisions on behalf of the organisation. The above facilitates effective and accountable decision making and reduces ambiguity
- 7 **Code of Conduct** - A Code of Conduct establishes a common understanding of the standards of behaviour and values expected of all Board members and employees
- 8 **Policies and guidelines** - Policies and guidelines are established to allow employees to clearly understand their roles and responsibilities and to guide all major decisions making processes and actions within predefined limits
- 9 **Organisational Structure** - It should reflect the organisation's main operational objectives and do so in a coherent way while at the same time being flexible enough to respond to changes in the organisation's strategy or mission

A Criteria for governance maturity assessment

Key Attribute	Basic	Developing	Established	Advanced	Leading
Board	<ul style="list-style-type: none"> ▶ A corporate governance framework is not in place ▶ Information shared with Government (Key shareholder) is very limited ▶ There is no Director induction or training ▶ There is no review of Board effectiveness or composition ▶ There is no emphasis on Board Independence 	<ul style="list-style-type: none"> ▶ A corporate governance framework is in place but is not widely communicated within the organisation ▶ There is limited disclosure of information to Government relating to the major decisions undertaken by the company ▶ The Board includes a number of independent, non executive members ▶ There is limited Director induction and training ▶ There is limited review of Board effectiveness or composition 	<ul style="list-style-type: none"> ▶ Corporate governance processes are well established ▶ The Board's relationship with the Government is clear with regular and formal communication protocols ▶ There is some Director induction and training ▶ The Board consists of a majority of Independent Directors ▶ There is some level of review of Board effectiveness or Composition 	<ul style="list-style-type: none"> ▶ A corporate governance framework exists that cover most of the governance elements and is used as basis for decision making ▶ The Board discloses the principal transactions that require the attention of Government in a timely manner ▶ There are frequent Director induction and trainings ▶ The Board consists of a majority of Independent Directors ▶ There is an appropriate level of review of Board effectiveness or composition 	<ul style="list-style-type: none"> ▶ There exists a comprehensive corporate governance framework which covers all elements of corporate governance ▶ The Board has a well understood practice of full and timely disclosure of any material transactions, including emerging risk, with Government ▶ There is comprehensive Director induction and training ▶ The Board is composed entirely of Independent Directors ▶ There is a comprehensive review of Board effectiveness and composition

A Criteria for governance maturity assessment

Key Attribute	Basic	Developing	Established	Advanced	Leading
Established Sub-Committees	<ul style="list-style-type: none"> ▶ Oversight responsibilities for corporate governance are not defined 	<ul style="list-style-type: none"> ▶ The Board delegates oversight of key areas of responsibility to specific committees who report to the full Board with their analysis and recommendations. However, there may be gap and/or overlap between Board and Committees responsibilities hindering decision making process ▶ Oversight responsibilities are defined but not documented in a Charter or Terms of Reference 	<ul style="list-style-type: none"> ▶ The Board delegates oversight of key areas of responsibility to specific committees who report to the full Board with their analysis and recommendations; reporting mechanisms are effective to facilitate the achievements of the Board's objectives ▶ Board Committees have documented charters or Terms of Reference governing their oversight and reporting responsibilities to the Board 	<ul style="list-style-type: none"> ▶ The Board has other Board specialised committees designed to address special technical topics or potential conflicts of interest (e.g. nominations, compensation, risk) and these responsibilities are all documented in a Charter or Terms of Reference 	<ul style="list-style-type: none"> ▶ Effective governance is a core capability and enabler of effective decision Making

A Criteria for governance maturity assessment

Key Attribute	Basic	Developing	Established	Advanced	Leading
Engagement with the executive management	<ul style="list-style-type: none"> ▶ There is no performance evaluation for the executive management ▶ Performance concerns are not addressed by the Board ▶ Board meetings are rare and uncoordinated; there are no documented Board packs and minutes 	<ul style="list-style-type: none"> ▶ An informal performance evaluation of executive management occurs annually ▶ Unsatisfactory performance is addressed by the Board, however, there is no formal dialogue between the Board and the executive management ▶ Board packs and minutes are not consistently at a level that is desired for optimal decision making (e.g. information which is not comprehensive or not sufficiently concise to achieve desired decision making outcome). 	<ul style="list-style-type: none"> ▶ A formal performance evaluation of executive management is performed on an annual basis without any periodic reviews of the progress during the year ▶ Unsatisfactory performance is addressed by the Board supported by informal annual dialogue with the executive management ▶ Board meetings are regular; there are basic Board packs and minutes 	<ul style="list-style-type: none"> ▶ A formal performance evaluation of executive management is performed on an annual basis with some form of periodic review on the progress during the year ▶ Unsatisfactory performance is addressed by the Board supported by formal dialogue with the executive management ▶ Board meetings are regular and coordinated, striking right balance to enable effective decision making responsibilities; there exists appropriate Board packs and minutes 	<ul style="list-style-type: none"> ▶ A formal performance evaluation of executive management is performed on an annual basis, along with periodic reviews of the progress during the year ▶ Unsatisfactory performance is addressed by the Board supported by formal dialogue with the executive management, for which regular feedback is provided by the Chair ▶ Board meetings are regular and coordinated, striking right balance to enable effective and proactive decision making responsibilities; there are comprehensive Board packs and minutes

A Criteria for governance maturity assessment

Key Attribute	Basic	Developing	Established	Advanced	Leading
Risk management	<ul style="list-style-type: none"> ▶ There is no Risk Committee ▶ There is no risk management framework ▶ The organisation's risk appetite is not defined by the Board 	<ul style="list-style-type: none"> ▶ A formal risk management framework (RMF) exists ▶ Risk is tabled on Board (or dedicated committee) agendas on ad-hoc basis ▶ There is limited risk reporting ▶ The risk appetite has been established on an ad-hoc basis ▶ There is no dedicated risk management function appointed 	<ul style="list-style-type: none"> ▶ A risk management framework exists and risk reporting to the Board occurs ▶ The risk appetite is set but not uniformly applied ▶ The Audit and Risk Committee reports to the Board on a regular basis ▶ A dedicated risk management function is appointed 	<ul style="list-style-type: none"> ▶ The Risk Committee reports to the Board on a regular basis ▶ Appropriate risk management framework and reporting is applied and communicated throughout the organisation ▶ Risk appetite is set and communicated throughout the organisation ▶ Dedicated risk management function effectively promote the Risk Culture set by the Board 	<ul style="list-style-type: none"> ▶ Risk framework contains embedded validation and assurance and all high risks are immediately reported to the Board ▶ A comprehensive risk management framework exists and risk reporting is fully integrated throughout the organisation ▶ Risk appetite is appropriate for the size, nature and complexity of the organisation
Delegation of authority	<ul style="list-style-type: none"> ▶ There is no delegation of authority ▶ There is a lot of ambiguity around the decisions employees are able to make 	<ul style="list-style-type: none"> ▶ Delegation of authority is defined with little ambiguity ▶ Employees have some understanding of their ability to make decisions 	<ul style="list-style-type: none"> ▶ Delegation of authority is defined with little ambiguity ▶ Employees have a good understanding of their ability to make decisions 	<ul style="list-style-type: none"> ▶ Delegation of authority is well defined and ▶ Employees are empowered and supported in their decision making 	<ul style="list-style-type: none"> ▶ Delegation of authority is comprehensively defined to support effective and accountable decision making

A Criteria for governance maturity assessment

Key Attribute	Basic	Developing	Established	Advanced	Leading
Policy and procedures	<ul style="list-style-type: none"> ▶ Governance policies and procedures are not formally defined and the current infrastructure may not support corporate governance objectives 	<ul style="list-style-type: none"> ▶ Governance policies and procedures exist across the organisation but are informal and not documented ▶ Governance policies and procedures provide little guidance to support implementation 	<ul style="list-style-type: none"> ▶ Governance policies and procedures are formal and communicated consistently across the organisation ▶ Governance policies and procedures provide adequate guidance to support implementation 	<ul style="list-style-type: none"> ▶ Governance policies and procedures are implemented and their effectiveness measured ▶ Governance policies and procedures provide clear guidance to support implementation 	<ul style="list-style-type: none"> ▶ Governance policies and procedures are clearly articulated / documented, and are continuously updated, communicated and re-enforced throughout the organisation ▶ Governance policies and procedures provide comprehensive guidance to support implementation

A Criteria for governance maturity assessment

Key Attribute	Basic	Developing	Established	Advanced	Leading
Code of Conduct	<ul style="list-style-type: none"> ▶ Employee behaviour is governed by a set of informal rules ▶ The company doesn't have any corporate governance code or Policies ▶ There is no dedicated person tasked to oversee the implementation and monitor compliance to corporate governance processes 	<ul style="list-style-type: none"> ▶ The company has a documented Code of Conduct and Ethics but is not approved by the Board ▶ The company is managed by a set of governance standards but is not formally documented ▶ Corporate governance oversight rests with the Board and monitoring and compliance activities are performed on an ad-hoc basis 	<ul style="list-style-type: none"> ▶ The Board has a Corporate Governance Committee tasked to ensure that the company adopts and implements governance practices in line with relevant regulatory requirements ▶ A Board Secretary is assigned to oversee the company's compliance to the corporate governance code, governance policies and code of ethics. ▶ The published Code of Conduct appropriately sets out the tone from the top on the values and behaviours expected of all AWI Board members and employees. 	<ul style="list-style-type: none"> ▶ An Corporate Governance and Ethics Committee (or its equivalent) oversees the implementation of the Code and any instances of non-compliance ▶ The company periodically discloses to shareholders its corporate governance code and practices, and the extent to which such practices conform to the country's voluntary code of best practices 	<ul style="list-style-type: none"> ▶ The standards promoted by the Code of Conduct and Ethics is deeply ingrained in the company's culture and on each employee's behaviour ▶ The company meets all applicable recommendations of the country's voluntary code of best practices ▶ The company is publicly recognised as a national leader and among the global leaders in corporate Governance

A Criteria for governance maturity assessment

Key Attribute	Basic	Developing	Established	Advanced	Leading
Organisational Structure	<ul style="list-style-type: none"> ▶ Reporting lines are not formally defined ▶ The organisational structure does not serve the organisation's strategic objectives 	<ul style="list-style-type: none"> ▶ Reporting lines are defined but not consistently implemented across the organisation 	<ul style="list-style-type: none"> ▶ An organisational structure is in place that is approved by the Board and implemented across; it enables proper execution of authorities, responsibilities and flow of information to manage the organisation's activities 	<ul style="list-style-type: none"> ▶ The organisational structure is regularly evaluated for effectiveness to enable proper execution of authorities, responsibilities and flow of information to manage the activities of the entity 	<ul style="list-style-type: none"> ▶ The organisational structure adopted by management has a positive effect on performance, productivity and leadership effectiveness

3c) Assessment against ASX Corporate Governance Principles

ASX governance principles reference	Guidelines	Evidence
Principle 1: Lay solid foundations for management and oversight		
Recommendation 1.1	A listed entity should disclose: <ol style="list-style-type: none"> The respective roles and responsibilities of its Board and management, and Those matters expressly reserved to the Board and those delegated to management. 	<ul style="list-style-type: none"> ▶ AWI's Board Charter (2011) is available on its website: https://www.wool.com/globalassets/start/about-awi/who-we-are/corporate-governance/board_charter_nov2011.pdf ▶ Outlines roles and responsibilities, and activities that the Board formally delegates to the CEO authority (e.g. CEO remuneration, employment terms and conditions)
Recommendation 1.2	A listed entity should: <ol style="list-style-type: none"> Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director, and Provide security holders with all material information in its possession relevant to a decision on whether or not to elect or -a Director 	<p>Rule 13.3. (d) of the Constitution provides that a person (other than a retiring Director) will only be eligible for election to the office of Director at a general meeting if:</p> <ol style="list-style-type: none"> There is a vacancy to be filled The person is nominated by: (A) the Board, or (B) means of a written nomination signed by in excess of 99 (or such lesser number as may be prescribed by the Law) of eligible shareholders. The person consents to the nomination in writing, and The nomination and consent are received by AWI not less than 60 days nor more than 78 days before the meeting.
Recommendation 1.3	A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.	Executive each have an employment agreement/contract, but some date back to many years ago and the position they were originally hired for
Recommendation 1.4	The company secretary of a listed entity should be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.	The Company Secretary is responsible for the application of relevant standards of best practice in corporate governance, and also supports the effectiveness of the Board

3c) Assessment against ASX Corporate Governance Principles

ASX governance principles reference	Guidelines	Evidence
Principle 1: Lay solid foundations for management and oversight		
Recommendation 1.5	<p>A listed entity should:</p> <ol style="list-style-type: none"> a. Have a diversity policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them b. Disclose that policy or a summary of it, and c. Disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the Board or a relevant committee of the Board in accordance with the entity's diversity policy and its progress towards achieving them, and either: d. The respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes), or e. If the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.16 	There is no formal Board policy on diversity for the Board.
Recommendation 1.6	<p>A listed entity should:</p> <ol style="list-style-type: none"> a. Have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors, and b. Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	<ul style="list-style-type: none"> ▶ Next Board and Director Performance Review is planned for April 2018 ▶ AWI has undertaken performance evaluations in 2010, 2012, 2014 and 2016 and EY has reviewed evidence of these performance evaluations ▶ Section 2.16 of the Board Charter outlines the process for evaluating Board performance

3c) Assessment against ASX Corporate Governance Principles

ASX governance principles reference	Guidelines	Evidence
Principle 1: Lay solid foundations for management and oversight		
Recommendation 1.7	<p>A listed entity should:</p> <ol style="list-style-type: none"> a. Have and disclose a process for periodically evaluating the performance of its senior executives, and b. Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	<ul style="list-style-type: none"> ▶ Performance review is held annually. From the start of the new review year, employees are expected to be setting objectives. Self-assessment is assessed against objectives after 30 June and how they go about doing their work ▶ Managers then assess against the objectives and HR conducts a calibration session to make sure there is a consistent approach to ratings across the business. Managers and their staff have conversations and then ratings are finalised ▶ The Board reviews the CEO performance. This is not a 360 degree view including staff from below the CEO as it could be difficult to not identify people in such a small organisation

3c) Assessment against ASX Corporate Governance Principles

ASX governance principles reference	Guidelines	Evidence
Principle 2: Structure the Board to add value		
Recommendation 2.1	<p>The Board of a listed entity should:</p> <p>a. Have a nomination committee which:</p> <p>Has at least three members, a majority of whom are Independent Directors, and</p> <ol style="list-style-type: none"> i. Is chaired by an Independent Director, and disclose: ii. The Charter of the committee iii. The members of the committee, and iv. As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings, or <p>b. If it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<ul style="list-style-type: none"> ▶ The Board Nomination Committee was introduced in 2011 to assess the skills of those seeking election to the Board of AWI ▶ The Committee members comprises three external members and two AWI Board members. The Chair is one of the external members ▶ The members of the Board Nomination Committee in 2017 are outlined in AWI's Annual Report ▶ There is no reporting on the number of times the committee met throughout each reporting period ▶ The objectives and responsibilities of the Board sub-committees are set out in the 'Charter of the Committee of the Board': https://www.wool.com/globalassets/start/about-awi/who-we-are/corporate-governance/charter_of_the_committees_of_the_board-oct15.pdf ▶ The objectives and responsibilities of the Board Nomination Committee are set out in the 'Board Nomination Committee Charter': https://www.wool.com/globalassets/start/about-awi/who-we-are/corporate-governance/2011_schedule_4_board_nomination_committee.pdf

3c) Assessment against ASX Corporate Governance Principles

ASX governance principles reference	Guidelines	Evidence
Principle 2: Structure the Board to add value		
Recommendation 2.2	A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.	<ul style="list-style-type: none"> ▶ A Board Skills Review was conducted in 2010 in order to undertake a Board skills audit, develop the desired skills model, and identify gaps and recommend action for closing them ▶ AWI has a document called Directors Information that includes their relevant skills. The Board skills matrix is not disclosed
Recommendation 2.3	A listed entity should disclose: <ol style="list-style-type: none"> a. The names of the Directors considered by the Board to be Independent Directors b. If a Director has an interest, position, association or relationship of the type described in Box 2.3 but the Board is of the opinion that it does not compromise the independence of the Director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion, and c. The length of service of each Director 	<ul style="list-style-type: none"> ▶ AWI's Constitution stipulates that the Board shall comprise between 5 and 10 Directors with the majority being independent, non-executive Directors

3c) Assessment against ASX Corporate Governance Principles

ASX governance principles reference	Guidelines	Evidence
Principle 2: Structure the Board to add value		
Recommendation 2.4	A majority of the Board of a listed entity should be Independent Directors.	<ul style="list-style-type: none"> ▶ The independence of Directors is considered annually in the Board reviews and monitored continuously by reference to the disclosures of interests which are a standing item of business at each Board meeting ▶ The current Directors of the Board are Mr Walter Merriman (Chairman), Ms Colette Garnsey, Mr James Morgan, Dr Meredith Sheil, Mr Don McDonald, Mr Jock Laurie and Mr David Webster. This boards independence will be assessed by an independent advisor, with the report being due 30th June 2018 ▶ The Directors of the Board in 2015 to 2017 were Mr Walter Merriman (Chairman), Mr Paul Cocking, Ms Colette Garnsey, Mr James Morgan, Dr Meredith Sheil, Mr Bryan Van Rooyan and Mr David Webster. The Board was of the view that all Directors of AWI were correctly described as Independent Directors ▶ Clause 3.2 of AWI's Board Charter outlines the criteria for independence of Directors. The independence of Directors is considered annually in the Board reviews and monitored continuously by reference to disclosure of interests, which are a standing item of business at each Board meeting ▶ The ASX Corporate Governance Principles has guidance in Principle 2 on whether Directors with a service tenure of 10 years or more should be deemed as independent. In response to this, the AWI Board in 2017 engaged with John Harrison to conduct an annual assessment of independence of Directors. This process will be externally managed and apply from the current financial year ending 30 June 2018

3c) Assessment against ASX Corporate Governance Principles

ASX governance principles reference	Guidelines	Evidence
Principle 2: Structure the Board to add value		
Recommendation 2.5	The Chair of the Board of a listed entity should be an Independent Director and, in particular, should not be the same person as the CEO of the entity.	The Chairman exercises a separate role to the CEO.
Recommendation 2.6	A listed entity should have a program for inducting new Directors and provide appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.	All new Directors appointed to the Board undertake a formal induction program, coordinated by the Company Secretary and led by the Chairperson. The program covers matters including: <ul style="list-style-type: none"> i. The Strategic Plan and intent of the Company ii. Critical issues facing the industry iii. Key business risks iv. Director's responsibilities on the Board and Board Committees, and v. Obligations to the Company and its stakeholders. This is outlined in the Board Charter.
Principle 3: Act ethically and responsibly		
Recommendation 3.1	A listed entity should: <ul style="list-style-type: none"> a. Have a Code of Conduct for its Directors, senior executives and employees, and b. Disclose that code or a summary of it. 	AWI has a Code of Conduct with which all employees and Directors are expected to comply. The Code of Conduct and Business Ethics is available on the website: https://www.wool.com/globalassets/start/about-awi/who-we-are/corporate-governance/code_of_conduct_business_ethics.pdf

3c) Assessment against ASX Corporate Governance Principles

ASX governance principles reference	Guidelines	Evidence
Principle 4: Safeguard integrity in corporate reporting		
Recommendation 4.1	<p>The Board of a listed entity should:</p> <ol style="list-style-type: none"> a. Have an audit committee which: <ol style="list-style-type: none"> i. Has at least three members, all of whom are non-executive Directors and a majority of whom are Independent Directors, and ii. Is chaired by an Independent Director, who is not the Chair of the Board, and disclose: iii. The Charter of the committee iv. The relevant qualifications and experience of the members of the committee, and v. In relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings, or b. If it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner. 	<ul style="list-style-type: none"> ▶ Finance & Audit Committee is chaired by David Webster ▶ The committee met 8 times during the last reporting period ▶ Biographical details regarding the members of the Finance & Audit Committee (2016-17) are set out on pages 6-7 of the Annual Report: <ul style="list-style-type: none"> ▶ Mr David A Webster (Chair) ▶ Mr Walter B Merriman (Committee member) ▶ Mr Jock Laurie (Committee member) ▶ Mr James Morgan (Committee member) ▶ The Charter of the committee can be found in Schedule 1 of the Charter of the Committees of the Board October 2015

3c) Assessment against ASX Corporate Governance Principles

ASX governance principles reference	Guidelines	Evidence
Principle 4: Safeguard integrity in corporate reporting		
Recommendation 4.2	The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity 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 entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively	The wording of the declaration reflects the wording of the recommendation in AWI's Annual Report.
Recommendation 4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	External audits are carried out at a group level for the parent, group and TWC group on an annual basis. The external audits for the AWI group are HLB Mann Judd and PricewaterhouseCoopers in 2017 and 2016, respectively.
Principle 5: Make timely and balanced disclosure		
Recommendation 5.1	A listed entity should: <ol style="list-style-type: none"> Have a written policy for complying with its continuous disclosure obligations under the Listing Rules, and Disclose that policy or a summary of it. 	As AWI is an unlisted public company, it is not an ASX disclosing entity. However, AWI reports annually to members on its operations and financial results.
Principle 6: Respect the rights of security holders		
Recommendation 6.1	A listed entity should provide information about itself and its governance to investors via its website.	AWI provides information about itself and its governance framework on its website: https://www.wool.com/about-awi/who-we-are/corporate-governance/

3c) Assessment against ASX Corporate Governance Principles

ASX governance principles reference	Guidelines	Evidence
Principle 6: Respect the rights of security holders		
Recommendation 6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	<ul style="list-style-type: none"> ▶ In the new 2018 communications plan, which is being discussed by the AWI Board, a new spokesperson policy has been proposed, increasing the number of spokespeople from AWI and reducing the reliance on the CEO and Chairman as media spokespeople ▶ AWI has a formal Annual Planning and Consultation Cycle, which sets out the key planning and consultation processes. Please refer to the Stakeholder Engagement chapter for more information
Recommendation 6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	AWI's corporate documents are available on its website: https://www.wool.com/about-awi/who-we-are/corporate-governance/
Recommendation 6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically	<ul style="list-style-type: none"> ▶ AWI sends a copy of its Annual Report to all shareholders in / approximately October each year. AWI also regularly distributes to its stakeholders the following: <ol style="list-style-type: none"> i. A periodic newspaper "Beyond the Bale" ii. A letter to all shareholders in / approximately August confirming voting entitlements iii. A letter to eligible levy payers that are not shareholders in/about Feb each year inviting them to become AWI shareholders iv. Where AWI becomes aware of significant and important information, and it would not be appropriate to wait to publish the information in an above-mentioned AWI publication, AWI will distribute this information to shareholders via a special announcement publication ▶ In addition, AWI provides electronic communications and publications on its website www.wool.com.au that also enable the broader community to readily access the information sent to shareholders

3c) Assessment against ASX Corporate Governance Principles

ASX governance principles reference	Guidelines	Evidence
Principle 7: Recognise and manage risk		
Recommendation 7.1	<p>The Board of a listed entity should:</p> <ol style="list-style-type: none"> a. Have a committee or committees to oversee risk, each of which: <ol style="list-style-type: none"> i. Has at least three members, a majority of whom are Independent Directors, and ii. Is chaired by an Independent Director, and disclose: iii. The Charter of the committee iv. The members of the committee, and v. As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings, or b. If it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework. 	<ul style="list-style-type: none"> ▶ The Finance & Audit Committee is responsible to: <ul style="list-style-type: none"> ▶ Ensure that systems are in place to identify, minimise and manage financial risks and that those systems are working effectively ▶ Ensure that systems are in place to identify, minimise and manage business and legal risks and that those systems are working effectively ▶ Ensure that the Company has appropriate insurance coverage in place for all matters for which the Company is legally obligated to insure, along with all other matters considered to be of significant risk to the Company ▶ Ensure that management has implemented recommendations made by internal and external audit ▶ Review policies for the prevention of fraud, their implementation and effectiveness
Recommendation 7.2	<p>The Board or a committee of the Board should:</p> <ol style="list-style-type: none"> a. Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound, and b. Disclose, in relation to each reporting period, whether such a review has taken place. 	<ul style="list-style-type: none"> ▶ The framework documents for Fraud & Risk plans are reviewed every three years, the last being conducted and approved by the AWI Board in November 2016. Individual risk profiles for each portfolio are reviewed annually ▶ AWI's Risk Framework Policy establishes a consistent approach to managing risk and opportunity It sets out the requirements and responsibilities for all staff and emphasises that the management of risk and reporting on risk is everyone's responsibility ▶ AWI's project approval process includes a risk assessment for the specific project

3c) Assessment against ASX Corporate Governance Principles

ASX governance principles reference	Guidelines	Evidence
Principle 7: Recognise and manage risk		
Recommendation 7.3	<p>A listed entity should disclose:</p> <ol style="list-style-type: none"> If it has an internal audit function, how the function is structured and what role it performs, or If it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes. 	<ul style="list-style-type: none"> AWI has an internal audit function that is managed internally. It includes (but not limited to) monthly views of the SAP management reports / detailed expenditure, and reviews of cashflow requirements for overseas subsidiaries. Any areas of concerns are investigated and, if required, independent internal audits are conducted
Principle 8: Remunerate fairly and responsibly		
Recommendation 8.1	<p>The Board of a listed entity should:</p> <ul style="list-style-type: none"> Have a remuneration committee which: Has at least three members, a majority of whom are Independent Directors, and Is chaired by an Independent Director, and disclose: The Charter of the committee 	<ul style="list-style-type: none"> Remuneration & Appointment Committee is currently chaired by Colette Garnsey The committee met 3 times during the last reporting period Biographical details regarding the members of the Remuneration & Appointment Committee are set out on in the Annual Report The Charter of the committee can be found in Schedule 2 of the Charter of the Committees of the Board October 2015

3c) Assessment against ASX Corporate Governance Principles

ASX governance principles reference	Guidelines	Evidence
Principle 8: Remunerate fairly and responsibly		
Recommendation 8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive Directors and the remuneration of executive Directors and other senior executives.	<ul style="list-style-type: none"> ▶ Remuneration policies and principles used to determine the nature and amount of remuneration of non-executive Directors and senior executives are outlined in the Annual Report ▶ All Directors' fees are reviewed by the Board, and reflect the demands which are made on, and the responsibility of the Directors ▶ The Chairman's fees are determined based on comparative roles in the external market ▶ Both the Chairman and non-executive Directors receive additional fees for their membership on committees ▶ Executive remuneration consists of base salary, benefits and superannuation. It may be delivered as a mix of cash and non-cash benefits
Recommendation 8.3	A listed entity which has an equity-based remuneration scheme should: <ol style="list-style-type: none"> a. Have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme, and b. Disclose that policy or a summary of it. 	<ul style="list-style-type: none"> ▶ Not applicable as AWI does not have an equity based remuneration scheme

3d) Board Charter Assessment

Good Governance Guides are publications of the Governance Institute of Australia

Better Practice Reference	Better practice recommendation on what is included in a Board Charter	Evidence in AWI Board Charter
Good Governance Guide - Board Charter	Role of the executive leadership/management group -The purpose of this section is to identify why the particular executive leadership/management group has been established.	▶ 2. Responsibilities of the Board also outlines to the role of the Board
Good Governance Guide - Board Charter	Responsibilities of the executive leadership/management group - This part of the Terms of Reference / Charter sets out the responsibilities of the executive management/leadership group, and addresses how the purpose of the group is to be met.	▶ 2. Responsibilities of the Board ▶ 5. Allocation of Responsibilities
Good Governance Guide - Board Charter	Structure and composition of the executive leadership/management group - The Terms of Reference / Charter must include a section which details the composition and requirements for membership of the group.	▶ 3. Composition of the Board
Good Governance Guide - Board Charter	Operation of the executive leadership/management group - This section of the Terms of Reference / Charter generally details the procedures that assist the group to exercise its functions.	▶ 7. Access to Information and Independent Professional Advice ▶ 5. Allocation of Responsibilities
Good Governance Guide - Board Charter	Code of Conduct - acknowledge that members of the group agree to comply with the Code of Conduct	▶ 8. Charters, Codes of Conduct and Policies
Good Governance Guide - Board Charter	Confidentiality and conflicts of interest - It is good governance for public sector entities to establish policies and procedures to maximise the protection of confidential information and for the Terms of Reference / Charter to clarify the confidentiality obligations of group members. It is also good governance for the group to establish a process whereby members' material personal interests are properly disclosed and managed.	▶ 7. Access to Information and Independent Professional Advice
Good Governance Guide - Board Charter	Review and assessment of the group - In considering performance, the group is encouraged to utilise external independent assessment measures to assist with the Review.	▶ 2. Responsibilities of the Board - Section 2.16 refers to regular evaluation of Board performance

3d) Code of Conduct Assessment

Good Governance Guides are publications of the Governance Institute of Australia

Better Practice Reference	Better Practice Recommendation	Evidence in AWI Code of Conduct
The Code of Conduct should address:		
Good Governance Guide - Board Charter	The responsibilities of Directors, managers and all others to whom it applies.	▶ Section 5 of the Code of Conduct
Good Governance Guide - Board Charter	<p>Legal and regulatory obligations, including how the company:</p> <ul style="list-style-type: none"> ▶ Complies with relevant laws, regulations and customs ▶ Manages the various duties of Directors ▶ Manages conflicts of interests – avoidance, disclosure, non-voting and so on ▶ Manages disclosure issues, including related-party transaction requirements ▶ Handles bribery, corruption and anti-competitive practices ▶ Manages insider trading – the Code of Conduct should refer to the company’s policy on dealing in securities (refer to Good Governance Guide: Issues to consider in developing or reviewing the policy on trading in company securities) ▶ Manages the integrity of financial statements and other financial reporting ▶ Manages whistleblowing ▶ Maintains confidentiality, privacy and non-disclosure of information ▶ Reports on trading in shares (this applies to listed entities only). 	<ul style="list-style-type: none"> ▶ Section 15 of the Code of Conduct outlines obligations to comply with the law ▶ But there is no specific references that address the sub bullet points

3d) Code of Conduct Assessment

Better Practice Reference	Better Practice Recommendation	Evidence in AWI Code of Conduct
The Code of Conduct should address:		
Good Governance Guide - Board Charter	<p>Stakeholder considerations and corporate policies, how the company:</p> <ul style="list-style-type: none"> ▶ Engages with governments, communities and other stakeholders ▶ Utilises policy to address various issues, such as occupational health and safety, environment, equality, diversity, fairness, privacy, political donations, discrimination and harassment ▶ Protects the assets of the company, including intellectual property ▶ Communicates externally, protects the reputation of the company and engages in public relations ▶ Manages IT and utilises social media channels ▶ Communicate with various stakeholders manages the receipt of gifts and provides hospitality ▶ Commit to ethical business practices and decision making, and engages with the community. 	<ul style="list-style-type: none"> ▶ Asset: AWI People must take all steps which are reasonably necessary to protect AWI's assets and resources. These include AWI's buildings, facilities, equipment, property, money and materials, confidential information, intellectual property (such as inventions, trade secrets, formulae, databases, customer/stakeholder lists, software, drawings and reports) ▶ Health and safety: In order for AWI to provide a safe and healthy working environment, AWI People are expected to cooperate with AWI in respect of all work health and safety matters. This includes adherence by all AWI People to AWI's Occupational Health and Safety Policy ▶ No references made to external communication, social media channels

3d) Code of Conduct Assessment

Better Practice Reference	Better Practice Recommendation	Evidence in AWI Code of Conduct
The Code of Conduct should:		
Good Governance Guide - Board Charter	Contain an introduction articulating the values of the company	▶ Section 4.3 of the Code of Conduct outlines the company values
Good Governance Guide - Board Charter	Be written in plain language and use relevant examples that people can easily understand at all levels of the company	▶ Lack of examples provided
Good Governance Guide - Board Charter	Have a stated purpose	▶ Section 1 introduction states the purpose of the Code of Conduct
Good Governance Guide - Board Charter	Clearly set out the requirements of the code and the relevant laws, policies, standards, procedures and behaviours	<ul style="list-style-type: none"> ▶ Section 5 outlines the responsibilities of Directors and officers ▶ Section 15 outlines complying with the law ▶ Sections 6 - 14 outline standards and behaviours relating to a safe working environment, equal opportunity, use of AWI assets and resources, confidentiality, conflicts of interest, drug and alcohol use, protecting AWI's reputation, gifts, gratitude and entertainment, bribes and secret commissions

3d) Code of Conduct Assessment

Better Practice Reference	Better Practice Recommendation	Evidence in AWI Code of Conduct
Good Governance Guide - Board Charter	detail the obligations of all Directors, officers, employees, contractors and consultants in meeting the code, for example to respond professionally, promptly and confidentially	<p>As part of the implementation of its guiding values, AWI expects AWI people to:</p> <ul style="list-style-type: none"> ▶ Act honestly, professionally and fairly in all transactions and dealings which relate to the performance or undertaking of their work ▶ Not only comply with their contractual commitments to AWI, but also to perform their work to a high professional standard ▶ Respond to all reasonable shareholder enquiries on a timely basis ▶ Use their best efforts to maximise shareholder benefits and deliver value across all shareholders ▶ Treat all shareholders equally ▶ Treat all other AWI People and other persons with whom they have dealings in performing work for or on behalf of AWI, with courtesy and respect ▶ Make full, fair and timely disclosure of relevant information to shareholders, and ▶ Work within the requirements of all federal and state laws governing the operation of corporate entities, such as AWI
Good Governance Guide - Board Charter	provide a mechanism for persons covered by the code to seek advice on the application of the code, for example from a manager or Code of Conduct committee	<ul style="list-style-type: none"> ▶ No mechanism for persons to seek advice
Good Governance Guide - Board Charter	detail reporting of any breach of the code, with reference to the Whistleblowing policy, and also detail the consequences of any breach of the code be provided to all Directors and officers, employees, contractors and consultants upon their commencement with the company	<ul style="list-style-type: none"> ▶ AWI People who may be concerned about a possible breach of this Code should report the matter to their manager in the first instance, or if more appropriate, to the Chief Executive Officer ▶ No reference to Whistleblowing policy, mechanism and consequences

3d) Code of Conduct Assessment

Better Practice Reference	Better Practice Recommendation	Evidence in AWI Code of Conduct
The Board should:		
Good Governance Guide - Board Charter	Approve and formally adopt the Code of Conduct	▶ The Board approves the Code of Conduct
Good Governance Guide - Board Charter	Commit to the Code of Conduct upon appointment, including alternate Directors	
Good Governance Guide - Board Charter	Regularly review the Code of Conduct and ensure that it remains current and relevant to the company	▶ "The Board of AWI will from time to time review, amend as appropriate and approve changes to the Code." It was last updated in 19th April 2013
Good Governance Guide - Board Charter	Make sure that systems are in place to ensure that the Code of Conduct is disseminated throughout the company, is understood and is complied with	▶ Annual online training course this has not been rolled out yet
Good Governance Guide - Board Charter	Seek assurance that these systems are operating effectively	
Good Governance Guide - Board Charter	The Code of Conduct should be made publicly available by posting it to the company's website.	▶ Code of Conduct is available on the wool.com website
Suggestions for content of a Code of Conduct		
ASX Corporate Governance Principles	Express the organisation's commitment not only to complying with its legal obligations but also to acting ethically and responsibly.	▶ "Australian Wool Innovation Limited and its related bodies corporate ("AWI") wish to ensure that high ethical standards and practices are adopted across its business, and that a strong culture of respect, integrity, and fair dealing is promoted within its organisation."

3d) Code of Conduct Assessment

Better Practice Reference	Better Practice Recommendation	Evidence in AWI Code of Conduct
ASX Corporate Governance Principles	<p>Clearly state the organisation's expectation that all Directors, senior executives and employees will:</p> <ul style="list-style-type: none"> ▶ Act in the best interests of the entity ▶ Act honestly and with high standards of personal integrity ▶ Comply with the laws and regulations that apply to the entity and its operations ▶ Not knowingly participate in any illegal or unethical activity ▶ Not enter into any arrangement or participate in any activity that would conflict with the entity's best interests or that would be likely to negatively affect the entity's reputation ▶ Not take advantage of the property or information of the entity or its customers for personal gain or to cause detriment to the entity or its customers ▶ Not take advantage of their position or the opportunities arising therefrom for personal gain. 	<ul style="list-style-type: none"> ▶ The main responsibilities of individual Directors and key officers of AWI are set out in Sections 5 of the Board's Charter ▶ Section 5.2.13 of the Charter requires that individual Directors comply with the Code, policies and governance requirements approved by the Board
ASX Corporate Governance Principles	Describe the organisation's processes for preventing the offering or acceptance of bribes and other unlawful or unethical payments or inducements. This might include how the listed entity regulates the giving and accepting of business courtesies and facilitation payments.	<ul style="list-style-type: none"> ▶ Without limiting the above, AWI People must not provide (or cause to be provided) any suspect Benefits to obtain an improper advantage for AWI (or its clients), an AWI Person or other unauthorised third party. This includes the making of Suspect Benefits to Government Officials or clients or potential clients of AWI and any associates of these persons or persons who are capable of influencing them

3d) Code of Conduct Assessment

Better Practice Reference	Better Practice Recommendation	Evidence in AWI Code of Conduct
ASX Corporate Governance Principles	Describe the organisation's processes for handling actual or potential conflicts of interest.	<ul style="list-style-type: none"> ▶ Directors and Officers are expected to comply with managing conflicts of interest, notify AWI of all material personal interests and other actual or potentially conflicting interests as soon as they arise ▶ There is no specific process described
ASX Corporate Governance Principles	Identify the measures the organisation follows to encourage the reporting of unlawful or unethical behaviour. This might include a reference to how the organisation protects "whistleblowers" who report violations in good faith. ²⁴	<ul style="list-style-type: none"> ▶ Refers to AWI's Equal Employment Opportunity, Anti-Discrimination, Harassment and Bullying Policy and AWI People

3d) Conflicts of Interest Assessment

Good Governance Guides are publications of the Governance Institute of Australia. This assessment has been against section 10 in the AWI Code of Conduct

Better Practice Reference	Better Practice Recommendation	Evidence in AWI Code of Conduct
The conflicts of interest should address:		
Good Governance Guide - Conflicts of Interest	<ul style="list-style-type: none"> ▶ Contain a statement noting that the management of conflicts is central to organisational integrity 	AWI People are expected to act at all times in AWI's best interests and to exercise sound judgment unclouded by personal interests or divided loyalties.
Good Governance Guide - Conflicts of Interest	<ul style="list-style-type: none"> ▶ Define a conflict of interest (noting that there are real and perceived conflicts) and provide examples of types of conflicts 	<p>It is expected that all AWI People will avoid financial, business or other relationships which might be opposed to the best interests of AWI or may compromise with the proper performance of their duties. For example conflicts of interest may arise where:</p> <ul style="list-style-type: none"> a) an AWI Person engages an employee, contractor, or supplier where the AWI Person has a family relationship with that person; or b) an AWI person has a financial investment in an organisation which competes with AWI or provides goods or services to AWI; or c) an AWI person received a secret profit or benefit from a person who is seeking to do business with AWI <ul style="list-style-type: none"> ▶ No definition provided, only three examples. There is no mention of real and perceived conflicts

3d) Conflicts of Interest Assessment

Better Practice Reference	Better Practice Recommendation	Evidence in AWI Code of Conduct
The conflicts of interest should address:		
Good Governance Guide - Conflicts of Interest	Provide an overview of Directors' duties (and note that the protection offered in s180(2) – the business judgment rule – will not apply in situations where a Director acts on a material personal interest) and that s 189 is relevant to reliance on advice	No provision available
Good Governance Guide - Conflicts of Interest	Clarify to whom the policy applies	The Code applies to: <ul style="list-style-type: none"> ▶ Directors and officers ▶ Managers ▶ Employees; and ▶ Contractors and consultants (collectively "AWI People" or "AWI Person")
Good Governance Guide - Conflicts of Interest	Set out the guiding principles for the disclosure of conflicts of interest	AWI People are expected to disclose full and frankly all potential or actual conflicts of interests, as soon as they become aware of this. AWI may take steps to remove the AWI Person from the conflict situation.
Good Governance Guide - Conflicts of Interest	Describe the processes for the disclosure of conflicts, including the register and a standing agenda item at Board meetings	If an AWI Person becomes aware that they have or may have a conflict of interest, the AWI Person should immediately notify their manager in the first instance, or if more appropriate, the Chief Executive Officer.

3d) Conflicts of Interest Assessment

Better Practice Reference	Better Practice Recommendation	Evidence in AWI Code of Conduct
The conflicts of interest should address:		
Good Governance Guide - Conflicts of Interest	Provide direction as the point at which conflicts are so material that they effectively prohibit the individual from performing in their role	No provision available
Good Governance Guide - Conflicts of Interest	Describe what is expected of a Director if the conflict is significant	No provision available
Good Governance Guide - Conflicts of Interest	Include reference to how regularly the policy will be reviewed	<ul style="list-style-type: none"> ▶ The Board of AWI will from time to time review, amend as appropriate and approve changes to the Code ▶ No specific time frame provided. The Code of Conduct was last approved by the Board on 19th April 2013

Annexure 9: Constitution - supporting assessments

Comparison with SRA and DAL Constitutions

SRA Constitution			DAL Constitution		AWI Constitution		Recommendation
		Rule		Rule		Rule	
1	Company limited by guarantee. The liability of members is limited to a maximum of \$2 for payment of debts and liabilities of the company.	1	Company limited by guarantee. The liability of members is limited to a maximum of \$2 for payment of debts and liabilities of the company.	1	Public company limited by shares but operates like a co-operative.	1.2	For noting only.
2	Proposed changes to the Constitution require consultation with the Minister at least 21 days prior to the changes being considered at a general meeting.	4	No similar provision.	N/A	Subject to Law, a special resolution passed by at least 75% of votes cast by shareholders entitled to vote is required to change or repeal the Constitution. AWI must discuss any proposed changes to its Constitution with the Commonwealth under clause 15.4 of the SFA.	3	To make it clear to all members of AWI the Commonwealth's right, we recommend that Rule 3 be amended to reflect the Commonwealth's rights currently in clause 15.4 of the SFA.

The review of the SRA and DAL Constitutions with the AWI Constitution was as at 1 June 2018

Comparison with SRA and DAL Constitutions

SRA Constitution			DAL Constitution		AWI Constitution		Recommendation
		Rule		Rule		Rule	
3	<p>Payment of reasonable remuneration in return for services rendered to the Company is permitted.</p> <p>The following payments to a member or member representative are permitted:</p> <ul style="list-style-type: none"> ▶ Interest on loan at a rate not exceeding a rate charged by Australian banks for overdrawn accounts ▶ A reasonable amount for goods or services supplied in the ordinary course of business, and ▶ Reasonable rent for premises leased by the member or member representative to the company. 	5.3	<p>Payment of reasonable remuneration in return for services rendered to the Company is permitted.</p> <p>The following payments to a member are permitted:</p> <ul style="list-style-type: none"> ▶ Interest on loan at a rate not exceeding a rate charged by Australian banks for overdrawn accounts ▶ A reasonable amount for goods or services supplied in the ordinary course of business, and ▶ Reasonable rent for premises leased by the member to the company. 	5.3	<p>The following payments in good faith to any person are permitted:</p> <ul style="list-style-type: none"> ▶ Remuneration for services actually rendered or to be rendered ▶ For property or goods supplied or to be supplied in the ordinary and usual way of business ▶ Interest on loan at a rate not exceeding a rate charged by the Company's bankers for commercial overdrafts on money borrowed from a member, and ▶ Reasonable rent for premises leased by the member to the company. 	5.4(b)	<p>Recommend that Rule 5.4(b) be amended to include the following:</p> <ul style="list-style-type: none"> ▶ Remuneration must be reasonable ▶ Payment is only made for a reasonable amount of goods and services, and ▶ Any supplies of goods or services must be in the ordinary course of business. <p>Recommended that any loan from the member or rental of premises from a member should only be entered into if reasonably necessary and on standard terms.</p>

The review of the SRA and DAL Constitutions with the AWI Constitution was as at 1 June 2018

Comparison with SRA and DAL Constitutions

SRA Constitution			DAL Constitution		AWI Constitution		Recommendation
		Rule		Rule		Rule	
4	Payment to a member or a member representative and provision of assets to a member by way of grants or arrangements that are made in the ordinary course of the company's business and on terms that are same as, or not materially different from those on which grants and arrangements of a similar kind are made with persons who are not members.	5.4	Payment and provision of assets to a member by way of grants or arrangements that are made in the ordinary course of the company's business and on terms that are same as, or not materially different from those on which grants and arrangements of a similar kind are made with persons who are not members.	5.4	No similar provision.	N/A	Recommend that similar provisions to the SRA and DAL constitutions be included.
5	The Company must not: <ul style="list-style-type: none"> ▶ Engage in Agri-Political Activities (a defined term) ▶ Undertake representation on behalf of the Industry ▶ Be a marketing or trading organisation, and ▶ Undertake commercial activities for the purpose of generating revenue. 	6	So long as the company is the industry services body, it must not knowingly engage in, or support, directly or indirectly, financially or otherwise, political campaigning or political funding.	6	No similar provision.	N/A	Given that AWI receives funding from the Government, it may be prudent to include provisions similar to the SRA Constitution and the DAL Constitution (but industry specific).

The review of the SRA and DAL Constitutions with the AWI Constitution was as at 1 June 2018

Comparison with SRA and DAL Constitutions

SRA Constitution			DAL Constitution		AWI Constitution		Recommendation
		Rule		Rule		Rule	
6	The Company will consult regularly with industry and wider stakeholders.	7	No similar provision.	N/A	No similar provision. Clause 28 of the SFA provides for consultation with Levy Payers, shareholders and woolgrowers Industry representative bodies on limited bases only.	N/A	Recommend that a provision similar to the SRA Constitution be included.
7	Two classes of members: <ul style="list-style-type: none"> ▶ Group G: Growing business ▶ Group M: Mill companies 	8	Two groups of members: <ul style="list-style-type: none"> ▶ Group A: Those who pay levy to the Commonwealth ▶ Group B: Those who represent or participate in the Australian dairy industry or pear representative organisations for the Australian dairy industry (application must be supported by at least 100 Group A members) 	8	Only one class of share. Shareholders must have either paid the Rolling Wool Levy Amount or engaged in a Wool Producing Business.	4.1	Recommend that the Board consider if there are any advantages to either split the existing shareholders into 2 groups or to create a new group with representative from the wool business.

The review of the SRA and DAL Constitutions with the AWI Constitution was as at 1 June 2018

Comparison with SRA and DAL Constitutions

SRA Constitution			DAL Constitution		AWI Constitution		Recommendation
		Rule		Rule		Rule	
8	Membership is not transferrable.	9	No similar provision.	N/A	Transfer of shares is only permissible if the Board is satisfied that it was due to a transfer of a Wool Producing Business.	10	No changes are required.
9	<p>A member ceases to be a member if he or she:</p> <ul style="list-style-type: none"> ▶ Resigns, or ▶ Ceases to be qualified to be a member. 	10	<p>A member ceases to be a member if he or she:</p> <ul style="list-style-type: none"> ▶ Resigns ▶ Ceases to be qualified to be a member ▶ Is expelled by the Board for not complying with the Constitution, rules or regulations of the company, or acted in a way that, in the opinion of the Board is prejudicial to the interests of the company, or ▶ Is expelled by the members by resolution passed at a general meeting. 	10	A shareholder ceases to be a shareholder if it has ceased to be engaged in a Wool Producing Business.	4.2(f)	Recommend that the AWI Constitution be amended to allow a shareholder to resign, and to allow shareholders or Directors to expel a shareholder on reasonable grounds.

The review of the SRA and DAL Constitutions with the AWI Constitution was as at 1 June 2018

Comparison with SRA and DAL Constitutions

SRA Constitution			DAL Constitution		AWI Constitution		Recommendation
		Rule		Rule		Rule	
10	<p>A Group G member is entitled to one vote. Each member representative may cast one vote for each Growing Business.</p> <p>A Group M member is entitled to cast the number of votes as allocated to it for the relevant calendar year on the following basis:</p> <ul style="list-style-type: none"> ▶ One vote per mill company, and ▶ One vote per whole tonne of sugarcane delivered to the processing plants in the prior calendar year. <p>The Board must provide Group M members a notice at least 60 days before the AGM:</p> <ul style="list-style-type: none"> ▶ Setting out the Board's determination of the number of votes the relevant member is entitled to vote for the calendar year, and ▶ Stating they may apply for a review of the determination within 21 days. <p>Rule 11.7 sets out the voting entitlement if the company is not the Industry Services Body.</p>	11	<p>A Group B member is not entitled to vote.</p> <p>A Group A member is entitled to cast the number of votes as allocated to it for the relevant financial year being one vote for each dollar paid as levy in respect of the previous financial year.</p> <p>The Board must before the AGM (and at least once in each financial year) provide Group A members a notice:</p> <ul style="list-style-type: none"> ▶ Setting out the Board's determination of the number of votes the relevant member is entitled to vote for the financial year, and ▶ Stating they may ask for a review of the determination within 21 days. <p>Rule 11.7 sets out the voting entitlement if the company is not the Industry Services Body.</p>	11	<p>Each shareholder has 1 vote on a show of hands (regardless if he or she has more than one capacity). If shareholder has appointed more than 1 representative, proxy or attorney, none of them is entitled to vote.</p> <p>On a poll, only shareholders present may vote. The shareholder is entitled to one vote for each whole \$100 Rolling Wool Levy Amount at the time of the vote.</p> <p>The Board must determine the Tolling Wool Levy Amount for each shareholder at least 35 days before the AGM and notify shareholders of the voting entitlements as soon as reasonably possible after the date of the Board's determination.</p>	12.1 5.3	<p>For noting only.</p> <p>Although it appears from these constitutions that the practices across these industry are to record the voting entitlements once a year, it is recommended that the voting entitlements be reviewed prior to each meeting to ensure that the shareholders' votes represents their latest voting entitlements.</p>

Comparison with SRA and DAL Constitutions

SRA Constitution			DAL Constitution		AWI Constitution		Recommendation
		Rule		Rule		Rule	
11	Rule 11.8 sets out members' entitlements (e.g. right to receive notice, to speak at general meeting, to vote etc).	11.8	Rule 12.3 sets out Group A members' entitlements (e.g. right to receive notice, to speak at general meeting, to vote etc).	12.3	No similar provision.	N/A	Recommend that a provision similar to the SRA Constitution or the DAL Constitution be included.
12	Company must keep a voting entitlements register.	12	Company must keep a voting entitlements register.	12.1	No similar provision.	N/A	Recommend that a provision similar to the SRA Constitution or the DAL Constitution be included.
13	Each Group may appoint delegates. Rule 13 sets out the procedures for nominating, appointing and removing delegates, and delegates' meetings.	13	No similar provision.	N/A	No similar provision.	N/A	For noting only.

The review of the SRA and DAL Constitutions with the AWI Constitution was as at 1 June 2018

Comparison with SRA and DAL Constitutions

SRA Constitution			DAL Constitution		AWI Constitution		Recommendation
		Rule		Rule		Rule	
14	No similar provision.	N/A	Rule 13 sets out the consultation procedures for Group B members.	13	No similar provision. However, clause 28 of the SFA includes obligation to consult with certain stakeholders.	N/A	For noting only.
15	A general meeting may be convened by: <ul style="list-style-type: none"> ▶ The Board ▶ A Director, or ▶ Request by 100 members or members with at least 5% of the votes. 	14.1 14.2	A general meeting may be convened by the Board or a Director. Rule 14.1 contains a note stating the members' rights under section 249D to convene a general meeting.	14.1	A general meeting may be convened by a resolution of the Board. No shareholder may convene a general meeting except where entitled under the law to do so.	10.1	Recommend that Rule 10.1 be amended to allow a Director (as opposed to the Board) to convene a general meeting (consistent with section 249C of the Corporations Act (replaceable rule)). Shareholders are entitled to convene a general meeting under section 249D of the Corporations Act. Although Rule 10.1 provides that shareholders may convene a general meeting under the law, it is recommended that this is included in the AWI Constitution so that the shareholders are aware of their rights.
16	No similar provision.	N/A	Written notice of a general meeting must be given to members who are not entitled to vote at the meeting.	14.2	No similar provision.	N/A	Recommend that a provision similar to the DAL Constitution be included.

Comparison with SRA and DAL Constitutions

SRA Constitution			DAL Constitution		AWI Constitution		Recommendation
		Rule		Rule		Rule	
17	The minimum notice period for a general meeting is 21 days.	14.3	The minimum notice period for a general meeting is 28 days.	14.3	No similar provision.	N/A	Recommend that a minimum notice period for a general meeting is included being 21 days under section 249H of the Corporations Act and 28 days for ASX listed companies.
18	New notice must be given if a general meeting is postponed or adjourned for one month or more.	14.5	New notice must be given if a general meeting is postponed or adjourned for one month or more.	14.5	No similar provision.	N/A	Recommend that a provision similar to the SRA Constitution and the DAL Constitution be included. This recommendation is consistent with section 249M of the Corporations Act (replaceable rule).
19	No similar provision.	N/A	A Group B member may give the company notice of a resolution that it proposes to move at the general meeting.	15.1	No person may move any resolution (except as set out in the notice of meeting) or any amendment of any resolution, except with the approval of the Board, the Chairman or under law.	11.1	Recommend that a provision similar to the DAL Constitution be included or the AWI Constitution is amended to comply with section 249N of the Corporations Act.

The review of the SRA and DAL Constitutions with the AWI Constitution was as at 1 June 2018

Comparison with SRA and DAL Constitutions

SRA Constitution			DAL Constitution		AWI Constitution		Recommendation
		Rule		Rule		Rule	
20	<p>The quorum for a general meeting is 30 Group G Members and 3 Group M Members and no business may be transacted unless a quorum is present at the commencement of the meeting.</p> <p>The meeting is dissolved if a quorum is not present within 30 minutes unless the Chairman adjourns the meeting. The adjourned meeting will be dissolved if no quorum is present at the adjourned meeting.</p>	15.2	<p>The quorum for a general meeting is 50 Group A Members.</p> <p>If a quorum is not present within 15 minutes:</p> <ul style="list-style-type: none"> ▶ The meeting is dissolved if it was called at the request of members, or ▶ In other case, the meeting is adjourned. The adjourned meeting will be dissolved if no quorum is present at the adjourned meeting. 	15.4	<p>The quorum for a general meeting is 60% of all shareholders or 50 shareholders (whichever is lesser) present and no business may be transacted unless a quorum is present at the commencement of the meeting.</p> <p>The meeting is dissolved if quorum is not present within 30 minutes unless the Chairman adjourns the meeting. The adjourned meeting will be dissolved if no quorum is present at the adjourned meeting.</p>	11.2	<p>Recommend the following:</p> <ul style="list-style-type: none"> ▶ Rule 11.2(a) be amended to require a quorum to be present “at all times during the meeting” (as opposed to only at the commencement of the meeting), and ▶ Rule 11.2(b) be amended to provide adjournment in cases where meeting is not requested by members (similar to the DAL Constitution).
21	<p>If there is no Chair or deputy Chair, or if they are not present or are unwilling to Chair, the Directors present at the general meeting may choose another Director to Chair the meeting, or failing that, a member representative chosen by the member representatives present may Chair the meeting.</p>	15.3	<p>If there is no Chair or deputy Chair, or if they are not present or are unwilling to Chair, the Group A members present must elect a Director or other person present to Chair the general meeting.</p>	15.5	<p>Similar provision to the SRA Constitution.</p>	11.3	<p>No changes are required.</p>

Comparison with SRA and DAL Constitutions

SRA Constitution			DAL Constitution		AWI Constitution		Recommendation
		Rule		Rule		Rule	
22	Rule 15.5 sets out the business of an AGM. Rule 15.5(c) states that the auditor and its representative may attend and be heard on any part of the business of a meeting concerning the auditor, and may be questioned about the audit.	15.5	No similar provision.	N/A	Rule 11.1 sets out the business of an AGM.	11.1	Recommend that Rule 11.1 be amended to ensure that auditor attends the AGM (consistent with ASX's Corporate Governance Principles and Recommendations 4.3).
23	Rule 15.5 sets out the general conduct of general meetings. The Chair has charge of the general conduct and the procedures necessary or desirable for proper and orderly discussion, casting or recording of votes.	15.6	No similar provision.	N/A	Rule 11.5 sets out the general conduct of general meetings. The procedures set out in Rule 11.5 are broad and cover the matters set out in the SRA Constitution.	11.5	No changes are required. However, the Chair should only exercise his/her discretion in a reasonable manner.
24	The Chair must adjourn a general meeting at which a quorum is present if directed by ordinary resolution of the members.	15.7	Similar provision to the SRA Constitution.	15.7	No similar provision.	N/A	Recommend that a provision similar to the SRA Constitution and the DAL Constitution be included.

The review of the SRA and DAL Constitutions with the AWI Constitution was as at 1 June 2018

Comparison with SRA and DAL Constitutions

SRA Constitution			DAL Constitution		AWI Constitution		Recommendation
		Rule		Rule		Rule	
25	A proxy need not be a member. The notice of appointment of a proxy must be signed in the presence of at least one witness.	16.1	No similar provision. However, the note in Rule 16 states that a proxy need not be a member.	N/A	No similar provision.	N/A	Recommend that a provision similar to the SRA Constitution be included and consistent with section 249X(1) of the Corporations Act that only requires that a "person be appointed".
26	No similar provision.	N/A	An appointment of proxy is not invalid merely because it does not contain all the information required.	16.1	Any appointment of proxy which is incomplete shall be invalid.	12.3 (c)	No changes are required.
27	No similar provision.	N/A	Rules 16.4 and 16.5 set out the appointment of an attorney. An attorney need not be a member. The power of attorney must be signed in the presence of at least one witness.	16.4 16.5	Rule 12.6 sets out the appointment of an attorney, which is similar to the provisions in the DAL Constitution except that it does not state that the attorney need not be a member, nor require that the power of attorney be signed in the presence of at least one witness. However, Rule 12.6 permits the attorney to appoint a proxy for the shareholder granting the power of attorney.	12.6	Recommend that Rule 12.6 to include a statement that the attorney need not be a member, and to require that the power of attorney be signed in the presence of at least one witness.
28	No similar provision.	N/A	No similar provision.	N/A	Rule 12.7 sets out the appointment of a representative.	12.7	No changes are required.

The review of the SRA and DAL Constitutions with the AWI Constitution was as at 1 June 2018

Comparison with SRA and DAL Constitutions

SRA Constitution			DAL Constitution		AWI Constitution		Recommendation
		Rule		Rule		Rule	
29	A proxy has no power to act for a Member at a General Meeting at which the admitted Member Representative is present.	16.3	A proxy or attorney has no power to act for a member at a general meeting at which the member is present. A proxy has no power to act for a member at a general meeting at which the member is present by attorney.	16.7	No similar provision.	N/A	Recommend that a provision similar to the DAL Constitution be included which would be consistent with section 249X(3) of the Corporations Act.
30	Rule 16.4 sets out the priority of conflicting appointment of a member proxy.	16.4	Rule 16.8 sets out the priority of conflicting appointment of attorney or representative.	16.8	Where a shareholder has appointed more than one person as representative, proxy or attorney for the shareholder, none of the representatives, proxies or attorneys is entitled to vote.	12.1 (a)	No changes are required.

The review of the SRA and DAL Constitutions with the AWI Constitution was as at 1 June 2018

Comparison with SRA and DAL Constitutions

SRA Constitution			DAL Constitution		AWI Constitution		Recommendation
		Rule		Rule		Rule	
31	<p>A vote cast by a proxy is not invalid just because, before the act is done, the appointing Member:</p> <ul style="list-style-type: none"> ▶ Died or became mentally incapacitated ▶ Became bankrupt or an insolvent under administration, or was wound up, or ▶ Revoked the appointment or the authority under which the appointment was made, unless the Company received written notice of the matter before the start or resumption of the meeting. 	16.6	<p>Similar provision to the SRA Constitution, but extend to a vote cast by an attorney and a representative.</p>	16.10	<p>Similar provision to the DAL Constitution, except the following:</p> <ul style="list-style-type: none"> ▶ It does not apply to situation where a shareholder became bankrupt or an insolvent under administration, or was wound up, and ▶ The written notice must be received at least 48 hours before the relevant meeting. 	12.4 (b)	<p>Recommend that Rule 12.4(b) apply to situation where a shareholder became bankrupt or an insolvent under administration, or was wound up, and remove the requirement of 48 hours, provided that the notice is received before the start or resumption of the meeting.</p>
32	<p>Rule 16.7 sets out a list of items to be included in a proxy form.</p>	16.7	<p>No similar provision.</p>	N/A	<p>Rule 12.5 sets out a list of items to be included in a proxy form, and is similar to the provision in the SRA Constitution except that it does not state that the form must also allow the member to direct the proxy to abstain from voting.</p>	12.5	<p>Recommend that Rule 12.5 be amended so that the proxy form contains an option for the member to direct the proxy to abstain from voting.</p>

The review of the SRA and DAL Constitutions with the AWI Constitution was as at 1 June 2018

Comparison with SRA and DAL Constitutions

SRA Constitution			DAL Constitution		AWI Constitution		Recommendation
		Rule		Rule		Rule	
33	Delegate may appoint an alternate.	16.8	No similar provision.	N/A	No similar provision.	N/A	If the recommendation to provide for the appointment of an alternate is accepted, then we recommend that an equivalent to Rule 16.8 of SRA Constitution be included.
34	No similar provision.	N/A	If a Group A member consists of joint members, only the nominated member can vote. Joint members may by written notice to the company allocate the voting entitlements between the joint members as specified in the notice, and then each joint member can cast the voting entitlement allocated to that joint member. However, these joint members must not vote on a show of hands.	17.1	Only the vote of the joint holder whose name appears first in the Register counts.	4.4(f)	Recommend that AWI consider the provision in the DAL Constitution.
35	Rule 17.3 sets out how company should deal with votes cast by members who are not permitted to vote.	17.3	Similar provision to the SRA Constitution.	17.3	No similar provision.	N/A	Recommend that a provision similar to the SRA Constitution and the DAL Constitution be included.

Comparison with SRA and DAL Constitutions

SRA Constitution			DAL Constitution		AWI Constitution		Recommendation
		Rule		Rule		Rule	
36	Rule 17.5 sets out when and how polls must be taken.	17.5	Similar provision to the SRA Constitution.	17.5	Rule 11.8 sets out when and how polls must be taken, but does not cover the following: <ul style="list-style-type: none"> ▶ Votes which the Corporations Act section 250A(4) requires to be cast in a given way must be treated as cast in that way, and ▶ A person voting who has the right to cast two or more votes need not cast all those votes and may cast them in different ways. 	11.8	Recommend that Rule 18 be amended to include the following: <ul style="list-style-type: none"> ▶ Votes which the Corporations Act section 250A(4) requires to be cast in a given way must be treated as cast in that way, and ▶ A person voting who has the right to cast two or more votes need not cast all those votes and may cast them in different ways.
37	The Board must ensure there is in force a Strategic Plan and an Annual Operating Plan, and the Board must review and update the plan at least once in 12 months. Rules 18.2 and 18.3 set out the matters that need to be included in the plans. Rules 18.4 sets out how the Review of those plans will be conducted.	18	The Board must ensure there is in force a Strategic Plan and an operating plan (or a combined plan). Rules 18.2 and 18.3 set out the matters that need to be included in the plans.	18	No similar provision.	N/A	Recommend that a provision similar to the SRA Constitution and the DAL Constitution be included.

Comparison with SRA and DAL Constitutions

SRA Constitution			DAL Constitution		AWI Constitution		Recommendation
		Rule		Rule		Rule	
38	Rule 19 sets out the general and specific powers of the Directors (including power to borrow, to give guarantees and indemnities, appoint or employ a person etc) and states that the Board may make policies.	19	Rule 19 sets out the general power of the Board (i.e. that the Board has power to manage the business of the company). It also states that the Board must decide how negotiable instruments can be executed, accepted or endorsed for the company.	19	Rule 16.1 sets out the general power of the Board (i.e. that the Board has power to manage the business of the company).	16.1	<p>Recommend that Rule 16.1 be amended to include specific powers and states that the Board may make policies.</p> <p>To comply with ASX Corporate Governance Principles and Recommendations 1.1, the respective roles and responsibilities of its Board and management, and those matters expressly reserved to the Board and those delegated to management, must be disclosed.</p> <p>Recommend that section 198B of the Corporations Act (replaceable rule) be included so that a negotiable instrument is only signed, drawn, accepted, endorsed or otherwise by two or more Directors.</p>
39	A Board resolution is passed when a majority of Directors entitled to receive notice of a Board meeting and to vote on the resolution sign a document containing a statement that they are in favour of the resolution.	20	A Board resolution is passed when all the Directors entitled to receive notice of a Board meeting and to vote on the resolution sign a document containing a statement that they are in favour of the resolution.	20	A resolution is valid if it was signed by: <ul style="list-style-type: none"> ▶ All Director, or ▶ A majority of the Directors entitled to vote if notice has been given to all Directors. 	15.8	<p>Recommend that to demonstrate good corporate governance, Rule 15.8 be amended so that a resolution is only passed without a director's meeting if all the Directors (as opposed to a majority of Directors) entitled to vote sign the resolution.</p> <p>The recommendation is consistent with section 248A(1) of the Corporations Act (replaceable rule).</p>

The review of the SRA and DAL Constitutions with the AWI Constitution was as at 1 June 2018

Comparison with SRA and DAL Constitutions

SRA Constitution			DAL Constitution		AWI Constitution		Recommendation
		Rule		Rule		Rule	
40	A Director may at any time, and the secretary must on request from a Director, convene a Board meeting.	21.1	Similar provision to the SRA Constitution.	21.1	A Director or the secretary may call a Directors' meeting.	15.1 (c)	Recommend that Rule 15.1(c) be amended to make it clear the secretary can only call a Directors' meeting on request from a Director. The Corporations Act does not give a secretary the power to call a meeting of Directors. In order to be consistent with section 248C of the Corporations Act we recommend that the secretary only be entitled to call a meeting of Directors if requested by a Director to do so.
41	A Board meeting held solely or partly by technology is treated as held at the place at which the greatest number of the Directors present at the meeting is located or, if an equal number of Directors are in each of two or more places, at the place the Director chairing the meeting is.	21.3	Similar provision to the SRA Constitution.	21.3	A meeting conducted by telephone, audio-visual link or other means of communication is considered held at the place agreed on by the Directors attending the meeting if at least one of the Directors present at the meeting was at that place for the duration of the meeting.	15.2	Recommend that Rule 15.2 be amended to include a default position in the event the Directors are unable to agree on a place.

The review of the SRA and DAL Constitutions with the AWI Constitution was as at 1 June 2018

Comparison with SRA and DAL Constitutions

SRA Constitution			DAL Constitution		AWI Constitution		Recommendation
		Rule		Rule		Rule	
42	<p>A Chair is nominated by a Director Selection Committee and appointed by board's resolution for a period of three years from appointment.</p> <p>If no appointment has been made, or the Chair is not present within 15 minutes or declines to act, the Directors present must elect a Director present to Chair that meeting.</p>	21.4	<p>The Board may by resolution appoint a Chair and a deputy Chair. If no appointment of a Chair has been made, or the person appointed is not present within 15 minutes or declines to act, the deputy Chair may Chair the meeting. If the deputy Chair is also absent or declines to act the Directors present must elect a Director present to Chair the meeting.</p>	21.4	<p>The Board may elect a Chairman and a deputy Chairman. If no Chairman or deputy Chairman is elected or if at any meeting the Chairman and the deputy Chairman are not present at the time specified for holding the meeting, the Directors present may choose a Director to be Chairman.</p>	15.4	<p>Recommend that Rule 15.4 be amended to:</p> <ul style="list-style-type: none"> ▶ Make it mandatory for any meetings to be chaired (consistent with section 248E of the Corporations Act (replaceable rule)) ▶ Cover situation where the Chair and the deputy Chair are present but decline to act, and ▶ Allow the Chair or deputy Chair to be late by no more than 15 minutes.

The review of the SRA and DAL Constitutions with the AWI Constitution was as at 1 June 2018

Comparison with SRA and DAL Constitutions

SRA Constitution			DAL Constitution		AWI Constitution		Recommendation
		Rule		Rule		Rule	
43	<p>Unless the Board decides otherwise, the quorum for a Board meeting is:</p> <ul style="list-style-type: none"> ▶ If the number of Directors is an even number, one half of the number of Directors plus 1 ▶ If the number of Directors is an odd number, one half of the number of Directors rounded up to the next whole number. <p>A quorum must be present for the whole meeting.</p> <p>A Director is treated as present at a meeting held by audio or audio-visual communication if the Director is able to hear and be heard by all others attending. If a meeting is held in another way permitted by the Corporations Act section 248D, the Board must resolve the basis on which Directors are treated as present.</p>	21.5	Similar provision to the SRA Constitution.	21.5	<p>The quorum for a Directors' meeting is 2 Directors or 50% of the number of Directors if the company has more than 4 Directors. The only exception to this requirement is that when the Directors appoint a new Director to increase the number of Director so that it is sufficient to constitute a quorum. It also requires a quorum to be present at the meeting.</p>	15.1 (b)	Recommended that Rule 15.1(b) be amended to require a quorum to be present "at all times during the meeting" to be consistent with section 248F of the Corporations Act (replaceable rule).

The review of the SRA and DAL Constitutions with the AWI Constitution was as at 1 June 2018

Comparison with SRA and DAL Constitutions

SRA Constitution			DAL Constitution		AWI Constitution		Recommendation
		Rule		Rule		Rule	
44	The Chair of the Board meeting does not have a casting vote.	21.7	Similar provision to the SRA Constitution.	21.7	The Chair has a casting vote.	15.3	No changes are required. Rule 15.3 is consistent with section 248G(2) of the Corporations Act (replaceable rule).
45	A resolution passed or thing done by the Board is not invalid just because there is a vacancy in the office of a Director.	21.8 (b)	Similar provision to the SRA Constitution.	21.8 (b)	Rule 15.8(b) provides that if the number of Directors is reduced below the minimum number, the continuing Directors may act for the purpose of increasing the number of Directors to that number or of calling a general meeting of the company but for no other purpose.	15.8 (b)	No changes are required.

The review of the SRA and DAL Constitutions with the AWI Constitution was as at 1 June 2018

Comparison with SRA and DAL Constitutions

SRA Constitution			DAL Constitution		AWI Constitution		Recommendation
		Rule		Rule		Rule	
46	<p>Rule 22 provides that Board may delegate its powers to committees, and sets out the relevant requirement and procedures (including remuneration and reporting requirements). Committee members do not have to be Directors. Rule 22.2 provides that the Board must establish at least the following Committees with the functions specified in Rule 22.2, plus the SRA Research Funding Panel with functions specified in Rule 22.3:</p> <ul style="list-style-type: none"> ▶ Audit and Risk Management Committee ▶ Remuneration Committee ▶ Director Selection Committee 	22	<p>Rule 22.1 provides that the Board must establish at least the following Committees:</p> <ul style="list-style-type: none"> ▶ Audit and Risk Management Committee ▶ Human Resources Committee ▶ Selection Committee <p>Committee members do not all have to be Directors. At least one Director must be a committee member. Rule 22 requires Charter for each committee be established and sets out the reporting requirements.</p>	22	<p>Rule 15.6 provides that Board may delegate its powers to committees consisting of any one or more Directors or any other person or persons. Rule 15.6(c) sets out the composition of an audit committee.</p>	15.6	<p>Recommend that a provision similar to the SRA Constitution and the DAL Constitution be included to demonstrate AWI's commitment to ensure its corporate governance is in line with the ASX Corporate Governance Principles and Recommendations.</p> <p>ASX Corporate Governance Principles and Recommendations 1.2 provides that appropriate checks must undertake before appointing a person, or putting forward to security holders a candidate for election, as a Director, and that security holders must be provided with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director.</p> <p>ASX Corporate Governance Principles and Recommendations 1.5 provides that a listed entity should have a diversity policy.</p> <p>ASX's Corporate Governance Principles and Recommendations 1.6 provides that a listed entity should have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors.</p> <p>ASX's Corporate Governance Principles and Recommendations provide that a listed entity should have a nomination committee (2.1), audit committee (4.1), risk management committee (7.1), internal audit function (7.3) and remuneration committee (8.1).</p>

The review of the SRA and DAL Constitutions with the AWI Constitution was as at 1 June 2018

Comparison with SRA and DAL Constitutions

SRA Constitution			DAL Constitution		AWI Constitution		Recommendation
		Rule		Rule		Rule	
47	Rule 23 sets out the power to revoke delegation, and the terms of delegation made to a committee or a person	23	Rule 23 sets out: <ul style="list-style-type: none"> ▶ The Board's power to delegate and to revoke delegation ▶ The exercise of delegation, and ▶ The terms of delegation made to a committee, a Director or an employee. 	23	No similar provision.	N/A	Recommend that a provision similar to the SRA Constitution and the DAL Constitution be included.
48	The Board must formulate and implement a Code of Conduct for the Directors and senior officers, delegates and members of committee. Rule 24 sets out the contents that must be covered by the Code of Conduct, and the reporting requirement.	24	Similar provision to the SRA Constitution.	24	No similar provision. Contained in clause 14 of the SFA.	N/A	Recommend that a provision similar to the SRA Constitution and the DAL Constitution be included to demonstrate AWI's commitment to ensure its corporate governance is in line with the ASX's Corporate Governance Principles and Recommendations 3.1.
49	The company must have at least 6 but no more than 8 Directors.	25.1	The company must have at least 7 but no more than 9 Directors, or other numbers determined by the Board.	25.1	The company must have at least 5 but no more than 10 Directors, or other numbers determined by the Board.	13.1	For noting only.

The review of the SRA and DAL Constitutions with the AWI Constitution was as at 1 June 2018

Comparison with SRA and DAL Constitutions

SRA Constitution			DAL Constitution		AWI Constitution		Recommendation
		Rule		Rule		Rule	
50	A vacancy in the office of a Director does not affect anything done by the Board, unless the number of Directors is less than 6, which then, the continuing Directors may act as the Board only: <ul style="list-style-type: none"> ▶ To appoint Directors up to that minimum number ▶ To convene a general meeting, and ▶ In emergencies. 	25.2	Similar provision to the SRA Constitution, except the minimum number of Directors is 7.	25.	No similar provision.	N/A	Recommend that a provision similar to the SRA Constitution and the DAL Constitution be included to ensure that the Board consist of appropriate number of Directors. To be consistent with section 201A(2) of the Corporations Act the AWI Constitution should prescribe that the minimum number of Directors is 3.
51	Rule 26 requires the Board as a whole has a balance of appropriate and identified skills and experiences, having regard to the nature of the business and affairs of the company. Rule 26 also sets out the required qualifications for Directors and requires a majority of Directors to be independent.	26	Rule 26 requires the Board as a whole has a balance of appropriate balance of skills and experiences, having regard to the nature of the business and affairs of the company, and at least 4 Directors with milk producer skills. Rule 27 sets out the required qualifications for Directors.	26 27	No similar provision. Clause 14.3 of the SFA contains this obligation.	N/A	Recommend that a provision similar to the SRA Constitution be included to demonstrate AWI's commitment to ensure its corporate governance is in line with the ASX's Corporate Governance Principles and Recommendations 2.2 (board's skills matrix) and 2.4 (majority of Directors to be independent).

The review of the SRA and DAL Constitutions with the AWI Constitution was as at 1 June 2018

Comparison with SRA and DAL Constitutions

SRA Constitution			DAL Constitution		AWI Constitution		Recommendation
		Rule		Rule		Rule	
52	Rule 27 sets out the functions and composition of the Director Selection Committees, and its reporting requirements.	27	Rule 28 sets out the functions and composition of the Selection Committee, and its reporting requirements.	28	No similar provision. Clause 14.4 of the SFA contains a much narrower obligation.	N/A	Recommend that a provision similar to the SRA Constitution and the DAL Constitution be included to demonstrate AWI's commitment to ensure its corporate governance is in line with the ASX's Corporate Governance Principles and Recommendations. Recommend that clause 14.4 of the SFA be amended or deleted to avoid potential conflicts.

The review of the SRA and DAL Constitutions with the AWI Constitution was as at 1 June 2018

Comparison with SRA and DAL Constitutions

SRA Constitution			DAL Constitution		AWI Constitution		Recommendation
		Rule		Rule		Rule	
53	<p>The independent Chair of a Director Selection Committee should provide the report of the Director Selection Committee to the next AGM.</p> <p>Members may, by ordinary resolution, elect any person who has been recommended by a Director Selection Committee as a Director.</p>	28.1	<p>A Director may be appointed:</p> <ul style="list-style-type: none"> ▶ By resolution or election by a general meeting ▶ By the Board, but only to fill a vacancy, or ▶ By resolution at a general meeting other than an AGM. <p>Rules 29.2 provides that a person recommended by the Selection Committee must be nominated by the Board for election as a Director at the next AGM. In the absence of recommendation by the Selection Committee, the Board may nominate a person for election. A person can also be nominated for election by at least 100 Group A member.</p> <p>Rule 29.4 provides that if at any AGM there is a Board nominated candidate against whom one or more Group A member nominated candidates are standing, there will be an election in relation to that position held in accordance with the procedure set out in Schedule 1.</p>	29	<p>A Director may be appointed:</p> <ul style="list-style-type: none"> ▶ By resolution or election by an AGM, or ▶ By the Board to fill a vacancy. <p>Directors appointed by the Board hold office only until the next AGM and may be re-elected at the next AGM. A person is eligible for election to the office of Director at a general meeting only if there is a vacancy and the person is nominated by the Board or more than 99 (or such lesser number prescribed by the law) eligible shareholders.</p>	13.2 13.3	<p>Recommend that AWI establish a selection or nomination committee and include in its Constitution a provision similar to the SRA Constitution and the DAL Constitution to demonstrate AWI's commitment to ensure its corporate governance is in line with the ASX's Corporate Governance Principles and Recommendations.</p> <p>Recommended that Rule 13.3 is amended so that any shareholder can nominate a person to be elected as Director, which is consistent with section 201G of the Corporations Act (replaceable rule).</p>

Comparison with SRA and DAL Constitutions

SRA Constitution			DAL Constitution		AWI Constitution		Recommendation
		Rule		Rule		Rule	
54	No similar provision.	N/A	The Board is required to appoint a managing Director. The appointment terminates if the managing Director ceases to be a Director, or be removed from office.	30	The Board may appoint a managing Director. If the Board so resolved, the managing Director ceases to be a managing Director upon ceasing to hold office as a Director.	14	Recommend that Rule 14 be amended so the managing Director automatically ceases to be a managing Director upon ceasing to hold office as a Director. This recommendation is consistent with section 203F(1) of the Corporations Act (replaceable rule).
55	<p>A person automatically ceases to be a Director if the person:</p> <ul style="list-style-type: none"> ▶ Is made the subject of guardianship or administration order, or a similar order, under a law relating to the protection of the person or property of a person on the grounds of infirmity, age or disability ▶ Resigns by written notice to the Company ▶ Is not permitted by or under the Corporations Act to be a Director or is disqualified by or under the Corporations Act from being a Director ▶ Fails to attend Board meetings for two consecutive meetings without leave of absence from the Board, or ▶ Is removed from office by ordinary resolution of members. 	30.1	Similar provision to the SRA Constitution except that the failure to attend Board meetings is for a continuous period of 3 months (as opposed to two consecutive meetings).	31.3	<p>Contains similar grounds to the DAL Constitution for automatic cessation of office except the following:</p> <ul style="list-style-type: none"> ▶ The Board has 14 days from a notice giving particulars of the absence to resolve that leave of absence be granted, and ▶ There is no provision for if the Director is made the subject of guardianship or administration order, or a similar order, under a law relating to the protection of the person or property of a person on the grounds of infirmity, age or disability. 	13.4	<p>Recommend that Rule 13.4 be amended to include the additional grounds.</p> <p>Recommend that Rule 13.4 disclose a process for periodically evaluating the performance of Directors (consistent with ASX's Corporate Governance Principles and Recommendations 1.7).</p>

The review of the SRA and DAL Constitutions with the AWI Constitution was as at 1 June 2018

Comparison with SRA and DAL Constitutions

SRA Constitution			DAL Constitution		AWI Constitution		Recommendation
		Rule		Rule		Rule	
56	A Director cannot hold office for more than 11 years.	30.5	A Director cannot hold office for 9 consecutive years unless extended by special resolution at AGM.	31.6 (b) 31.(d)	No similar provision.	N/A	Recommend that a maximum tenure for a managing Director be included.
57	No similar provision.	N/A	Subject to the contract, the Board may fix the remuneration and other benefits to which a managing Director is entitled but the fees must not consist of a commission on or percentage of profits or operating revenue.	32.1	The remuneration of a managing Director is determined by the Board.	14.1	Recommend that Rule 14.1 be amended so the remuneration must not consist of a commission on or percentage of profits or operating revenue. Recommend that the powers to vary a conferral of powers on the managing Director be included (covered in section 198C of the Corporations Act (replaceable rule)).

The review of the SRA and DAL Constitutions with the AWI Constitution was as at 1 June 2018

Comparison with SRA and DAL Constitutions

SRA Constitution			DAL Constitution		AWI Constitution		Recommendation
		Rule		Rule		Rule	
58	<p>The aggregate remuneration of Directors is fixed by ordinary resolution of member representatives and must not consist of a commission on or percentage of profits or operating revenue of the company.</p> <p>The fees are allocated as follows:</p> <ul style="list-style-type: none"> ▶ On an equal basis having regard to the proportion of the relevant year for which each Director held office, or ▶ As otherwise decided by the Board taking into account additional duties of the Chair and of chairs and members of Committees. <p>The fees may include provision of non-cash benefits but the Board must decide how the value of those benefits is to be calculated.</p>	31.1	Similar provision to the SRA Constitution.	32.2	<p>Subject to the Law, each non-executive Director is to be paid or provided remuneration for services, determined by the Board.</p> <p>The Company in general meeting may fix a limit on the total amount or value of such remuneration that may be paid or provided to the Directors in any year, and the limit may not be exceeded.</p>	13.6	<p>Recommend that Rule 13.6 be amended:</p> <ul style="list-style-type: none"> ▶ Remuneration of executive and non-executive Directors is to be determined by the company by resolution (consistent with section 202A(1) of the Corporations Act (replaceable rule)) ▶ To set out how fees will be allocated in order to promote transparency, and ▶ So the fees must not consist of a commission on or percentage of profits or operating revenue. <p>ASX's Corporate Governance Principles and Recommendations 8.2 provides that listed entity should separately disclose its policies and practices regarding the remuneration of non-executive Directors and the remuneration of executive Directors and other senior executives.</p>

The review of the SRA and DAL Constitutions with the AWI Constitution was as at 1 June 2018

Comparison with SRA and DAL Constitutions

SRA Constitution			DAL Constitution		AWI Constitution		Recommendation
		Rule		Rule		Rule	
59	Subject to any applicable law, the Company must not give any benefit in connection with a Director's retirement from or loss of office.	31.4	Similar provision to the SRA Constitution, except in the case of the managing Director where such benefits are provided in the contract.	32.5	Any person (including any officer of the Company) may be paid a benefit in connection with the retirement from office of any officer of the Company, in accordance with the Law. The Board may make arrangements with any officer with respect to, providing for, or effecting payment of, such benefits.	13.9 (1)	Recommend that Rule 13.9 be amended so that the Company must not give any benefit in connection with a Director's retirement from or loss of office unless required by law. Section 200B of the Corporations Act provides that a company must not give a Director a benefit in connection with his or her retirement from office unless with member approval.
60	Rule 33 sets out the Directors' right to information and advice.	32	Similar provision to the SRA Constitution.	33	No similar provision. However, Rule 19.1(d) provides that the company may give a former Director access to certain papers, including documents provided or available to the Board and other papers referred to in those document.	N/A	Recommend that a provision similar to the SRA Constitution and the DAL Constitution be included. Section 290 of the Corporations Act provides that Directors have a right to access the financial records at all reasonable times. Section 198F also provides that Directors have rights to inspect the books for the purpose of certain legal proceedings.
61	Each Director must comply with the Corporations Act sections 180 to 183 (General Duties), 191 (Duty to disclose personal interests) and 195 (restrictions on voting when personal interests).	33	Similar provision to the SRA Constitution.	34	No similar provision.	N/A	Recommend that a provision similar to the SRA Constitution and the DAL Constitution be included.

Comparison with SRA and DAL Constitutions

SRA Constitution			DAL Constitution		AWI Constitution		Recommendation
		Rule		Rule		Rule	
62	<p>A Director is not disqualified, just because he or she is a Director, from:</p> <ul style="list-style-type: none"> ▶ Holding an office or place of profit or employment (other than that of the Company's auditor), or ▶ Being a member or creditor of a corporation (including the Company) or partnership, other than the auditor, or ▶ Entering into an agreement with the Company. 	34.1	Similar provision to the SRA Constitution.	35.1	<p>A Director is not disqualified, just because he or she is a Director, from:</p> <ul style="list-style-type: none"> ▶ Holding an office under the Company or in a related body corporate, or ▶ Entering into an agreement with the Company as vendor, purchaser or otherwise. 	13.10 (a) 13.11	To discuss whether this power should be expanded to reflect the SRA and DAL Constitutions
63	In accordance with section 191 of the Corporations Act, a Director must notify the Company where they have, or will expect to have, a material personal interest in, or an actual or potential conflict with, a matter that relates to the affairs or business of the Company.	34.2	No similar provision.	N/A	No specific requirements to disclose but a Director cannot present or participate at a meeting unless disclosure of material personal interest is made as required by law.	13.10 (b) 13.10 (e)	Recommend that Rule 13.10 be amended to include a positive obligation on a Director to notify the Company where they have, or will expect to have, a material personal interest in, or an actual or potential conflict with, a matter that relates to the affairs or business of the Company.

The review of the SRA and DAL Constitutions with the AWI Constitution was as at 1 June 2018

Comparison with SRA and DAL Constitutions

SRA Constitution			DAL Constitution		AWI Constitution		Recommendation
		Rule		Rule		Rule	
64	<p>Subject to the Corporations Act section 195:</p> <ul style="list-style-type: none"> ▶ A Director may be counted in a quorum at a Board meeting that considers, and may vote on, any matter in which that Director has an interest, and ▶ The company may proceed with a transaction that relates to the interest and the Director may participate in the execution of a relevant document by or on behalf of the company, and ▶ The Director may retain benefits under the transaction even though the Director has the interest (if such interest must be disclosed under the Corporations Act or the Constitution, only if the interest is disclosed before the transaction is entered into), and ▶ The company cannot avoid the transaction merely because of the existence of the interest. 	34.3	Similar provision to the SRA Constitution.	35.2	<p>Rule 13.10 sets out certain activities that are permitted providing a Director has made appropriate disclosure under the law. Rule 13.10 covers most of the activities sets out in the SRA Constitution and DAL Constitution except that there is no provision for a Director to be counted in a quorum at a Board meeting.</p>	13.10	Recommend that Rule 13.10 be amended to permit a Director to be counted in a quorum at a Board meeting.

The review of the SRA and DAL Constitutions with the AWI Constitution was as at 1 June 2018

Comparison with SRA and DAL Constitutions

SRA Constitution			DAL Constitution		AWI Constitution		Recommendation
		Rule		Rule		Rule	
65	<p>The Company cannot avoid an agreement with a third party just because a Director:</p> <ul style="list-style-type: none"> ▶ Fails to disclose an interest as required by law or by the Constitution, or ▶ Was present at, or was counted in the quorum for, a Board meeting that considered or voted on the agreement. 	34.4	Similar provision to the SRA Constitution.	35.3	Rule 13.10(a) states that providing a Director has made appropriate disclosure under the law, any contract or arrangement entered into by or on behalf of the company in which a Director is interested may not be avoided for that reason.	13.10 (a)	Recommend no amendment to the AWI Constitution given the composition of its Board and shareholder members.
66	<p>Every Director and secretary is required to keep the transactions and affairs of the company and the state of its financial reports confidential unless they are required to disclose them:</p> <ul style="list-style-type: none"> ▶ In the course of duties as an officer of the company, or ▶ By the Board or the company in general meeting, or ▶ By law. <p>The company may require a Director, secretary, auditor, trustee, committee member or other person engaged by it to sign a confidentiality undertaking.</p>	35	Similar provision to the SRA Constitution.	36	No similar provision.	N/A	Recommend that a provision similar to the SRA Constitution and the DAL Constitution be included as this is consistent with the general Directors duties under sections 180-184 of the Corporations Act.

The review of the SRA and DAL Constitutions with the AWI Constitution was as at 1 June 2018

Comparison with SRA and DAL Constitutions

SRA Constitution			DAL Constitution		AWI Constitution		Recommendation
		Rule		Rule		Rule	
67	<p>The Board is required to appoint a Chief Executive Officer. The Chief Executive Officer will not be a Director. Appointment may be indefinite or for a specified term, but not for life.</p> <p>Subject to the contract, the Board may fix the remuneration and other benefits to which the Chief Executive Officer is entitled. The remuneration must not be a commission on or percentage of profits or operating revenue.</p> <p>Rule 36.2 sets out the termination of appointment of the Chief Executive Officer by the Board.</p> <p>Rule 36.3 provides that the Board may resolution delegate to or confer on the Chief Executive Officer any powers of the Board, and the Board may revoke or vary a delegation or conferral at any time.</p>	36	No similar provision.	N/A	<p>The Board may appoint a Chief Executive Officer at a remuneration and on terms determined by the Board.</p> <p>The Board may confer on and withdraw from a Chief Executive Officer any of the powers exercisable under this Constitution by the Board but the conferring of powers does not exclude the exercise of those powers by the Board.</p>	14.1	<p>Recommend that Rule 14.1 be amended so the remuneration must not consist of a commission on or percentage of profits or operating revenue, and that the appointment is not for life (similar to the SRA Constitution).</p> <p>Recommend that Rule 14.1 be amended to provide that the appointment of the Chief Executive Officer can be terminated by the Board.</p> <p>Recommend that a provision requiring AWI to enter into a written agreement with the Chief Executive Officer settling out the terms of appointment (consistent with ASX's Corporate Governance Principles and Recommendations 1.4).</p> <p>Recommend that Rule 14.1 disclose a process for periodically evaluating the performance of the Chief Executive Officer (consistent with ASX's Corporate Governance Principles and Recommendations 1.7).</p>

The review of the SRA and DAL Constitutions with the AWI Constitution was as at 1 June 2018

Comparison with SRA and DAL Constitutions

SRA Constitution		DAL Constitution		AWI Constitution		Recommendation	
		Rule		Rule		Rule	
64	<p>Rule 37 provides that the Company must indemnify its officer to the maximum extent permitted by law subject to the Corporations Act.</p> <p>Rule 37.1 sets out the following liabilities which will not be indemnified:</p> <ul style="list-style-type: none"> ▶ A liability owed by the person to the Company or a related body corporate of the Company ▶ A liability for a pecuniary penalty order under section 1317G Corporations Act or a compensation order under section 1317H Corporations Act, or ▶ A liability owed to a person other than the Company that did not arise out of conduct in good faith. <p>Rule 37.2 sets out the legal costs which will not be indemnified.</p> <p>Rule 37.4 provides that the company must not pay or agree to pay an insurance premium for insuring a person against liabilities arising out of:</p> <ul style="list-style-type: none"> ▶ Conduct involving a wilful breach of duty about the Company, or ▶ A contravention of section 182 or section 183 Corporations Act. <p>The indemnity in favour of officers is a continuing indemnity and applies in respect of all acts done by a person while an officer of the Company or one of its wholly owned subsidiaries even though the person is not an officer at the time the claim is made.</p>	37	<p>Rule 37 provides that the Company must indemnify its officer (and the officer of its wholly owned subsidiaries) and its auditor to the extent the person is not otherwise indemnified, subject to the Corporations Act.</p> <p>Unlike the provision in the SRA Constitution, Rule 37 does not specifically set out the liabilities or the legal costs which will not be indemnified, nor set out any liabilities for which the company must not pay or agree to pay an insurance premium.</p>	37	<p>The Company is to indemnify each officer of the Company out of the assets of the Company to the relevant extent against any liability incurred by the officer in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the duties of the officer.</p> <p>Unlike the provision in the SRA Constitution, Rule 19 does not specifically set out the liabilities or the legal costs which will not be indemnified, nor set out any liabilities for which the company must not pay or agree to pay an insurance premium.</p>	19	<p>Recommend that Rule 19 be amended:</p> <ul style="list-style-type: none"> ▶ To include specific carve out of certain liabilities or legal costs ▶ To set out any liabilities for which the company must not pay or agree to pay an insurance premium, and ▶ To clarify that the indemnity applies in respect of all acts done by a person while an officer of the Company even though the person is not an officer at the time the claim is made

The review of the SRA and DAL Constitutions with the AWI Constitution was as at 1 June 2018

Comparison with SRA and DAL Constitutions

SRA Constitution			DAL Constitution		AWI Constitution		Recommendation
		Rule		Rule		Rule	
69	Rule 38 sets out the terms and conditions of the office of secretary and the cessation of secretary's appointment	38	Similar provision to the SRA Constitution.	38	No similar provision.	N/A	<p>Recommend that a provision similar to the SRA Constitution and the DAL Constitution be included.</p> <p>Section 204F of the Corporations Act (replaceable rule) provides that a secretary holds office on the terms and conditions (including remuneration) that the Directors determine.</p> <p>One of the terms of the appointment should state that the company secretary should be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board (consistent with ASX's Corporate Governance Principles and Recommendations 1.4).</p>
70	A minute recorded and signed in accordance with the Corporations Act section 251A is admissible as evidence of the proceeding, resolution or declaration to which it relates and is conclusive unless the contrary is established.	39	In addition to the provision in the SRA Constitution, Rule 39.1 requires the names of the Directors present at each Board meeting or Selection Committee or other committee meeting be recorded.	39	No similar provision.	N/A	<p>Recommend that a provision similar to the SRA Constitution and the DAL Constitution (if AWI has any committee) be included.</p> <p>ASX's Corporate Governance Principles and Recommendations provides that a listed entity should disclose as at the end of each reporting period, the number of times the audit, risk, nomination and remuneration committees met throughout the period and the individual attendances of the members at those meetings.</p>

The review of the SRA and DAL Constitutions with the AWI Constitution was as at 1 June 2018

Comparison with SRA and DAL Constitutions

SRA Constitution			DAL Constitution		AWI Constitution		Recommendation
		Rule		Rule		Rule	
71	No similar provision.	N/A	Rule 40 provides that the Board may determine whether the company is to have a common seal and a duplicate seal. Rule 40 sets out when the seal can be used and the procedure for affixing the seal.	40	The Company may have a common seal and a duplicate common seal which are to be used by the Company as determined by the Board.	16.2	Recommend that Rule 16.2 be amended to set out when the seal can be used and the procedure for affixing the seal.
72	<p>Audited financial reports laid before the company in general meetings are conclusive as to the matters therein except as regards errors notified to the company within three months after the relevant general meeting. If the company receives notice of an error within that period, it must immediately correct the report and the report as corrected is then conclusive.</p> <p>A Member Representative who is not a Director does not have any right to inspect any document of the company except as authorised by the Constitution, the Board or by ordinary resolution of Member Representatives.</p>	40	Similar provision to the SRA Constitution.	41	No similar provision.	N/A	<p>Recommend that a provision similar to the SRA Constitution and the DAL Constitution and consistent with section 247D of the Corporations Act be included.</p> <p>Section 247D of the Corporations Act (replaceable rule) provides that the Directors of a company or the company by a resolution passed at a general meeting may authorise a member to inspect books of the company. The "books" are broadly defined by section 9 of the Corporations Act to be:</p> <ul style="list-style-type: none"> ▶ A register ▶ Any other record of information ▶ Financial reports or financial records, However compiled, recorded or stored, and ▶ A document. <p>The Constitution should set out the procedure for approving the Company's financial statements (consistent with ASX's Corporate Governance Principles and Recommendations 4.2).</p>

The review of the SRA and DAL Constitutions with the AWI Constitution was as at 1 June 2018

Comparison with SRA and DAL Constitutions

SRA Constitution			DAL Constitution		AWI Constitution		Recommendation
		Rule		Rule		Rule	
73	The Company must not engage a person as auditor of the Company for a period that exceeds, or for consecutive periods that together exceed, five years.	41	Similar provision to the SRA Constitution.	42	No similar provision.	N/A	Recommend that a provision similar to the SRA Constitution and the DAL Constitution be included.
74	Notice sent by mail is regarded as given and received 3 business days after posting.	42.2 (b)	Similar provision to the SRA Constitution.	43.3 (b)	Notice sent by mail is regarded as given and received 3 days after posting.	17.2	Recommend that Rule 17.2 be amended to provide for 3 business days for the notice to be regarded as given and received.
75	The company may give effective notice by exhibiting the notice at the company's registered office for at least 48 hours if: <ul style="list-style-type: none"> ▶ Notices were returned on at least 2 consecutive occasion, unclaimed or with an indication that the member is not known at that address, or ▶ The Board has other reasonable grounds to believe that a member is not at that address. 	42.4	Similar provision to the SRA Constitution.	43.6	A notice to a shareholder who does not have a registered address or whom the company has a reason in good faith to believe is not known at that address, is considered to be given (at the expiration of 72 hours after the notice is posted) if the notice is sent by prepaid post addressed to the shareholder at the last address recorded and on the day of posting the company exhibits the notice at the company's registered office for 72 hours.	17.3	Recommend that Rule 17.3 be amended to clarify that the return of notices on at least 2 consecutive occasion, unclaimed or with an indication that the member is not known at that address, is a ground for applying the effective notice rule under Rule 17.3.

The review of the SRA and DAL Constitutions with the AWI Constitution was as at 1 June 2018

Constitution review against ASX Corporate Governance Principles

ASX Principles	Assessment	Finding
1 Lay solid foundations for management and oversight		
1.1 A listed entity should disclose: a. The respective roles and responsibilities of its Board and management, and b. Those matters expressly reserved to the Board and those delegated to management.	Opportunities exist for improvement	Rule 16 outlines the general powers of the Board. However, the roles and responsibilities of the Board and the management are not disclosed and there is no clear distinction between the Board's functions and those delegated to management.
1.2 A listed entity should: a. Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director, an b. Provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director.	Opportunities exist for improvement (subject to the content of the rules and procedures published by the Board)	Rule 13.2 provides that the Board may at any time appoint any person as a Director to fill a vacancy provided that the number of Directors does not exceed 10, and that person will hold office only until the next AGM. That Director is then eligible for election at that AGM if the Board so determines. Rule 13.3(f) provides that: ▶ Subject to the Corporations Act and Corporations Regulations, the Board shall determine and publish the rules and procedures governing the election of Directors, and ▶ The decision of the Board as to the rules and procedures must be reasonable.
1.3 A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.	Opportunities exist for improvement	The Constitution does not contains a provision requiring the Company to have a written agreement with each Director and senior executive setting out the terms of their appointment.
1.4 The company secretary of a listed entity should be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board	Opportunities exist for improvement	The Constitution does not provide that the company secretary is accountable directly to the Board, through the Chair on all matters to do with the proper functioning of the Board.

Constitution review against ASX Corporate Governance Principles

ASX Principles	Assessment	Finding
1 Lay solid foundations for management and oversight		
1.5 A listed entity should: <ul style="list-style-type: none"> a. Have a diversity policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them b. Disclose that policy or a summary of it, and c. Disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the Board or a relevant committee of the Board in accordance with the entity's diversity policy and its progress towards achieving them, and either: <ul style="list-style-type: none"> 1. The respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes), or 2. If the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act. 	Opportunities exist for improvement	The Constitution does not require the Company to adopt a diversity policy.

Constitution review against ASX Corporate Governance Principles

ASX Principles	Assessment	Finding
1 Lay solid foundations for management and oversight		
1.6 A listed entity should: <ul style="list-style-type: none"> a. Have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors, and b. Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	Opportunities exist for improvement	The Constitution does not provide that a performance evaluation is to be undertaken and does not contain a process for periodically evaluating the performance of the Board, its committees and individual Directors.
1.7 A listed entity should: <ul style="list-style-type: none"> a. Have and disclose a process for periodically evaluating the performance of its senior executives, and b. Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	Opportunities exist for improvement	The Constitution does not provide that a performance evaluation is to be undertaken and does not contain a process for periodically evaluating the performance of its senior executives.

Constitution review against ASX Corporate Governance Principles

ASX Principles	Assessment	Finding
2 Structure of the Board to add value	Opportunities exist for improvement	<p>The Constitution does not provide that the Board should have a nomination committee.</p> <p>Rule 13.3(d) provides that the Board may nominate a Director to fill a vacancy. This indicates that the Board is performing the function of a nomination committee.</p> <p>Rule 15.6 provides that the Board may delegate any of its powers to committees consisting of any one or more Directors or any other person(s) as the Board thinks fit.</p> <p>The Constitution does not disclose the fact that it does not have a nomination committee. Although Rules 13.2 and 13.3 contains procedure regarding the Board succession, the Constitution does not require the Board to ensure that it has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>
<p>2.1 The Board of a listed entity should:</p> <p>a. Have a nomination committee which:</p> <ol style="list-style-type: none"> 1. Has at least three members, a majority of whom are Independent Directors, and 2. Is chaired by an Independent Director, and disclose: <ol style="list-style-type: none"> a. The Charter of the committee b. The members of the committee, and c. As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings, or <p>b. If it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>		

Constitution review against ASX Corporate Governance Principles

ASX Principles	Assessment	Finding
2	Structure of the Board to add value	
2.2	A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.	Opportunities exist for improvement The Constitution does not require the Company to have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.
2.3	A listed entity should disclose: a. The names of the Directors considered by the Board to be Independent Directors b. If a Director has an interest, position, association or relationship of the type described in Box 2.3 of the Corporate Governance Principles and Recommendations but the Board is of the opinion that it does not compromise the independence of the Director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion, and c. The length of service of each Director.	Opportunities exist for improvement The Constitution does not disclose or require the Board to disclose such information. Rule 13.10 provides that a Director who has an interest in a matter is allowed to participate in the discussion provided he or she has made appropriate disclosure and the Board approves such participation. Rule 13.10(e) provides that the approval must be recorded in a Directors resolution that identifies the Director, the nature and extent of the director's interest in the matter and its relation to the affairs of the Company and state that those Directors are satisfied that the interest should not disqualify the Director from voting or being present. However, there is no requirement that the Board provide its explanation of why the Board is of that opinion.
2.4	A majority of the Board of a listed entity should be Independent Directors.	Opportunities exist for improvement The Constitution does not contain a provision requiring the majority of the Board to be Independent Directors.
2.5	The Chair of the Board of a listed entity should be an Independent Director and, in particular, should not be the same person as the CEO of the entity.	Opportunities exist for improvement The Constitution does not contain a provision requiring the Chair of the Board to be an Independent Director, nor requiring he or she not be the same person as the CEO.
2.6	A listed entity should have a program for inducting new Directors and provide appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.	Opportunities exist for improvement The Constitution does not contain a provision requiring the Company to have a program for inducting new Directors or to provide Directors with professional development opportunities.

Constitution review against ASX Corporate Governance Principles

ASX Principles	Assessment	Finding
3 Act ethically and responsibly		
3.1 A listed entity should: <ol style="list-style-type: none"> a. Have a Code of Conduct for its Directors, senior executives and employees, and b. Disclose that code or a summary of it. 	Opportunities exist for improvement	The Constitution does not require the Company to have a Code of Conduct for its Directors, officer and employees.
4 Safeguard integrity in corporate reporting		
4.1 The Board of a listed entity should: <ol style="list-style-type: none"> a. Have an audit committee which: <ol style="list-style-type: none"> 1. Has at least three members, all of whom are non-executive Directors and a majority of whom are Independent Directors, and 2. Is chaired by an Independent Director, who is not the Chair of the Board, and disclose: <ol style="list-style-type: none"> a. The Charter of the committee b. The relevant qualifications and experience of the members of the committee, and c. In relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings, or b. If it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner. 	Opportunities exist for improvement	Rule 15.6(c) provides that: <ul style="list-style-type: none"> ▶ An audit committee must consist of not less than two Directors ▶ The Chairman of the Board must not act as the Chairman of the audit committee, and ▶ Any Managing Director must not be a member of an audit committee. The minimum number of member is less than the Recommendation and there is no requirement that the Chair of the audit committee to be an Independent Director. The Constitution does not disclose: <ul style="list-style-type: none"> ▶ The Charter of the committee ▶ The relevant qualifications and experience of the members of the committee, and ▶ In relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.

Constitution review against ASX Corporate Governance Principles

ASX Principles	Assessment	Finding
4	Safeguard integrity in corporate reporting	
4.2	The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity 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 entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Opportunities exist for improvement
		The Constitution does not set out the procedure for approving the Company's financial statements.
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Opportunities exist for improvement
		The Constitution does not stipulate that its external auditors are requested to attend the Annual General Meeting.
5	Make timely and balanced disclosure	
5.1	A listed entity should: <ul style="list-style-type: none"> a. Have a written policy for complying with its continuous disclosure obligations under the Listing Rules, and b. Disclose that policy or a summary of it. 	Opportunities exist for improvement
		The Constitution does not require the Company to have a written continuous disclosure policy.

Constitution review against ASX Corporate Governance Principles

ASX Principles	Assessment	Finding
6 Respect the rights of security holders		
6.1 A listed entity should provide information about itself and its governance to investors via its website.	Opportunities exist for improvement	The Constitution does not require the Company to provide information about itself and its governance via its website.
6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Opportunities exist for improvement	The Constitution does not require the Company to design and implement an investor relation program to facilitate two-way communication.
6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Opportunities exist for improvement	The Constitution does not disclose nor require the Company to disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.
6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Opportunities exist for improvement	The Constitution does not require the Company to give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

Constitution review against ASX Corporate Governance Principles

ASX Principles	Assessment	Finding
7 Recognise and manage risk		
<p>7.1 The Board of a listed entity should:</p> <ul style="list-style-type: none"> a. Have a committee or committees to oversee risk, each of which: <ul style="list-style-type: none"> 1. Has at least three members, a majority of whom are Independent Directors, and 2. Is chaired by an Independent Director, and disclose: <ul style="list-style-type: none"> a. The Charter of the committee b. The members of the committee, and c. As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings, or a. if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework. 	Opportunities exist for improvement	<p>The Constitution does not provide that the Board should have a risk committee.</p> <p>Rule 15.6 provides that the Board may delegate any of its powers to committees consisting of any one or more Directors or any other person(s) as the Board thinks fit.</p> <p>The Constitution does not disclose the fact that it does not have a risk committee, nor the processes it employs for overseeing the risk management framework.</p>
<p>7.2 The Board or a committee of the Board should:</p> <ul style="list-style-type: none"> a. Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound, and, b. Disclose in relation to each reporting period whether such a review has taken place. 	Opportunities exist for improvement	The Constitution does not require the Board or a committee of the Board to review risk management framework.
<p>7.3 A listed entity should disclose:</p> <ul style="list-style-type: none"> a. If it has an internal audit function, how the function is structured and what role it performs, or b. If it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes. 	Opportunities exist for improvement	The Constitution provides that the Company may have an audit committee, however it does not disclose how the function is structured and what role it performs.

Constitution review against ASX Corporate Governance Principles

ASX Principles	Assessment	Finding
7 Recognise and manage risk		
7.4 A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Opportunities exist for improvement	The Constitution does not require the Company to disclose any material exposure to economic, environmental and social sustainability risk, and the associated risk management.
8 Remunerate fairly and responsibly		
8.1 The Board of a listed entity should: <ul style="list-style-type: none"> a. Have a remuneration committee which: <ul style="list-style-type: none"> 1. Has at least three members, a majority of whom are Independent Directors, and 2. Is chaired by an Independent Director, and disclose: <ul style="list-style-type: none"> a. The Charter of the committee b. The members of the committee, and c. As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings, or a. If it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive. 	Opportunities exist for improvement	<p>The Constitution does not require the Company to have a remuneration committee. Various rules under the Constitution indicate that the function of a remuneration committee is performed by the Board.</p> <p>Rules 13.6 provides that the non-executive Directors are to be paid or provided remuneration for services determined by the Board and in the manner determined by the Board.</p> <p>Rule 13.6 also provides that the Company in general meeting may fix a limit (to apply prospectively only) on the total amount or value of such remuneration that may be paid or provided to the Directors in any year, and if the Company does so, the limit may not be exceeded.</p> <p>Rule 13.7 provides that a Director who performs extra services at the request of the Board may be paid extra remuneration as determined by the Board.</p> <p>Rule 14.1 provides that the Board may appoint a managing Director at a remuneration determined by the Board.</p> <p>The Constitution does not disclose the fact that it does not have a remuneration committee. The Constitution contains very limited information on the processes it employs for setting the level and composition of remuneration for Directors to ensure that such remuneration is appropriate and not excessive. There is no provision under the Constitution relating to the remuneration of senior executives other than Directors and Chief Executive Officer.</p>

Constitution review against ASX Corporate Governance Principles

ASX Principles	Assessment	Finding
8 Remunerate fairly and responsibly		
8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive Directors and the remuneration of executive Directors and other senior executives.	Opportunities exist for improvement	Rule 13.6 provides that the non-executive Directors are to be paid or provided remuneration for services determined by the Board and in the manner determined by the Board. However, it does not disclose the policies and practices regarding such remuneration.
8.3 A listed entity which has an equity-based remuneration scheme should: a. Have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme, and b. Disclose that policy or a summary of it.	Not Applicable	The Constitution does not indicate that it has an equity-based remuneration scheme.

Annexure 10: Replaceable rules – supporting assessments

Assessment of provisions that apply as Replaceable Rules

Provisions that apply as replaceable rules		AWI Constitution		
Section	Officers and Employees	Findings	Rule	Recommendation
194	Voting and completion of transactions--Directors of proprietary companies	This provision applies to proprietary companies and is less stringent than section 195 (not a replaceable rule) which applies to a public company. Rule 13.10(e) is consistent with section 195. However, section 195(3) also provide that a Director who has a material personal interest may be present and vote if he or she is so entitled under a declaration or order made by ASIC.	13.10(e)	For noting only.
198A	Powers of Directors	Consistent.	16.1	No changes are required.
198B	Negotiable instruments	Not contained in the AWI Constitution.	N/A	Section 198B be included so that a negotiable instrument is only signed, drawn, accepted, endorsed or otherwise by two or more Directors.
198C	Managing Director	Consistent. Section 198C also provides that the Board may vary a conferral of powers on the managing Director (which is not covered in Rule 14.1).	14.1	The powers to vary be included.
201G	Company may appoint a Director	Rule 13.3 provides that a Director will be elected at AGMs. However, only person who is nominated by the Board or by more than 99 shareholders (or a lesser number prescribed by law) who are entitled to vote is eligible to be appointed a Director. This has restricted the number of persons who is eligible to be elected at AGM to be a Director.	13.3	Rule 13.3 is amended so that any shareholder can nominate a person to be elected as Director.
201H	Directors may appoint other Directors	Consistent.	13.2	No changes are required.

Assessment of provisions that apply as Replaceable Rules

Provisions that apply as replaceable rules		AWI Constitution		
Section	Officers and Employees	Findings	Rule	Recommendation
201J	Appointment of managing Directors	Consistent	14.1	No changes are required.
201K	Alternate Directors	Not contained in the AWI Constitution	N/A	While section 201K would ordinarily be included in a company's Constitution to give the Director the flexibility to appoint an alternate if necessary, this is usually on the basis that the Director is representing a particular shareholder or group of shareholders. Given the shareholding structure and purpose of RDCs and AWI in particular, it is not appropriate for AWI to include an equivalent of section 201K in its Constitution.
202A	Remuneration of Directors	<p>Rule 13.6 provides that the remuneration for non-executive Director are to be determined by the Board, subject to the law.</p> <p>Section 202A(1) provides that the remuneration of Directors is to be determined by the company by resolution.</p> <p>Rule 13.8 is consistent with section 202A(2).</p>	13.6 13.8	To demonstrate good corporate governance, Rule 13.6 be amended to incorporate section 202A(1) and apply to all executive and non-executive Directors.
203A	Director may resign by giving written notice to company	Consistent.	13.4(a)(i) i)	No changes are required.
203C	Removal by members--proprietary company	This provision applies to proprietary companies and is less stringent than section 203D (not a replaceable rule) which applies to a public company.	N/A	No changes are required.

Assessment of provisions that apply as Replaceable Rules

Provisions that apply as replaceable rules		AWI Constitution		
Section		Findings	Rule	Recommendation
203F	Termination of appointment of managing Director	<p>Section 203F(1) provides that a person ceases to be a managing Director if they cease to be a Director. Rule 14.1 provides that the managing Director ceases to be a managing Director upon him or her ceasing to hold office as a Director if the Board so resolved.</p> <p>Section 203F(2) provides that the Directors may revoke or vary an appointment of a managing Director.</p>	14.1	Rule 14.1 be amended to incorporate section 203F(1) so the managing Director automatically ceases to be a managing Director upon him or her ceasing to hold office as a Director, and to include the rights of Directors under section 203F(2).
204F	Terms and conditions of office for secretaries	Not contained in the AWI Constitution.	N/A	Section 204F be included to make it clear that a secretary holds office on the terms and conditions (including remuneration) that the Directors determine.
	Inspection of books			
247D	Company or Directors may allow member to inspect books	<p>Section 247D provides that the Directors of a company or the company by a resolution passed at a general meeting may authorise a member to inspect books of the company. The "books" are broadly defined by section 9 of the Corporations Act to be:</p> <ul style="list-style-type: none"> ▶ A register ▶ Any other record of information ▶ Financial reports or financial records, however compiled, recorded or stored, and ▶ A document. <p>This provision is not contained in the AWI Constitution.</p>	N/A	To demonstrate good corporate governance, section 247D be included.

Assessment of provisions that apply as Replaceable Rules

Provisions that apply as replaceable rules		AWI Constitution		
Section		Findings	Rule	Recommendation
	Director's Meetings			
248A	Circulating resolutions of companies with more than 1 Director	<p>Section 248A(1) provides that the Directors may pass a resolution without a meeting if all of them entitled to vote on the resolution sign a document stating that they are in favour of the resolution set out in the document.</p> <p>Rule 15.8 provides that a resolution is valid if it was signed by:</p> <ul style="list-style-type: none"> ▶ All Director, or ▶ A majority of the Directors entitled to vote if notice has been given to all Directors. 	15.8	To demonstrate good corporate governance, Rule 15.8 be amended so that a resolution is only passed without a Directors' meeting if all the Directors (as opposed to a majority of Directors) entitled to vote sign the resolution.
248C	Calling Directors' meetings	Consistent.	15.1(c) 15.1(d)	No changes are required.
248E	Chairing Directors' meetings	<p>Consistent to a large extent except that section 248E(2) also provides that the Directors must elect a new Chair if a previously elected Chair declines to act (as opposed to merely not present at the meeting).</p> <p>Section 248E(2) used the term "must" which connotes a mandatory requirement for a new Chair to be elected while Rule 15.4 used the term "may" which connotes an optional requirement.</p>	15.4	Rule 15.4 be amended to be consistent with section 248E(2) to ensure that any meeting will be chaired.

Assessment of provisions that apply as Replaceable Rules

Provisions that apply as replaceable rules		AWI Constitution		
Section		Findings	Rule	Recommendation
	Director's Meetings			
248F	Quorum at Directors' meetings	<p>Section 248F provides that unless the Directors determined otherwise, the quorum for a Directors' meeting is 2 Directors and the quorum must be present at all times during the meeting.</p> <p>Rule 15.1(b) provides that the quorum is 2 Directors or 50% of the number of Directors if the company has more than 4 Directors. The only exception to this requirement is that when the Directors appoint a new Director to increase the number of Director so that it is sufficient to constitute a quorum. It also requires a quorum to be present at the meeting.</p>	15.1(b)	Rule 15.1(b) be amended to require a quorum to be present "at all times during the meeting".

Assessment of provisions that apply as Replaceable Rules

Provisions that apply as replaceable rules		AWI Constitution		
Section		Findings	Rule	Recommendation
248G	Passing of Directors' resolutions	Consistent.	15.3	No changes are required.
	Meetings of members			
249C	Calling of meetings of members by a Director	Section 249C provides that a Director may call a general meeting. Rule 10.1 provides that the company may call a general meeting by a resolution of the Board.	10.1	Rule 10.1 be amended to enable an individual Director to call a general meeting.
249J(2)	Notice to joint members	Consistent.	17.1	No changes are required.
249J(4)	When notice by post or fax is given	Section 249J(4) provides that a notice of meeting sent by fax or other electronic means is taken to be given on the business day after it is sent. However, Rule 17.2 provides that such notice is considered to have been served when the transmission is sent.	17.2	Rule 17.2 be amended so that a notice sent by electronic means is taken to be given on the business day after it is sent. This may avoid disputes or complaints when the notice is sent outside the normal business hours.
249J(5)	When notice under paragraph 249J(3)(cb) is given	Section 249J(5) provides that a notice of meeting given to a member by electronic means nominated by the member is taken to be given on the business day after the day on which the member is notified that the notice of meeting is available. However, Rule 17.2 provides that such notice is considered to have been served when the transmission is sent.	17.2	Rule 17.2 be amended so that a notice sent by electronic means is taken to be given on the business day after it is sent. This may avoid disputes or complaints when the notice is sent outside the normal business hours.
249M	Notice of adjourned meetings	Not contained in the AWI Constitution.	N/A	Section 249M be included.

Assessment of provisions that apply as Replaceable Rules

Provisions that apply as replaceable rules		AWI Constitution		
Section		Findings	Rule	Recommendation
249T	Quorum	<p>Section 249T(1) provides that the quorum for a general meeting is 2 members and the quorum must be present at all times during the meeting. Rule 11.2(a) provides that the quorum is 60% of all shareholders or 50 shareholders (whichever is lesser) and that no business may be transacted unless a quorum is present at the commencement of the meeting.</p> <p>Section 249T(2) sets out how quorum is determined. There is no similar provision in the AWI Constitution. Sections 249T(3) and (4) provide that if quorum is not present within 30 minutes after the meeting time, the meeting is adjourned to the date, time and place as specified by the Director (otherwise the same date, time or place). Rule 11.2(b) provides that the meeting is dissolved if quorum is not present within 30 minutes unless the Chairman adjourns the meeting. The adjourned meeting will be dissolved if no quorum is present at the adjourned meeting.</p>	11.2	<ul style="list-style-type: none"> ▶ Rule 11.2(a) be amended to require a quorum to be present “at all times during the meeting” (as opposed to only at the commencement of the meeting) ▶ Section 249T(2) be included, and ▶ Rule 11.2(b) be amended to be consistent with sections 249T(3) and (4).
249U	Chairing meetings of members	Consistent.	11.3(c)	No changes are required.
249W(2)	Business at adjourned meetings	Not contained in the AWI Constitution.	N/A	Section 249W(2) be included.
250C(2)	Proxy vote valid even if member dies, revokes appointment etc.	Consistent.	12.4(b)	No changes are required.

Assessment of provisions that apply as Replaceable Rules

Provisions that apply as replaceable rules		AWI Constitution		
Section		Findings	Rule	Recommendation
250E	How many votes a member has	<p>Section 250E(1) provides that at a meeting of members of a company with a share capital, each member has 1 vote on a show of hands, and 1 vote for each share they hold on a poll. Rule 12.1(b) and Rule 5.3 provide that on a poll, each shareholder has 1 vote for each whole \$100 Rolling Wool Levy Amount registered by the Company at the time of the vote. The Board will make its determination not later than 35 days before the AGM.</p> <p>Section 20E(3) provides that the Chair has a casting vote and any vote they have in their capacity as a members. Rule 5.3 provides that the Chairman does not have a second or casting vote if he or she is a shareholder.</p>	12.1 5.3 11.7	Rule 5.3 be amended so that the Board make its determination before any general meeting (as opposed to AGM only).
250F	Jointly held shares	Consistent.	4.4(f)	No changes are required.
250G	Objections to right to vote	Consistent.	11.5(d)	No changes are required.
250J	How voting is carried out	Consistent.	11.7(a) 11.7(b)	No changes are required.
250M	When and how polls must be taken	Consistent.	11.8(a)	No changes are required.
	Shares			
254D	Pre-emption for existing shareholders on issue of shares in proprietary company	Section 254D provides that existing shareholders have pre-emptive rights on issue of new shares. The AWI Constitution does not contain similar provision.	N/A	No changes are required as a pre-emption for existing shareholders is not suitable for this type of organisation.

Assessment of provisions that apply as Replaceable Rules

Provisions that apply as replaceable rules		AWI Constitution		
Section		Findings	Rule	Recommendation
254U	Other provisions about paying dividends	Rule 5.4(a) provides that no dividend is payable. However, Rules 4.4(d) and 7.1(a) make references to dividends payable or received by shareholders.	5.4(a)	No changes to Rule 5.4(a) are required as shareholders of this type of organisation are not entitled to dividends. However, references to any dividends payable or received by shareholders should be removed to avoid confusion.
254W(2)	Dividend rights for shares in proprietary companies	Rule 5.4(a) provides that no dividend is payable. However, Rules 4.4(d) and 7.1(a) make references to dividends payable or received by shareholders.	5.4(a)	No changes to Rule 5.4(a) are required as shareholders of this type of organisation are not entitled to dividends. However, references to any dividends payable or received by shareholders should be removed to avoid confusion.
	Transfer of shares			
1072A	Transmission of shares on death	Section 1072A(2) provides that the personal representative is entitled to the same rights as the deceased shareholder whether or not registered as a shareholder. Rule 9 contains similar concepts. However, rule 12.2 provides that the personal representative may vote at the general meeting if he or she satisfies the Board at least 48 hours before the general meeting that he or she is a personal representative.	9 12.2	Rule 12.2 be amended so the personal representative can vote at the meeting as soon as they satisfy the Board that he or she is a personal representative.
1072B	Transmission of shares on bankruptcy	Not contained in the AWI Constitution.	N/A	Section 1972B be included.
1072D	Transmission of shares on mental incapacity	Not contained in the AWI Constitution.	N/A	Section 1972D be included.

Assessment of provisions that apply as Replaceable Rules

Provisions that apply as replaceable rules			AWI Constitution		
		Section	Findings	Rule	Recommendation
5.38	Registration of transfers	1072F	Section 1072F(4) provides that the Directors may suspend registration of transfer of shares.	8	Rule 8 be amended to give the Directors the flexibility to suspend registration of transfer of shares.
5.39	Additional general discretion for Directors of proprietary companies to refuse to register transfers	1072G	Section 1072G provides that the Directors may refuse to register a transfer of shares for any reasons. Rule 8.1(b) provides that the Board must permit a share to be transferred from one person to another if it is due to a transfer of the Wool Producing Business.	8.1(b)	No changes are required.

Annexure 11: Independent woolgrower research

Independent woolgrower survey: research objectives



The overall aim of the study:

To contribute to the Independent Review by exploring the perspectives of woolgrowers who are unlikely to have made a submission to the Review.

Specific research objectives

1

Engaging, consulting and communicating

- ▶ The effectiveness of the performance of AWI in engaging, consulting, and communicating with stakeholders
- ▶ Opportunities for levy payers and industry representative bodies regarding the investment of levies

2

AWI's strengths and value

- ▶ The value or benefits that AWI delivers to the industry and how this is evidenced
- ▶ Key strengths of AWI
- ▶ Key weaknesses and changes that are needed and why

3

AWI's opportunities

- ▶ Strategic opportunities and risks facing the industry
- ▶ Aspirations for a world class research sector to support the industry

4

Woolgrower perceptions

- ▶ Governance performance: proper use of funds
- ▶ Corporate governance: effective, transparent and accountable, documented, and implemented
- ▶ Appropriateness of Proxy use
- ▶ Employment practices: contractors, redundancy benefits, executive level remuneration

Independent woolgrower survey: methodology

Methodological approach

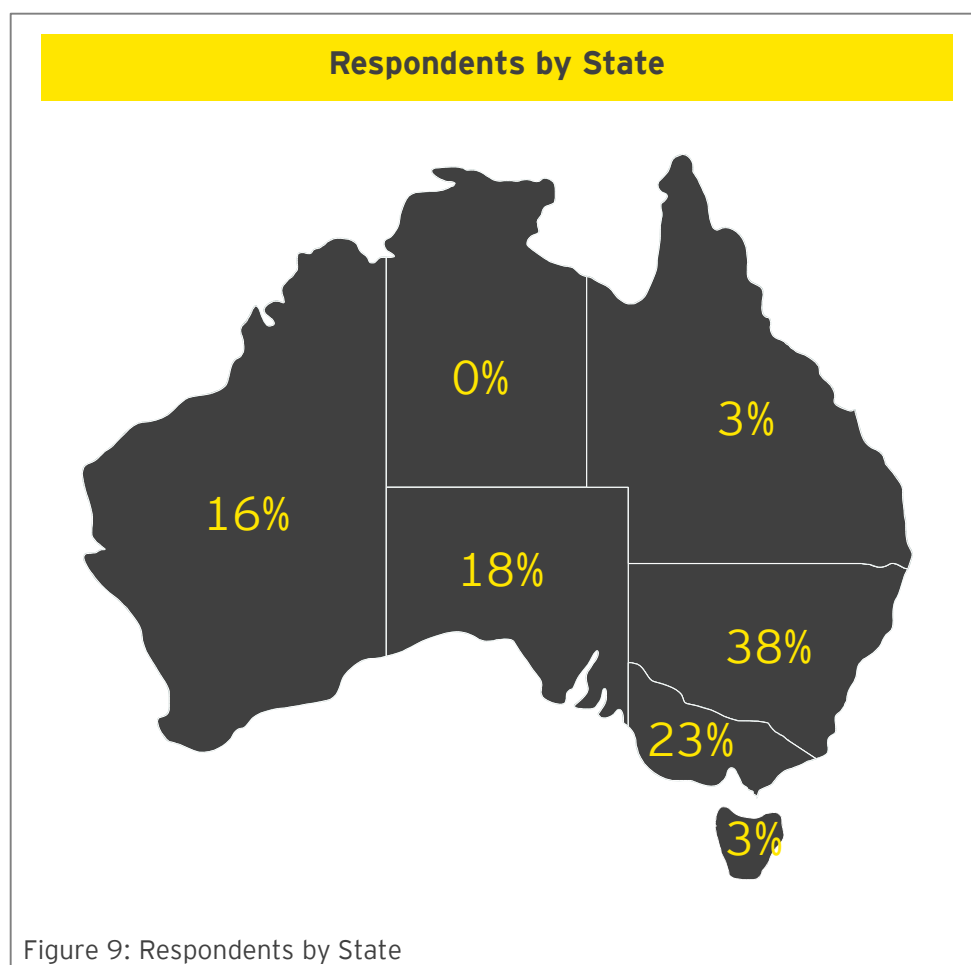
- ▶ The research objectives outlined called for a methodology which accessed the perspectives of grass roots woolgrowers who may not take the initiative to make a submission to the Independent review. These growers are busy wool farmers, who perform a broad range of tasks and may not have the time or inclination to contribute their perspective to the Review. However the Department was very clear that it sought a research process which encouraged their contribution
- ▶ EY Sweeney initiated contact with woolgrowers by telephone to seek their participation. Calls to woolgrowers continued until 415 interviews were completed across a broad range of woolgrowers, this sample size provides a maximum margin of error of +/- 5 percentage points (at the 95% confidence interval). Given the regional locations of these farmers, telephone interviews were the ideal approach to get access to these respondents
- ▶ Research participants were recruited from a complete list of 42,220 woolgrower 'shareholders' and 'eligible levy payers' obtained from LINK market services Ltd. Emails and other industry communications were used to explain the upcoming research to the target audience, to raise awareness and interest. Quotas for each segment of the woolgrowers based on their business size and their location, were agreed with the leaders of the Independent Review

Research approach: A semi-structured methodology

- ▶ The interview structure was designed to gather the grower's responses to a range of questions relating to the Terms of Reference
- ▶ To secure these woolgrower views required a conversation based on a carefully structured set of questions, some to be scored by woolgrowers, others answered as open-ended questions. These questions were agreed with the leaders of the Independent Review
- ▶ Many of the questions posed to woolgrowers were open-ended questions affording them the opportunity to express their own point of view, rather than selecting from a range of options. These diverse sentiments were then summarised for common themes. Very often these would extend to approximately 15 themes, however typically 6 - 8 of these themes would represent the most common points of view expressed by the woolgrowers
- ▶ Many woolgrowers expressed a number of points of view when responding to any open-ended question, for this reason total responses will exceed 100% of respondents. In summarising the respondents points of view, all the views expressed are reported

The perspectives of a diverse set of woolgrowers have been included in this study

- ▶ An important priority of this survey was to access the perspectives of grassroots woolgrowers, including those who may not make a submission
- ▶ The survey participation quotas across States were set to match the distribution of AWI levy payers across the States



Respondents by Woolgrower Size

Woolgrower's Approx. annual bales	Size	% of survey respondents	n= number of survey respondents
0.64 - 5.8 bales	S	26.7%	111
6.4 - 31.4 bales	M	35.7%	148
32 - 63.4 bales	L	18.6%	77
64 bales +	XL	19%	79
Total		100%	415

Independent woolgrower survey: summary

Opportunities for the industry and AWI's role

Markets

- ▶ 42% of Australian woolgrowers considered the current tight supply and demand balance as the biggest opportunity for Australian growers. At the same time 26% consider maintaining and pursuing markets a big opportunity
- ▶ 18% see 'further uses for our wool' as the product development opportunity

Research and development

- ▶ One in six woolgrowers (17%) see 'improving the quality of our wool' as a big opportunity and 13% growing sustainable natural clean wool. In response, 22% of woolgrowers see AWI's role as driving research and development as a priority

Industry progress

- ▶ Five specific roles are identified for AWI in supporting industry progress: acting as a selling platform (16%), identifying and informing farmers of current trends (11%), promoting ethical practices of the industry (10%), improving training and workshops within the industry (6%), and supporting industry members (5%)

Industry Risks

- ▶ Woolgrowers perceive the biggest risks facing the woolgrower industry are; animal welfare organisations about mulesing (27%) or live export (11%), the lack of staff and the cost of staff secured (24%), climate change (21%) and potential for a drop in demand for wool in the face of synthetic fibres (21%)

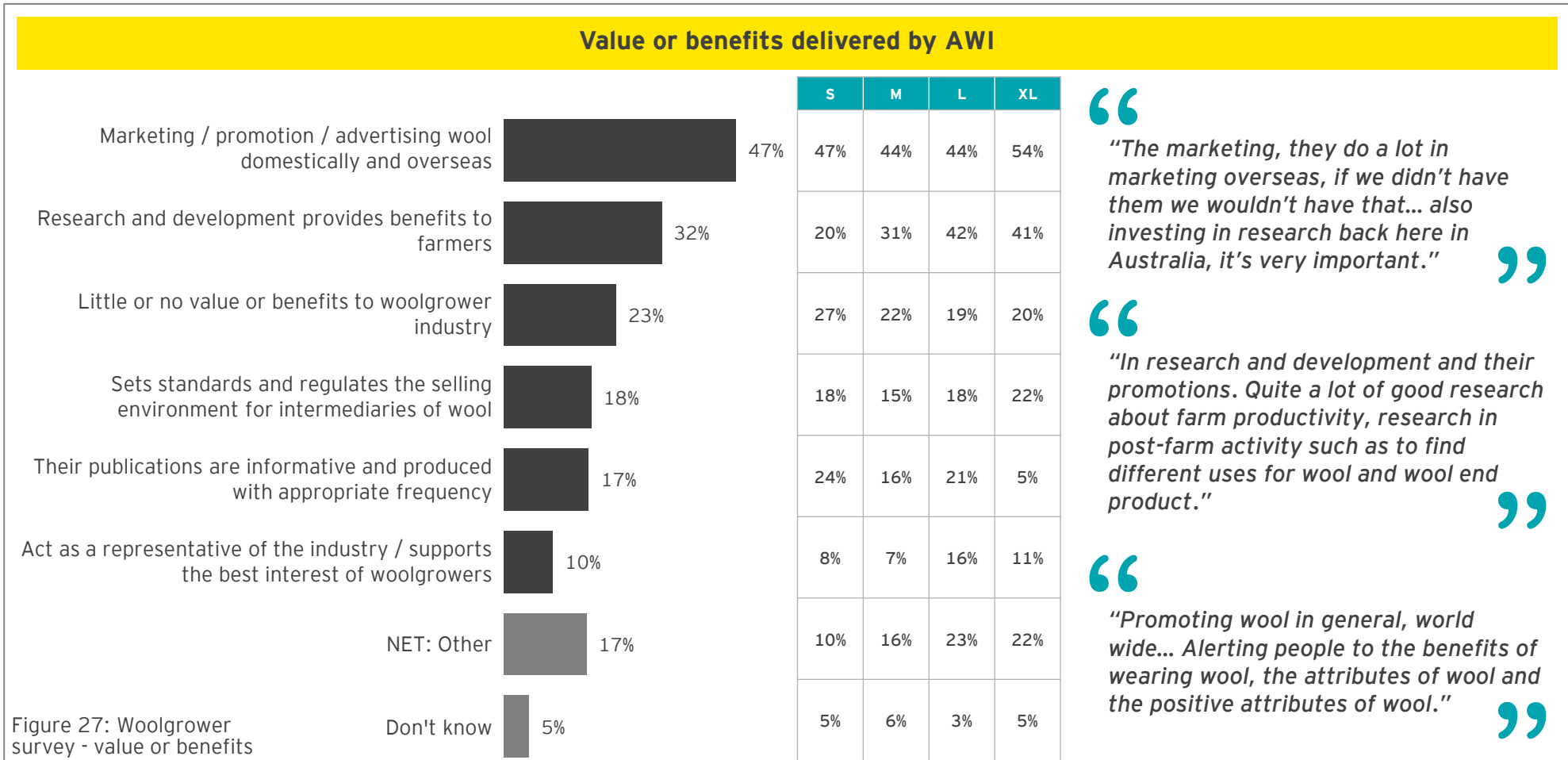
Value or benefits of AWI

Woolgrowers were asked: *'What value or benefits does AWI deliver to you and the woolgrower industry?'*

- ▶ 47% acknowledge AWI's marketing/promotion of the benefits of wool domestically and overseas
- ▶ 32% of Woolgrowers nominate AWI's research and development activities as a value or benefit to farmers
- ▶ 18% recognise AWI's setting of standards and regulating the selling environment for intermediaries of wool. 17% value the informative and frequent publications, and 10% value AWI acting to support the best interests of woolgrowers
- ▶ However, one in four woolgrowers (23%) see little or no value in the work AWI performs

Marketing and promotion, research and development are seen as the key value delivered by AWI to the woolgrower industry

Woolgrowers value much of the work performed by AWI and all of AWI key functions are mentioned in their unprompted responses. 47% of woolgrowers express the view that AWI delivers benefits of marketing/promotion of wool domestically and overseas, while 32% of woolgrowers identify the benefit of AWI's research and development efforts. 23% of woolgrowers see little or no value or benefit to the industry. 23% of woolgrowers see little or no value or benefit to the industry.

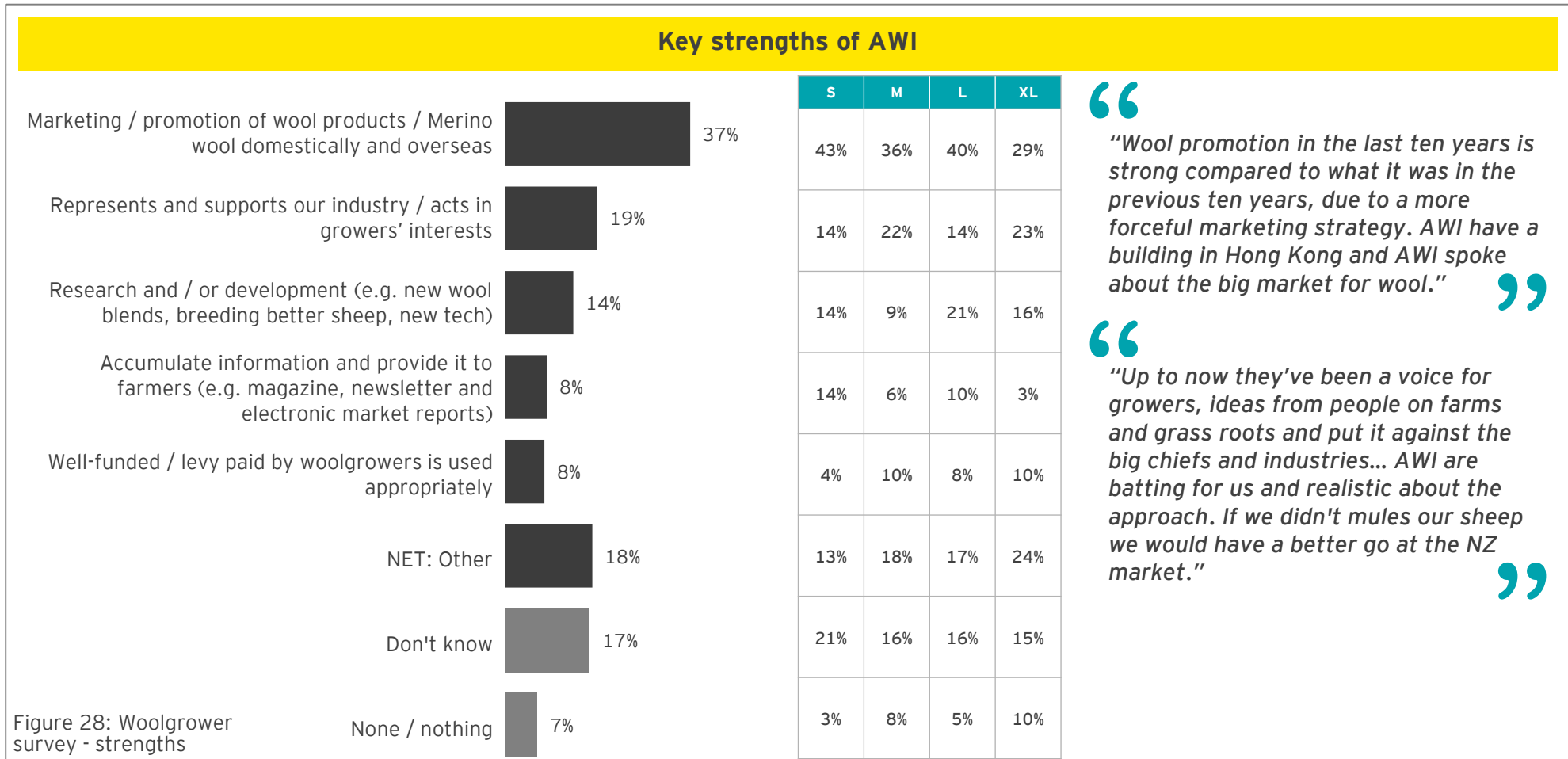


- ▶ Base: All respondents (n=415)
- ▶ Q1. What value or benefits does AWI deliver to you and the woolgrower industry?

Notes: (1) Size is defined by bales of wool produced S=0.64-5.8, M=6.4-31.4, L=32-63.4, XL=64+ (2) Total responses exceed 100% because many respondents expressed more than one point of view

AWI's perceived key strengths are promoting and marketing wool products, and representing and supporting growers' interests

Woolgrowers perceive the key strengths of AWI to be the promotion and marketing (37%) of wool products, and representing woolgrowers' best interests (19%). One in seven (14%) of woolgrowers nominate research and development as a key strength of AWI.



“Wool promotion in the last ten years is strong compared to what it was in the previous ten years, due to a more forceful marketing strategy. AWI have a building in Hong Kong and AWI spoke about the big market for wool.”

“Up to now they've been a voice for growers, ideas from people on farms and grass roots and put it against the big chiefs and industries... AWI are batting for us and realistic about the approach. If we didn't mules our sheep we would have a better go at the NZ market.”

- ▶ Base: All respondents (n=415)
- ▶ Q2. What would you say are the key strengths of AWI?

Notes: (1) Size is defined by bales of wool produced S=0.64-5.8, M=6.4-31.4, L=32-63.4, XL=64+ (2) Total responses exceed 100% because many respondents expressed more than one point of view

Board governance and controversy, communication and spending are the perceived key weaknesses of AWI

Woolgrowers perceive eight main weaknesses of AWI. Of the eight, Board governance issues are the most commonly cited weakness, especially amongst larger woolgrowers (those producing 32+ bales p.a.).

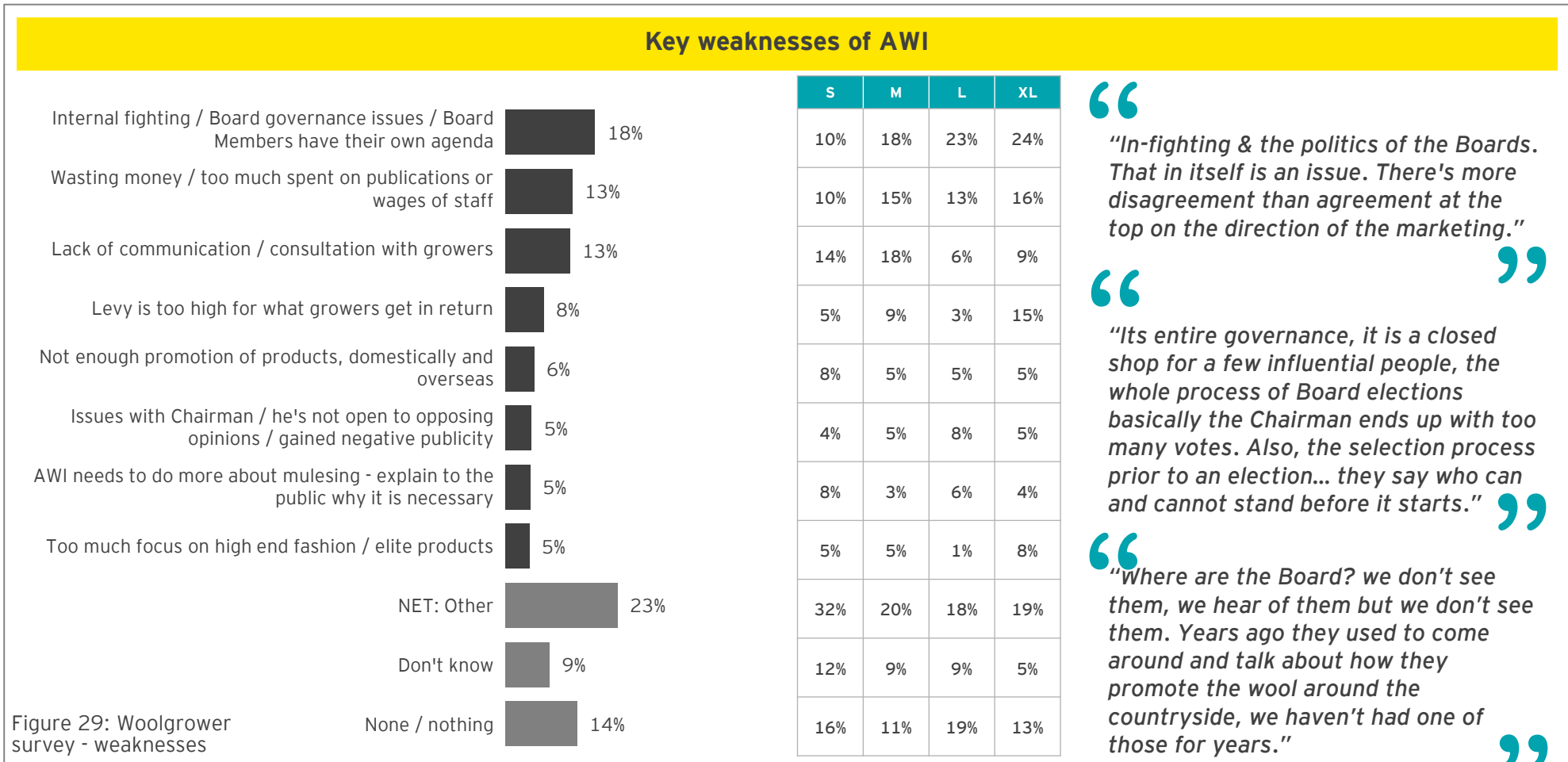


Figure 29: Woolgrower survey - weaknesses

- ▶ Base: All respondents (n=415)
- ▶ Q3. And what would you say are the key weaknesses?

Notes: (1) Size is defined by bales of wool produced S=0.64-5.8, M=6.4-31.4, L=32-63.4, XL=64+ (2) Total responses exceed 100% because many respondents expressed more than one point of view

Woolgrowers outline their views about how to address AWI weaknesses

- ▶ Woolgrowers were asked what changes should be made to address AWI's weaknesses
- ▶ The promotion of products over a wider range of markets (16%), various changes in leadership (in total 16%) and an increase in the interaction between AWI and growers (14%) are the top three areas of recommended improvement

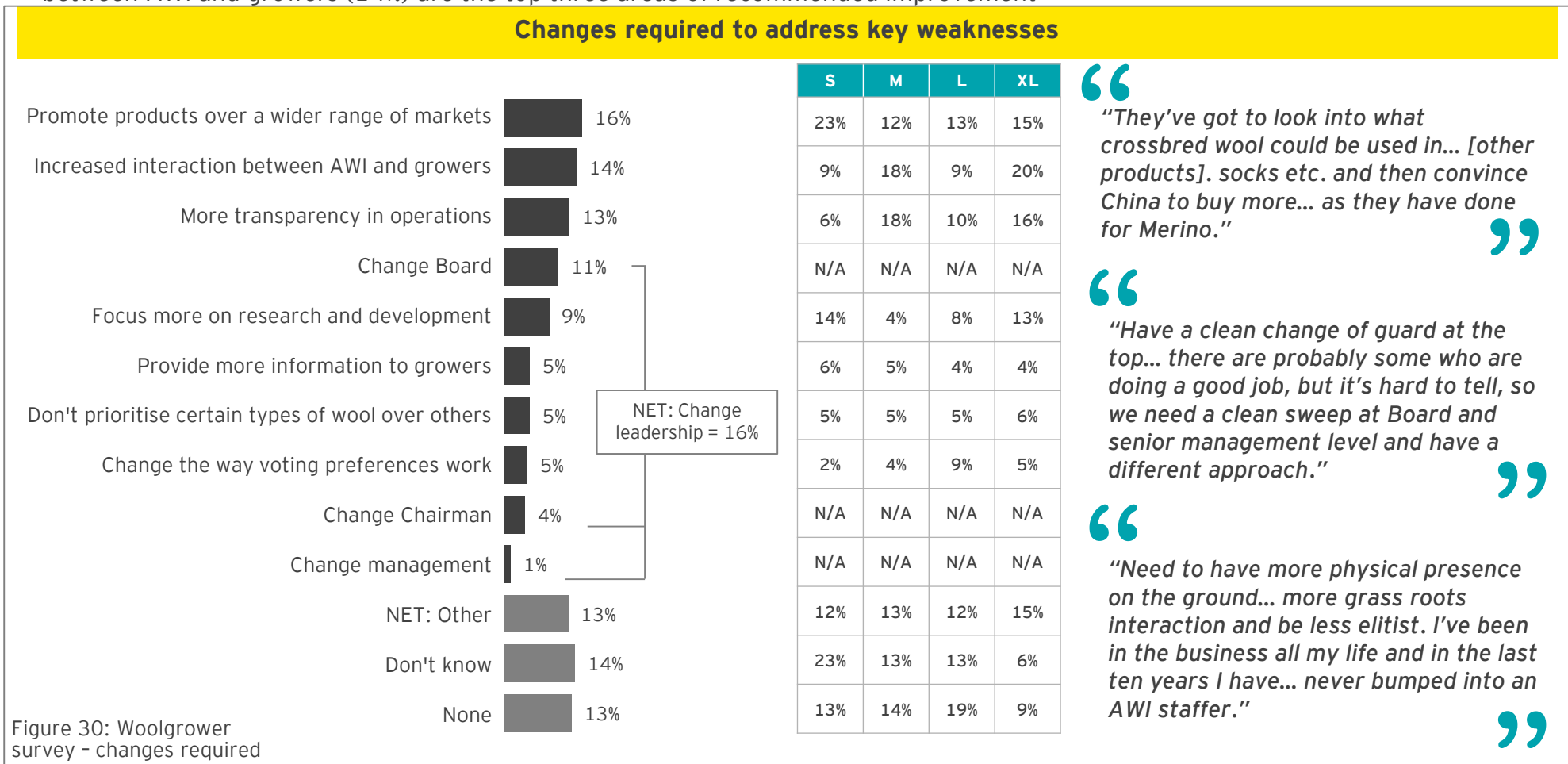


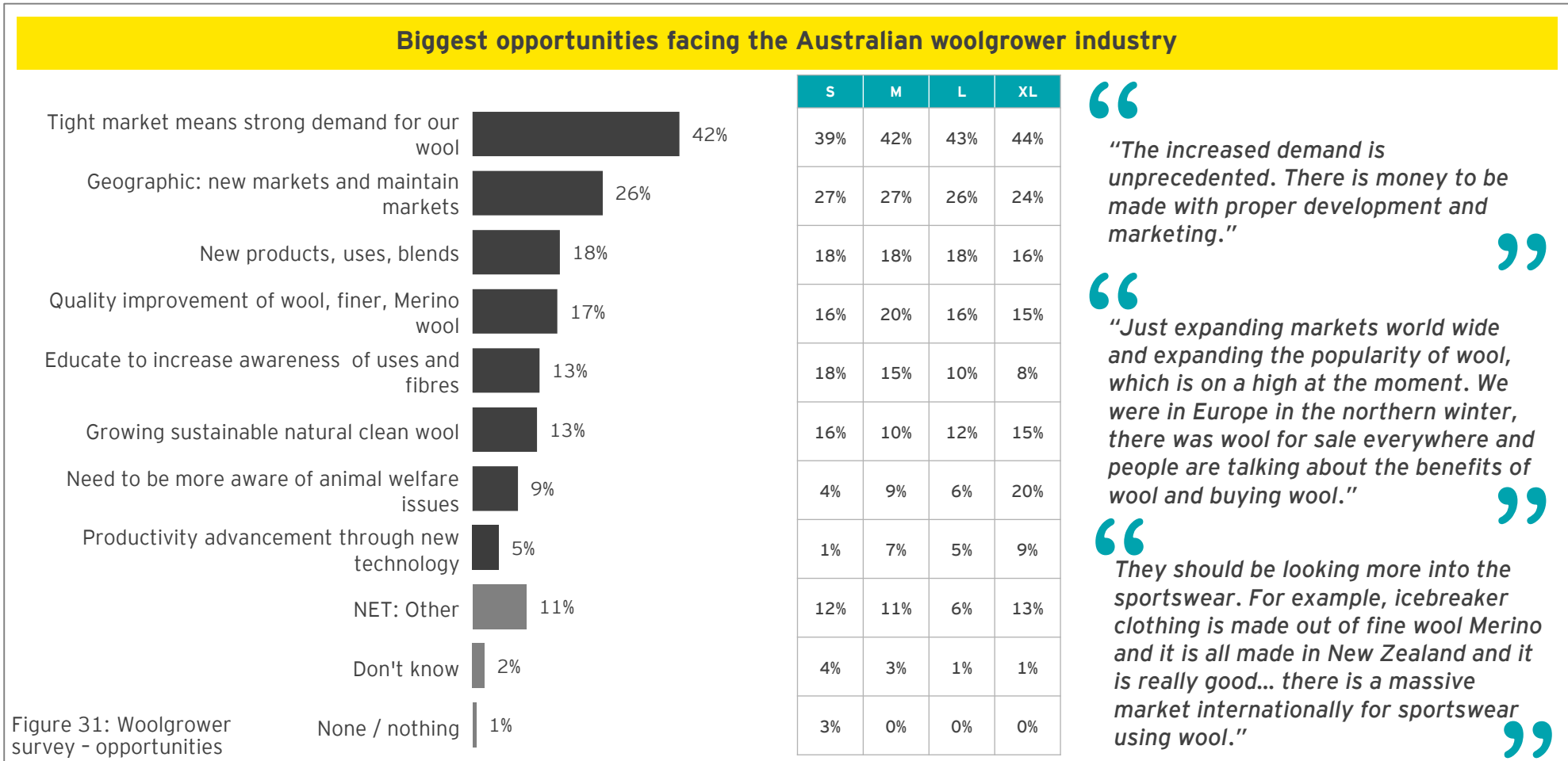
Figure 30: Woolgrower survey - changes required

- ▶ Base: All respondents (n=415)
- ▶ Q4. What changes should be made by AWI to address those weaknesses? more than one point of view

Notes: (1) Size is defined by bales of wool produced S=0.64-5.8, M=6.4-31.4, L=32-63.4, XL=64+ (2) Total responses exceed 100% because many respondents expressed more than one point of view

Growing global demand for wool is seen as the greatest opportunity for the industry

Opportunities for the industry are primarily focused on responding to the strong market demand for wool and on; geographic, product and quality advances.



“The increased demand is unprecedented. There is money to be made with proper development and marketing.”

“Just expanding markets world wide and expanding the popularity of wool, which is on a high at the moment. We were in Europe in the northern winter, there was wool for sale everywhere and people are talking about the benefits of wool and buying wool.”

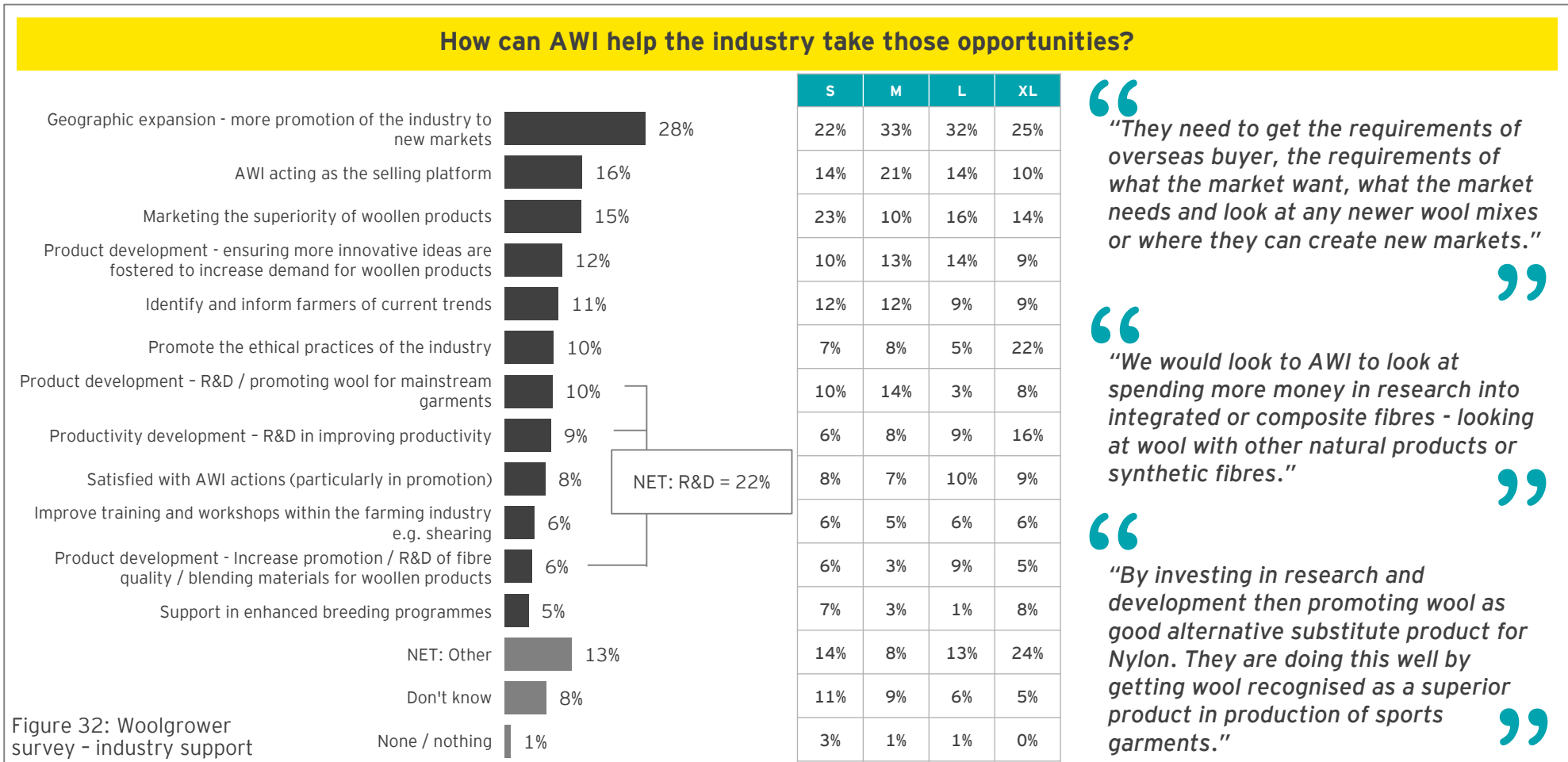
“They should be looking more into the sportswear. For example, icebreaker clothing is made out of fine wool Merino and it is all made in New Zealand and it is really good... there is a massive market internationally for sportswear using wool.”

- ▶ Base: All respondents (n=415)
- ▶ Q5. What are the biggest opportunities facing the Australian woolgrower industry?

Notes: (1) Size is defined by bales of wool produced S=0.64-5.8, M=6.4-31.4, L=32-63.4, XL=64+ (2) Total responses exceed 100% because many respondents expressed more than one point of view

Woolgrowers are looking to AWI to drive into new / emerging markets and products

Through the eyes of woolgrowers, AWI's role in grasping these opportunities should be focused on marketing, promotion, research & development and supporting industry progress with industry-wide programs.



“They need to get the requirements of overseas buyer, the requirements of what the market want, what the market needs and look at any newer wool mixes or where they can create new markets.”

“We would look to AWI to look at spending more money in research into integrated or composite fibres - looking at wool with other natural products or synthetic fibres.”

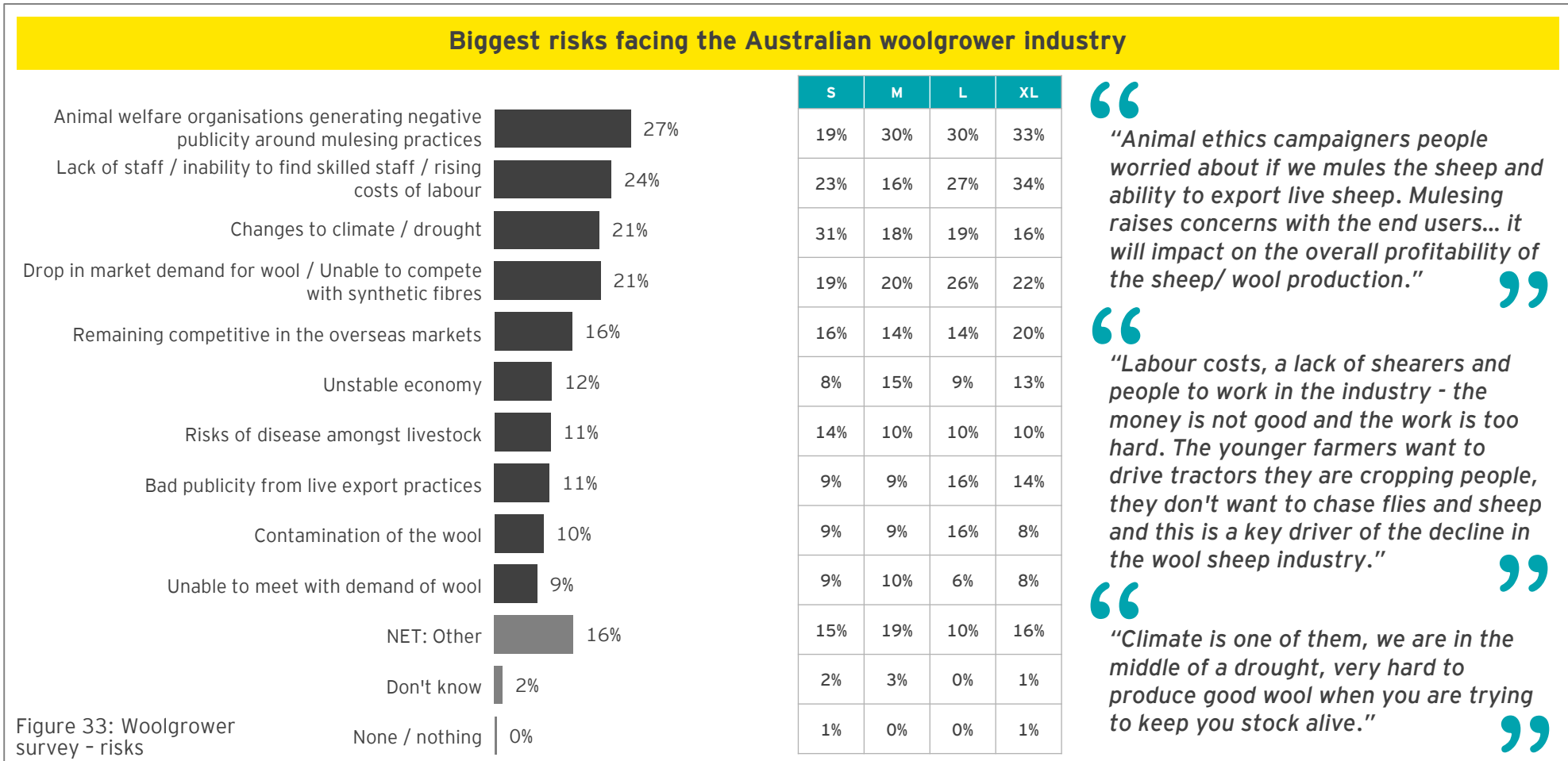
“By investing in research and development then promoting wool as good alternative substitute product for Nylon. They are doing this well by getting wool recognised as a superior product in production of sports garments.”

- ▶ Base: All respondents (n=415)
- ▶ Q6. How can AWI help the industry take those opportunities?

Notes: (1) Size is defined by bales of wool produced S=0.64-5.8, M=6.4-31.4, L=32-63.4, XL=64+ (2) Total responses exceed 100% because many respondents expressed more than one point of view

Animal welfare organisations and the negative publicity resulting from their criticisms, are seen as the biggest risk facing the industry

Woolgrower perceptions of the biggest risks facing the woolgrower industry are; animal welfare organisations about mulesing (27%) or live export (11%), the lack of staff and the cost of staff secured (24%), climate change (21%) and potential for a drop in demand for wool in the face of synthetic fibres (21%).



“Animal ethics campaigners people worried about if we mules the sheep and ability to export live sheep. Mulesing raises concerns with the end users... it will impact on the overall profitability of the sheep/ wool production.”

“Labour costs, a lack of shearers and people to work in the industry - the money is not good and the work is too hard. The younger farmers want to drive tractors they are cropping people, they don't want to chase flies and sheep and this is a key driver of the decline in the wool sheep industry.”

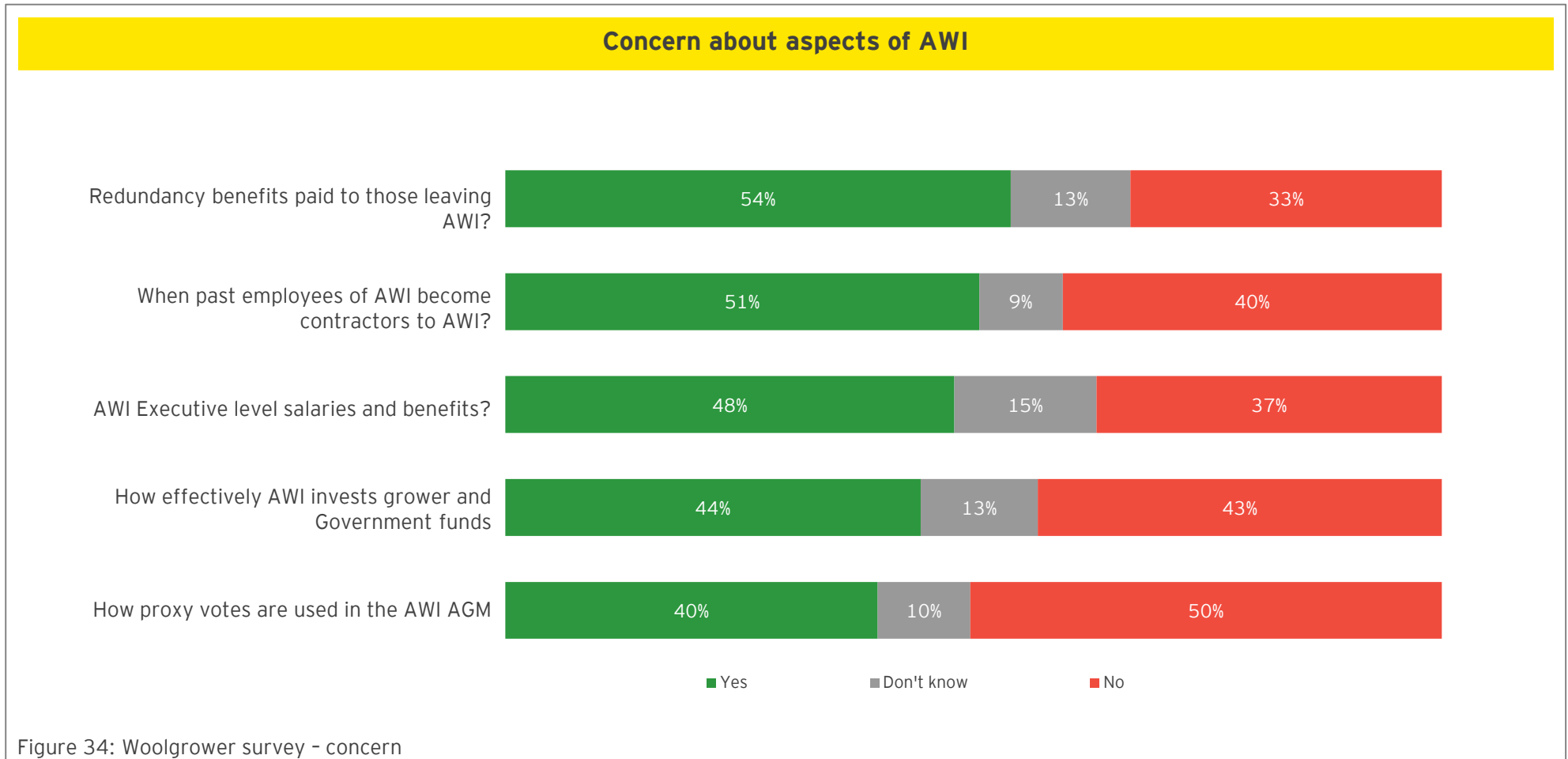
“Climate is one of them, we are in the middle of a drought, very hard to produce good wool when you are trying to keep you stock alive.”

- ▶ Base: All respondents (n=415)
- ▶ Q7. What are the biggest risks facing the Australian woolgrower industry?

Notes: (1) Size is defined by bales of wool produced S=0.64-5.8, M=6.4-31.4, L=32-63.4, XL=64+ (2) Total responses exceed 100% because many respondents expressed more than one point of view

Around half of woolgrowers are concerned about these five aspects of AWI.

Woolgrowers were asked "Do you have any concerns about the following aspects of AWI?"



- ▶ Base: All respondents (n=415)
- ▶ Q8. Do you have any concerns about the following aspects of AWI?

Among the 54% of woolgrowers who are concerned about redundancy benefits, 53% of that group feel that payments are too high

Only Woolgrowers who stated they were concerned about redundancy benefits were asked to express their specific concerns. Of these, 53% consider the redundancy benefits paid are too high and 27% don't believe redundancy benefits should be paid at all.

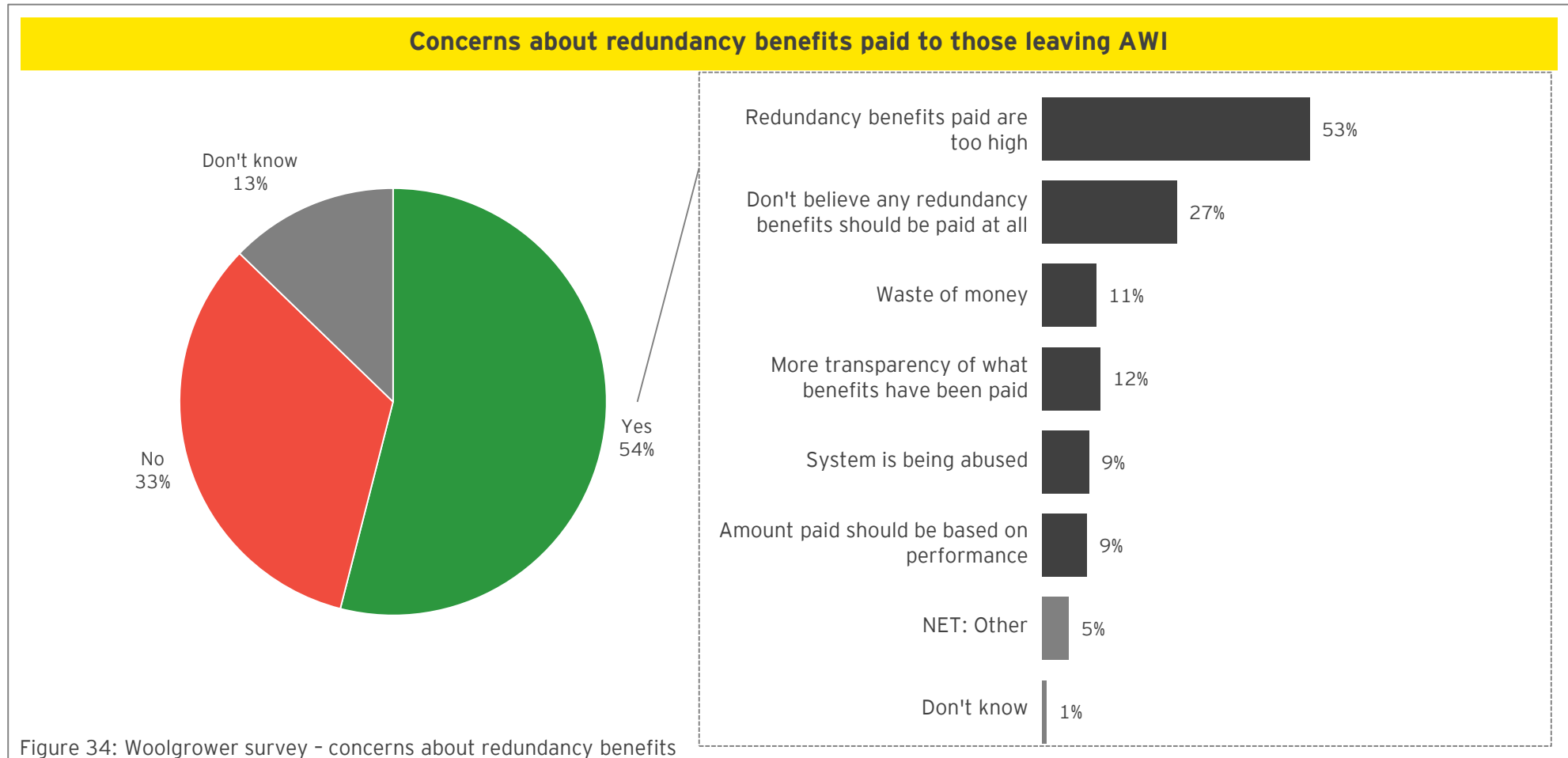


Figure 34: Woolgrower survey - concerns about redundancy benefits

- ▶ Base: Respondents concerned with redundancy benefits (n=224)
- ▶ Q9. What are your concerns about 'redundancy benefits paid to those leaving AWI'

Note: Total responses exceed 100% because many respondents expressed more than one point of view

Among the 51% of Woolgrowers who are concerned with ex-employees becoming AWI contractors, 52% of that sector perceived this as using inside contacts for personal gain

51% of all Woolgrowers interviewed expressed concern about ex-employees becoming contractors to AWI. Of these concerned woolgrowers, 52% consider this abusing the system by using inside contacts who are likely to have knowledge of project or funding opportunities, not available to outside candidates. 25% of the concerned woolgrowers consider it encourages a culture of nepotism. 25% of the concerned woolgrowers consider it encourages a culture of nepotism.

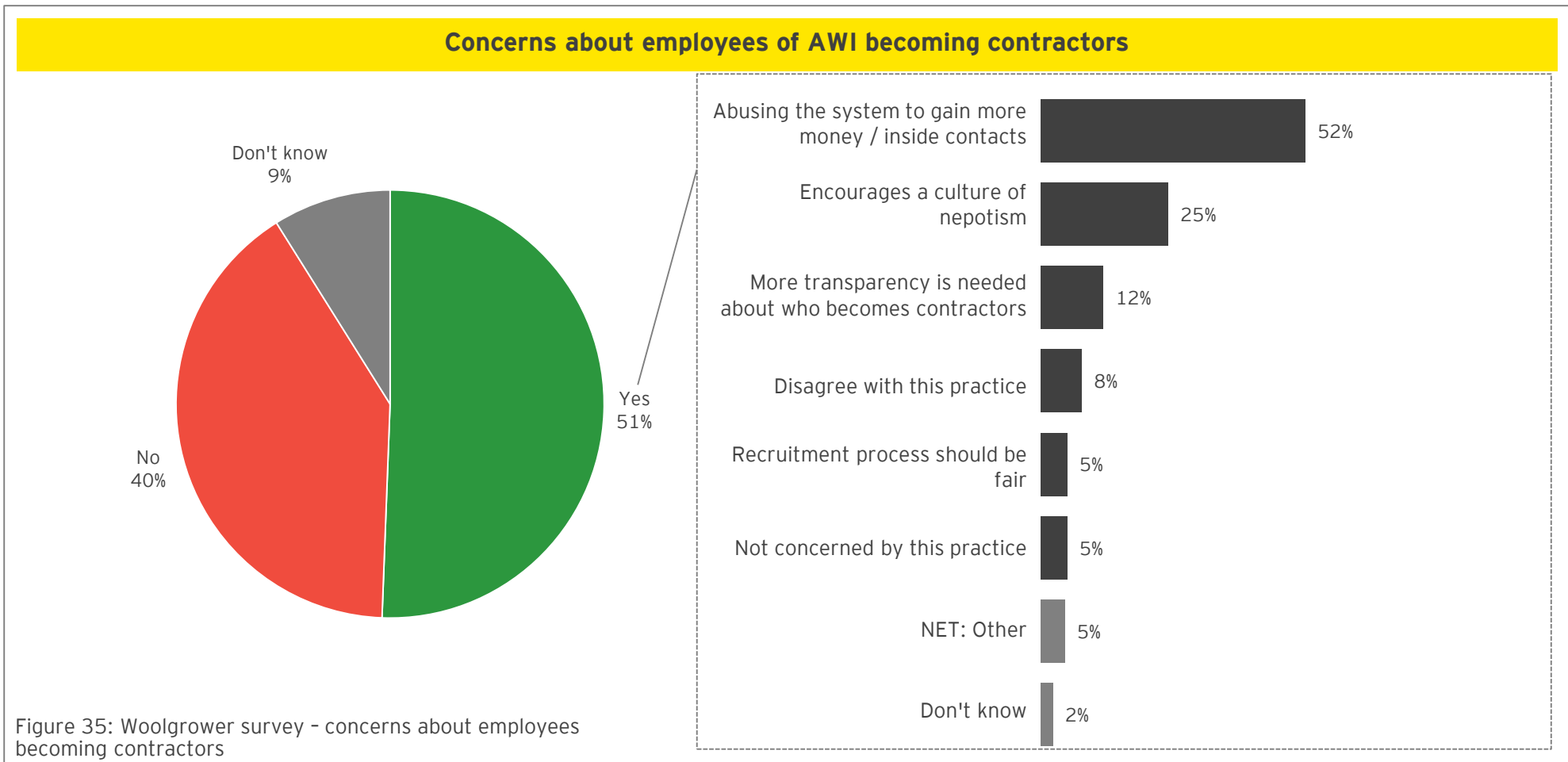


Figure 35: Woolgrower survey - concerns about employees becoming contractors

- ▶ Base: Respondents concerned with employees of AWI becoming contractors (n=210)
- ▶ Q9. What are your concerns about 'employees of AWI becoming contractors'

Note: Total responses exceed 100% because many respondents expressed more than one point of view

Among those 48% of Woolgrowers concerned about AWI executive salaries and benefits, 66% perceive these to be unreasonably high

48% of woolgrowers have concerns about AWI executive level salaries and benefits; of these concerned woolgrowers, 66% perceive these are too high, and 34% perceive they earn too much for doing too little.

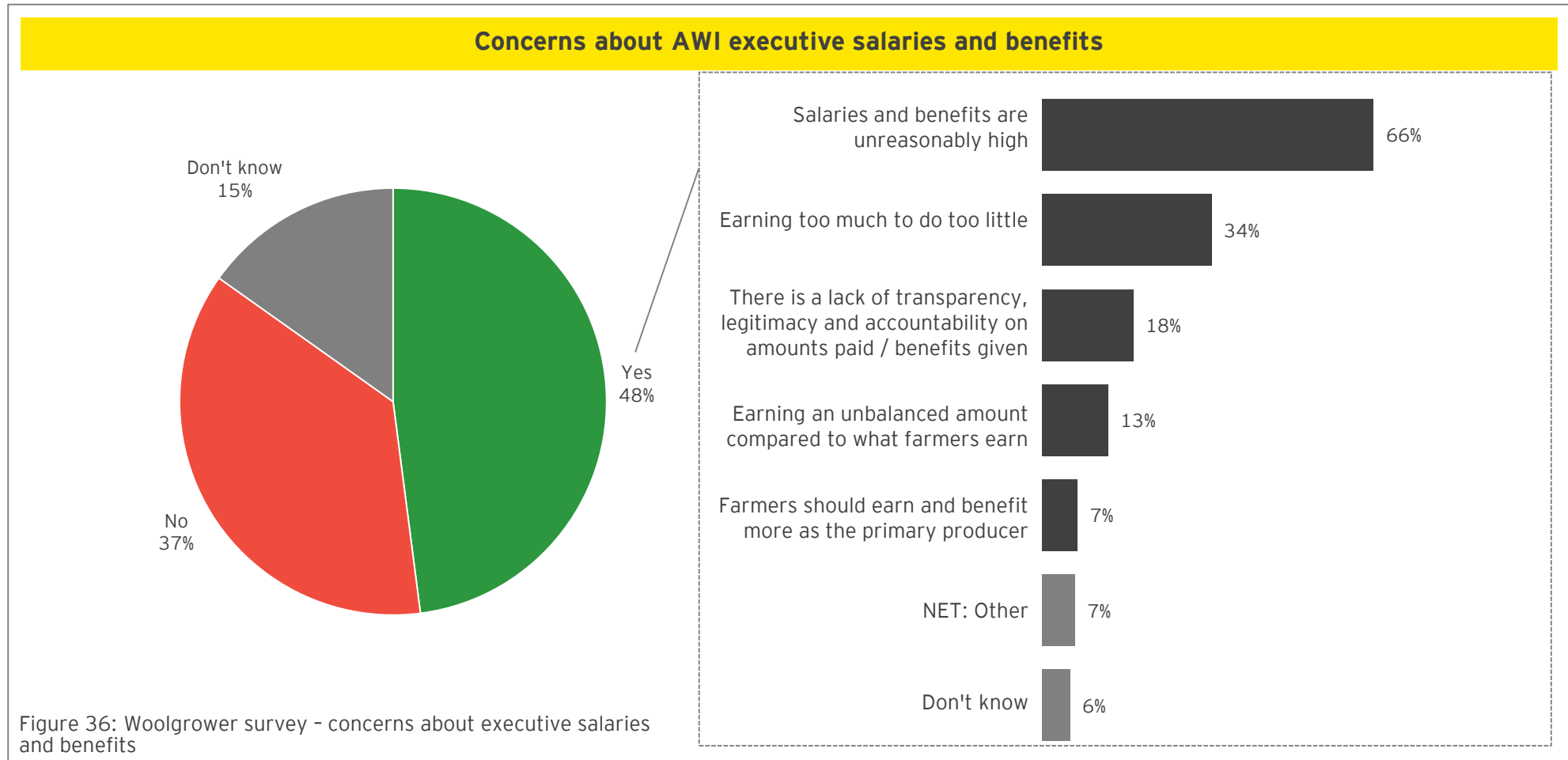


Figure 36: Woolgrower survey - concerns about executive salaries and benefits

- ▶ Base: Respondents concerned with AWI executive salaries and benefits (n=199)
- ▶ Q9. What are your concerns about 'AWI executive salaries and benefits'

Note: Total responses exceed 100% because many respondents expressed more than one point of view

Among the 44% of Woolgrowers concerned about the effectiveness of AWI investment, returns and transparency are their main concerns

Of the 44% of growers who expressed concern about the effectiveness of AWI investment of funds, 30% think investments should be reaping better returns, 29% need more information as to where the funds are being invested and 22% think AWI are investing in the wrong areas.

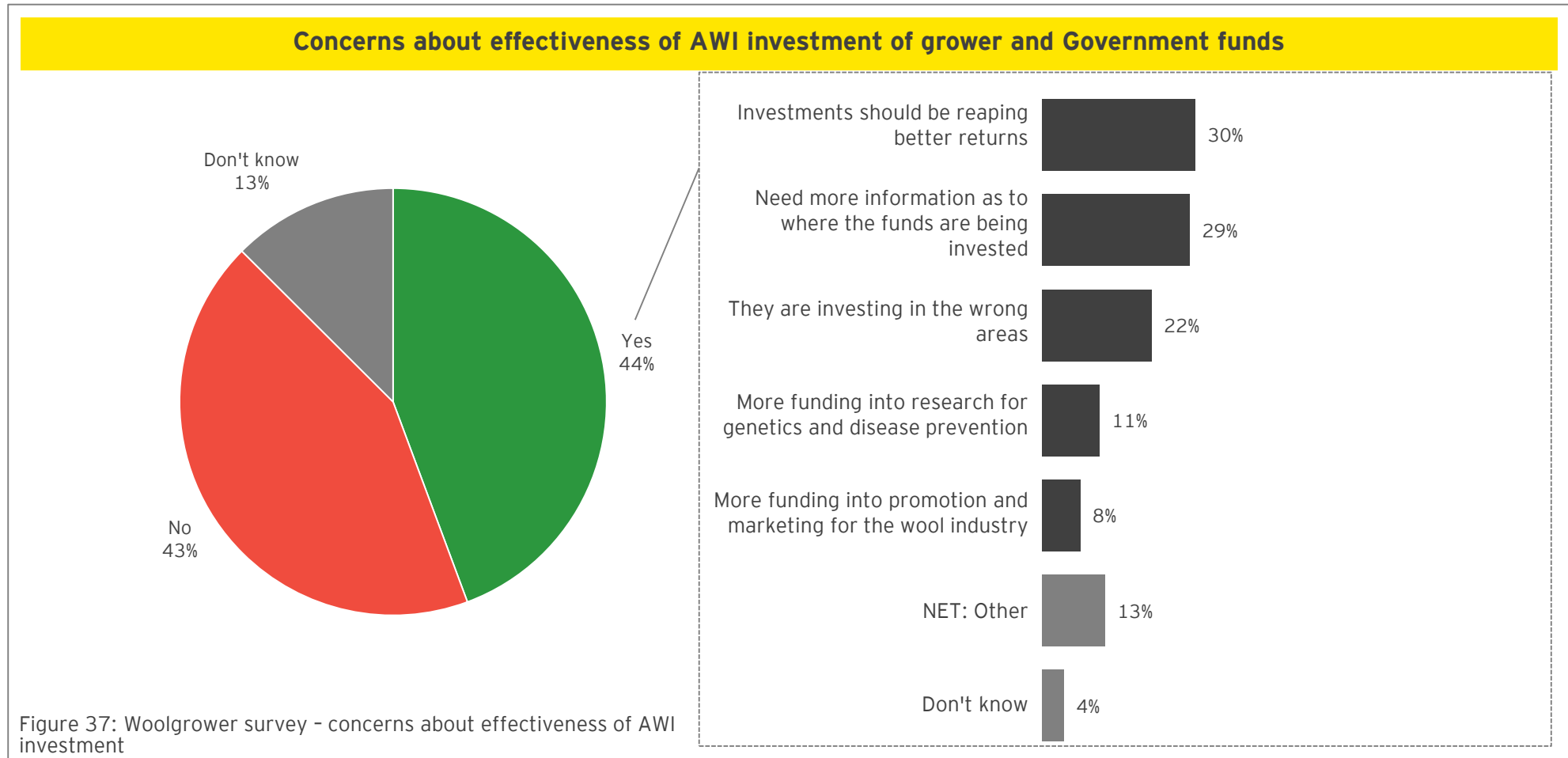


Figure 37: Woolgrower survey - concerns about effectiveness of AWI investment

- ▶ Base: Respondents concerned with effectiveness of AWI investments (n=184)
- ▶ Q9. What are your concerns about 'effectiveness of AWI investment of grower and Government funds'

Note: Total responses exceed 100% because many respondents expressed more than one point of view

4 in 10 woolgrowers are concerned about how proxy votes are used in the AWI AGM

Overall, 40% of woolgrowers are concerned about how proxy votes are used in the AWI AGM, but amongst the largest woolgrowers - those producing 64 bales or more, a significant 59% are concerned by this. Of those woolgrowers who expressed concern about proxy voting, 37% think the Chairman holds too much power, 37% think the proxy vote system is either 'abused', 'nepotistic' or 'unfair', and 15% think more transparency is needed on how votes are used.

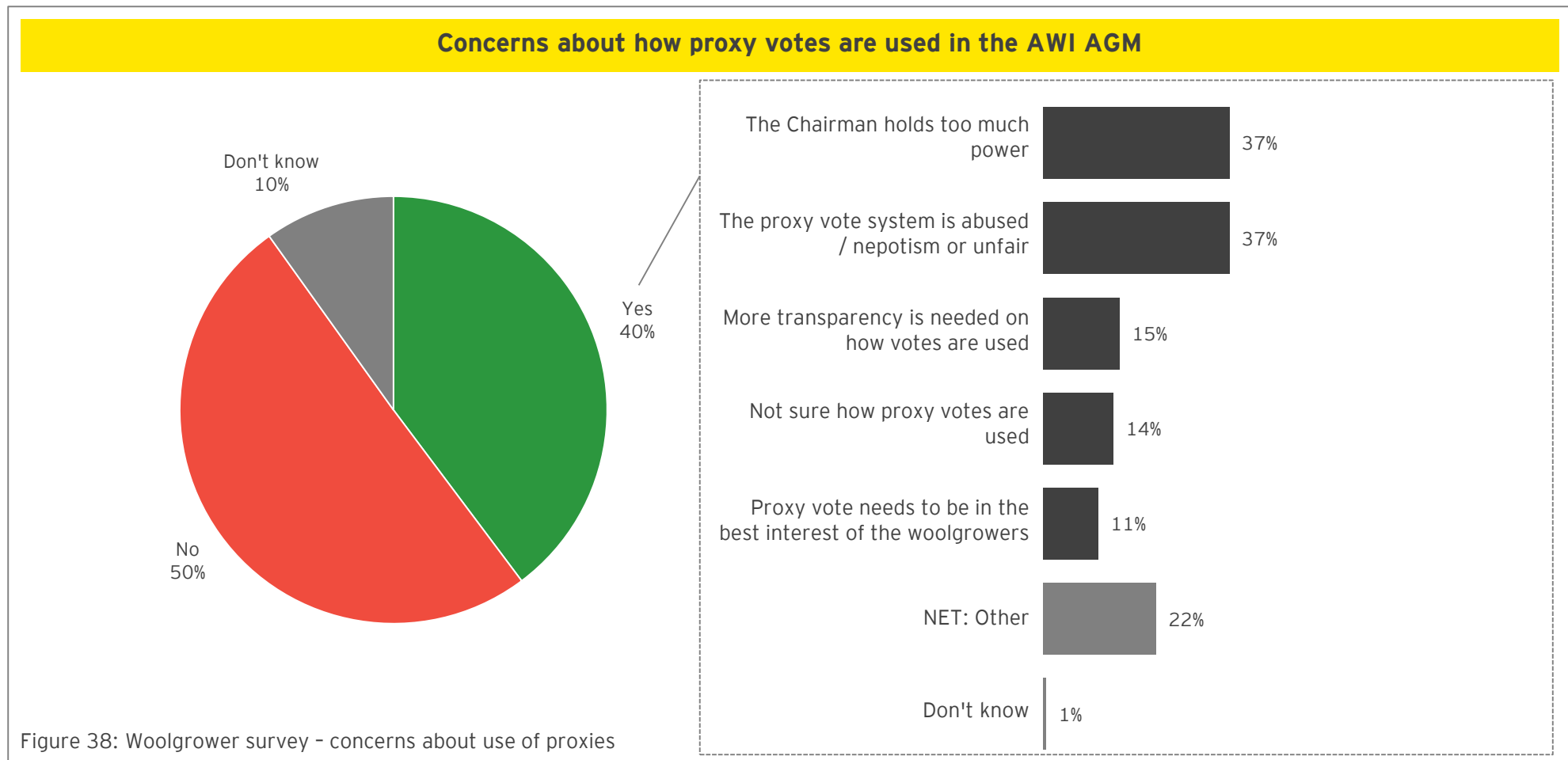


Figure 38: Woolgrower survey - concerns about use of proxies

- ▶ Base: Respondents concerned with use of proxy votes (n=165)
- ▶ Q9. What are your concerns about 'how proxy votes are used in the AWI AGM'

Note: Total responses exceed 100% because many respondents expressed more than one point of view

4 in 10 woolgrowers agree that AWI listens to all woolgrowers before making its decisions

Mirroring the 56% of woolgrowers who believe AWI communicates well with levy payers about what's happening, 43% of woolgrowers believe AWI gives them an opportunity to have their say about what AWI does. Only four in ten (37%) believe AWI listens to woolgrowers before making decisions.

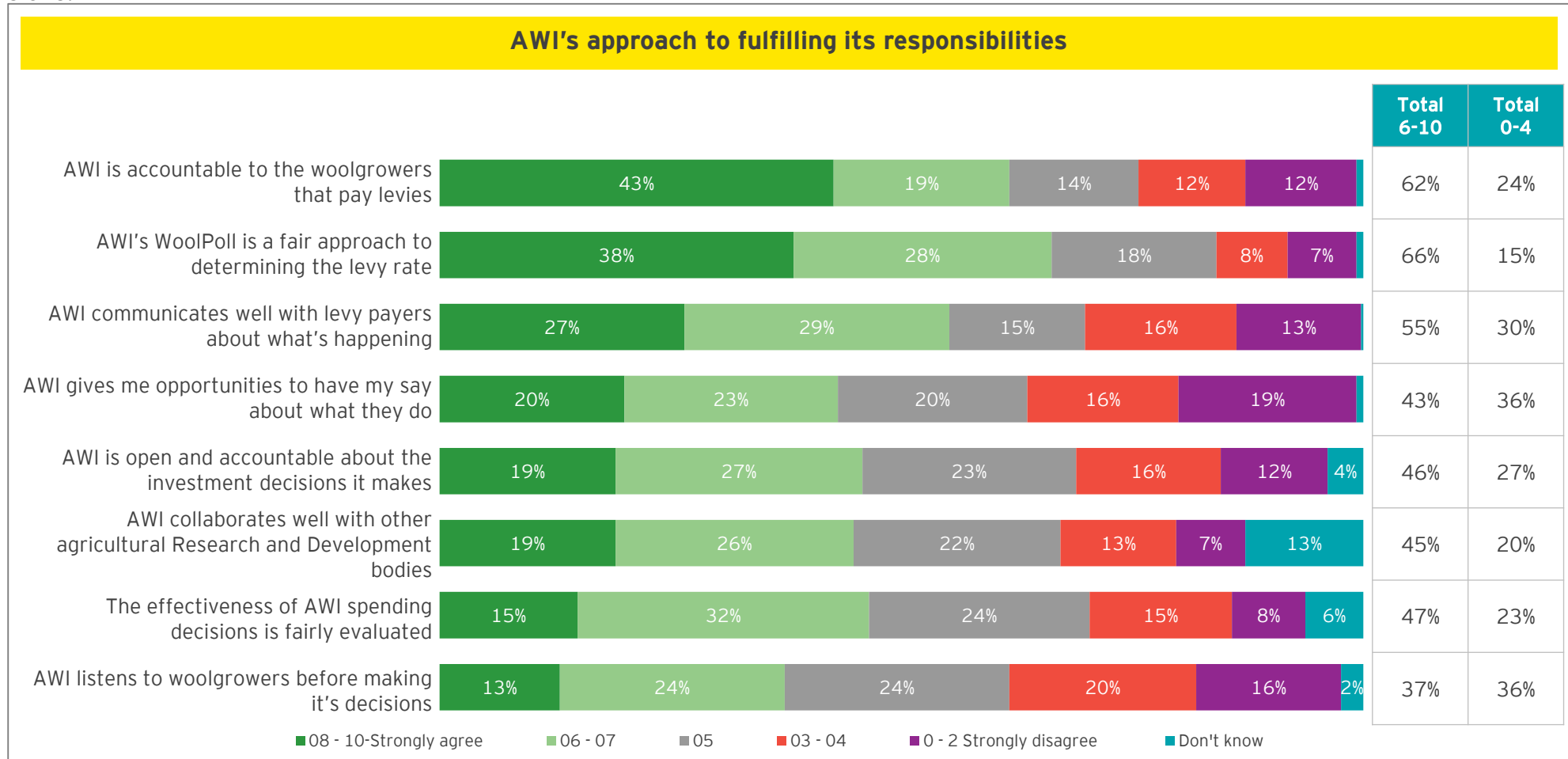


Figure 38: Woolgrower survey - approach to responsibilities

- ▶ Base: All respondents (n=415)
- ▶ Q10. For the next section of the interview, I am going to read out a list of AWI's responsibilities and I would like you to tell me the extent to which you agree with the following statements for each AWI responsibility. Please answer using a scale of 0 to 10 where 0 is strongly disagree and 10 is strongly agree.

Annexure 12: List of documents submitted to EY from AWI

Documents provided to EY by AWI

EY thanks AWI for its cooperation with the provision of documents. AWI provided over 1,300 documents for EY's perusal and to assist in the Review. Below is a list of key documents provided by AWI:

	Document Name	Source of document	Document format	Supplementary documents within core document (if applicable)
1	AWI Review of Performance Report 2012 - 2015	AWI provided documents	PDF	N/A
2	AWI Response and Implementation Plan 2012 - 2015	AWI provided documents	PDF	N/A
3	AWI Response and Implementation Plan 2012 - 2015 UPDATE MAY 2017	AWI provided documents	PDF	N/A
4	Previous ROPs - Table of Contents	AWI provided documents	PDF	N/A
5	AWI Statutory Funding Agreement 2016-2020	AWI provided documents	PDF	N/A
6	Final SFA Compliance Report November 2016	AWI provided documents	PDF	N/A
7	Final SFA Compliance Report November 2016	AWI provided documents	PDF	N/A
8	Final SFA Compliance Report June 2017	AWI provided documents	PDF	N/A
9	Final SFA Compliance Report December 2017	AWI provided documents	PDF	N/A
10	Wool Services Privatisation Act 2000	AWI provided documents	PDF	N/A
11	Wool Services Privatisation (Wool Levy Poll) Regulations 2003	AWI provided documents	PDF	N/A
12	SFA and Statutory Compliance - Table of Contents	AWI provided documents	PDF	N/A
13	AWI 201617-201819 Strategic Plan	AWI provided documents	PDF	N/A
14	AWI 2016-2017 Annual Operating Plan	AWI provided documents	PDF	N/A

Documents provided to EY by AWI

	Document Name	Source of document	Document format	Supplementary documents within core document (if applicable)
15	AWI 2017-2018 Annual Operating Plan	AWI provided documents	PDF	N/A
16	Corporate Documents - Table of Contents	AWI provided documents	PDF	N/A
17	AWI Constitution - November 2011	AWI provided documents	PDF	N/A
18	AWI Board Charter - November 2011	AWI provided documents	PDF	N/A
19	AWI Charter of the Committees of the Board - 2015	AWI provided documents	PDF	N/A
20	AWI Code of Conduct and Business Ethics - 2013	AWI provided documents	PDF	N/A
21	AWI Rules and Procedures Governing the Election of Directors - Revised 2015	AWI provided documents	PDF	N/A
22	Corporate Governance Policy 2015	AWI provided documents	PDF	N/A
23	Communications Strategy 2015	AWI provided documents	PDF	N/A
24	Board Grievance Procedure 2013	AWI provided documents	PDF	N/A
25	Governance Documents - Table of Contents	AWI provided documents	PDF	N/A
26	Fraud Control & Risk Management Plan January 2015	AWI provided documents	PDF	N/A
27	Intellectual Property Management Plan - February 2018	AWI provided documents	PDF	N/A
28	AWI Plans - Table of Contents	AWI provided documents	PDF	N/A
29	SFA-DAWR Briefing Pack - December 2015	AWI provided documents	PDF	N/A
30	SFA-DAWR Briefing Pack - December 2016	AWI provided documents	PDF	N/A
31	SFA-DAWR Briefing Pack - December 2017	AWI provided documents	PDF	N/A
32	SFA-DAWR Briefing Pack - June 2017	AWI provided documents	PDF	N/A
33	ICC Meeting Agenda, Handouts and Minutes - October 2016	AWI provided documents	PDF	N/A
34	ICC Meeting Agenda, Handouts and Minutes - March 2017	AWI provided documents	PDF	N/A
35	ICC Meeting Agenda, Handouts and Minutes - June 2017	AWI provided documents	PDF	N/A

Documents provided to EY by AWI

	Document Name	Source of document	Document format	Supplementary documents within core document (if applicable)
36	ICC Meeting Agenda, Handouts and Minutes - October 2017	AWI provided documents	PDF	N/A
37	ICC Meeting Agenda, Handouts and Minutes - February 2018	AWI provided documents	PDF	N/A
38	SFO Update Memo-September 2016	AWI provided documents	PDF	N/A
39	SFO Update Memo Attachments-Sept 2016	AWI provided documents	PDF	<ol style="list-style-type: none"> 1) AWI Strategic Plan 2016-19 2) AWI on a page 3) BCA LTEM 4) AWI FSP report card 2016 5) AWI FSP RD & E matrix 2016
40	SFO Memo Update - December 2016	AWI provided documents	PDF	N/A
41	SFO Memo Update - February 2017	AWI provided documents	PDF	N/A
42	SFO Update Memo - July 2017	AWI provided documents	PDF	N/A
43	SFO Update Memo Attachments - July 2017	AWI provided documents	PDF	<ol style="list-style-type: none"> 1) AWI WEP FAQ 2) Alignment with grower priorities
44	SFO Update Memo AWI End of Year Update - December 2017	AWI provided documents	PDF	N/A
45	AWI Update R&D Programs - FSP, dogs, genetics September 2017	AWI provided documents	PDF	N/A
46	Shearing Program Update Brief - August 2017	AWI provided documents	PDF	N/A
47	Wool Exchange Portal FAQ	AWI provided documents	PDF	N/A
48	Livestock SA Update - July 2017	AWI provided documents	PDF	N/A
49	NSW Farmers Brief - September 2016	AWI provided documents	PDF	N/A
50	NSW Farmers welfare update - August 2017	AWI provided documents	PDF	N/A

Documents provided to EY by AWI

	Document Name	Source of document	Document format	Supplementary documents within core document (if applicable)
51	NSW Farmers Wool Committee Briefing- February 2017	AWI provided documents	PDF	N/A
52	PGA of WA Welfare Update - August 2017	AWI provided documents	PDF	N/A
53	TFGA Wool Council Briefing - March 2017	AWI provided documents	PDF	N/A
54	AWI Consultation Plan 2016-2019	AWI provided documents	PDF	N/A
55	4AWI Consultation Cycle 2016-19	AWI provided documents	PDF	N/A
56	AWI Consultation Summary Grower R&D priorities 2017-18	AWI provided documents	PDF	N/A
57	ICC Priorities Summary	AWI provided documents	PDF	N/A
58	Consultation - Table of Contents	AWI provided documents	PDF	N/A
59	AWI Submission to Senate Inquiry - November 2014	AWI provided documents	PDF	N/A
60	External briefing for Senate Committee - February 2015	AWI provided documents	PDF	N/A
61	AWI on a page	AWI provided documents	PDF	N/A
62	Wool Industry Org Chart	AWI provided documents	PDF	N/A
63	AWI Triennial Business Cycle 2016-17 to 2018-19	AWI provided documents	PDF	N/A
64	AWI Company History Diagram	AWI provided documents	PDF	N/A
65	AWI Supply Chain- Inforgraphic	AWI provided documents	PDF	N/A
66	AWI Woolgrower Report 2012 to 2015 - Your Levy at Work	AWI provided documents	PDF	N/A
67	WoolPoll 2015 - Voter Information Memorandum (VIM)	AWI provided documents	PDF	N/A
68	AWI 2017 woolgrower survey report	AWI provided documents	PDF	N/A
69	Other Documents of Interest - Table of Contents	AWI provided documents	PDF	N/A
70	ROP Source Document Table of Contents 2018 Final	AWI provided documents	Word	N/A

Documents provided to EY by AWI

Document Name	Source of document
Wool Services Privatisation 2000	https://www.legislation.gov.au/Details/C2016C00448
Wool Services Privatisation (Wool Levy Poll) Regulations 2003	https://www.legislation.gov.au/Details/F2015C00224
Wool Services Privatisation (Research Body) Declaration 2008	https://www.legislation.gov.au/Details/F2008L02725
Wool Services Privatisation (Miscellaneous Provisions) Regulations 2000	https://www.legislation.gov.au/Details/F2000B00371
AWI Statutory Funding Agreement 2016-2020	180326 AWI Provided Documents
AWI Constitution - November 2011	180326 AWI Provided Documents
AWI Board Charter - November 2011	180326 AWI Provided Documents
AWI Charter of the Committees of the Board	180326 AWI Provided Documents
AWI Code of Conduct and Business Ethics - 2013	180326 AWI Provided Documents
AWI Rules and Procedures Governing the Election of Directors - Revised 2015	180326 AWI Provided Documents
Corporate Governance Policy 2015	180326 AWI Provided Documents
Communications Strategy 2015	180326 AWI Provided Documents
Board Grievance Procedure 2013	180326 AWI Provided Documents
Wool Industry Org Chart	180326 AWI Provided Documents
AWI Company History Diagram	180326 AWI Provided Documents
WoolPoll 2015 - Voter Information Memorandum	180326 AWI Provided Documents
Financial Delegations	180430 Peta Slack Smith USB Drive
Current SRA Constitution	to confirm with engagement team basis on which we have a copy
2016 Dairy Australia Constitution	to confirm with engagement team basis on which we have a copy
Corporate Governance Principles and Recommendations 3rd Edition ASX Corporate Governance Council	https://www.asx.com.au/documents/asx-compliance/cgc-principles-and-recommendations-3rd-edn.pdf
Equifax ASIC company search	

Annexures provided to EY by AWI

Annexures were provided in AWI's response to EY regarding key questions that were material to the Review. The Annexures provided are as follows:

Annexure name	Annexure name
1. Annexure 1.1: AWI's Realising Performance Potential - Profitability	23. Annexure 13.6: AWI's Combined Risk Profile January 2018
2. Annexure 3.1a: AWI's 3 year Strategic Plan,	24. Annexure 14.1: AWI's Marketing Project Proposal Template
3. Annexure 3.2a: AWI's Annual Operating Plan,	25. Annexure 14.2: AWI's Project Proposal Templates.
4. Annexure 3.3a: AWI's Annual Report	26. Annexure 15.1: AWI's IP Management Plan 2018
5. Annexure 3.1b: AWI's RD&E Strategy 2015/2018 New Products to Market,	27. Annexure 15.1: AWI's IP Management Plan 2018
6. Annexure 3.2b: AWI's On Farm Strategy 2015/2018 New Products to Market	28. Annexure 16.1: AWI's Contract Flowchart
7. Annexure 3.1c: AWI's Innovation Patent (Serial Number: 2017100671),	29. Annexure 16.2: AWI's Handle IP Contracts User Guide
8. Annexure 3.2c: AWI's Certificate of Examination - Innovation Patent,	30. Annexure 16.3: AWI's Contracts User Guide
9. Annexure 3.3c: Provisional Patent (Serial Number: 2017902180)	31. Annexure 16.4: Examination Cert - Innovation Document
10. Annexure 3.1d: AWI's RD&E Strategy 2015/2018 Capability Mix,	32. Annexure 16.5: WoolQ Trade Mark Extract
11. Annexure 3.2d: AWI's On Farm Strategy 2015/2018 Capability Mix	33. Annexure 16.6: AWI's Misuse Process Document
12. Annexure 5.1: 2015/16 Pages 64, 65 & 67 for the group and page 87 for the parent	34. Annexure 18.1: AWI's Cost Allocation Policy
13. Annexure 5.2: 2016/17 Pages 65, 66 & 68 for the group and page 86 for the parent	35. Annexure 19.1: AWI's Terms of Reference ICC Members Update
14. Annexure 11.1: AWI's Audit Board Report 2014/15 Page 89	36. Annexure 19.2: AWI's Annual Planning and Consultation Cycle
15. Annexure 11.2: AWI's Audit Board Report 2015/16 Page 89	37. Annexure 19.3: AWI's Industry Organisation Chart
16. Annexure 11.3: AWI's Audit Board Report 2016/17 Page 89	38. Annexure 19.4: Woolgrower Industry Consultative Committee
17. Annexure 12.1: AWI's Funding of State Farm Organisations Breakdown	39. Annexure 20.1: AWI's 2013/14 Framework for Monitoring and Evaluation
18. Annexure 13.1: AWI's Risk Management Policy Framework	40. Annexure 21.1: AWI's Audit Board Report 2014/15 Pages 90 & 91
19. Annexure 13.2: AWI's Fraud Control Plan	41. Annexure 21.1: AWI's Audit Board Report 2015/16 Pages 90 & 91
20. Annexure 13.3: AWI's Risk Appetite Statement	42. Annexure 21.1: AWI's Audit Board Report 2016/17 Pages 90 & 91
21. Annexure 13.4: AWI's Strategic Risk Profile	43. Annexure 22.1: AWI's R&D Certification Report 1 July 2014 - 30 June 2015
22. Annexure 13.5: AWI's Combined Risk Profile November 2016	44. Annexure 24.1: AWI's Board Minutes 2015/2018
	45. Annexure 24.2: AWI's FAC Minutes 2015/2018 (Finance & Audit Committee)
	46. Annexure 24.3: AWI's RAC Minutes 2015/2018 (Remuneration & Appointments Committee)

Annexures provided to EY by AWI

Annexure name
47. Annexure 24.4: AWI's SWC Minutes 2015/2018 (Science & Welfare Committee)
48. Annexure 26.1: EMC Decisions 2015/2018
49. Annexure 23.4 AWI'S SWC MINUTES 2015/2018
50. Annexure 27.1: AWI's Financial Delegation
51. Annexure 27.2: AWI's Travel Policy April 2017
52. Annexure 29.1: 2012 WoolPoll Results
53. Annexure 29.2: 2015 WoolPoll Results
54. Annexure 30.1: AWI's ICC Agenda
55. Annexure 30.2: AWI's ICC Meeting Packs
56. Annexure 30.3: AWI's ICC Minutes
57. Annexure 30.3: AWI's ICC Meeting Summary
58. Annexure 30.4: AWI's ICC Priorities
59. Annexure 30.5: AWI's ICC Growers R&D Priorities
60. Annexure 33.1: AWI's Program Achievement Reports Feb 2018
61. Annexure 33.2: AWI's SFA Meeting Minutes
62. Annexure 36.1: AWI's Country Operating Plan
63. Annexure 38: Breakdown responses of programs and partner collaborations
64. Annexure 40.1: AWI's Paraboss Internal Review 2016
65. Annexure 43.1: Framework - Consultation Plan
66. Annexure 43.2: AWI's Directors Information
67. Annexure 45
68. Annexure 59.1: AWI's Proxy Nominated Persons Summary 2015/17
69. Annexure 59.2: AWI's Proxy Summary of Votes 2015/17
70. Annexure 74A - Sheep Production ME Plans
71. Annexure 74.1 - PROCESSING INNOVATION AND EDUCATION EXTENSION
72. Annexure 75A - Marketing portfolio
73. Annexure 74.3a: AWI M&E Framework
74. Annexure 74.3b: AWI M&E Across AWI

Annexure name
75. Annexure 74.3c: AWI Marketing M&E
76. Annexure 74.3d: AWI Processing Innovation & Education Extension Portfolio M&E
77. Annexure 75a.1 Menswear
78. Annexure 75a.2 Womenswear
79. Annexure 75a.3 Sportswear
80. Annexure 75a.4 Global Campaigns - IWP & PR
81. Annexure 75a.5 Global Campaigns - CFW
82. Annexure 75a.6 Digital Engagement
83. Annexure 75a.7 Sample project summaries 2016-2018
84. Annexure 78A: Outlined of the decision-making process
85. Annexure 78B to F: Pipeline processes
86. Annexure 81: Changes in wool quality
87. Annexure 82: Volume of wool produced
88. Annexure 83: Detailed summary of stakeholder communication
89. Annexure 86: Levy payer and stakeholder input 2015-19
90. Annexure 87: AWI's Communications Plan
91. Annexure 88: examples of AWI's International travel from 2015/2018
92. Annexure 98A and 98B: the RAC and FAC Minutes since 2015
93. Annexure 103: details of key elements of the induction process.
94. Annexure 130: 2016-16 Annual operating plan
95. Annexure 132A, 132B and 132C: 2015, 2016 and 2017 Certification reports

Annexure 13: Stakeholder engagement & submissions received

Stakeholders engaged

Name	Group/Organisation	Meeting Date
Stuart McCullough	AWI	26/3/18
Tracy Marshall	AWI	03/4/18
Daniella Giorgiutto	AWI	04/4/18
John Harrison	AWI	04/4/18
Jim Story	AWI	04/4/18
Peta Slack-Smith	AWI	26/4/18
Wal Merriman	AWI	04/4/18
Jock Laurie	AWI	26/4/18
Don McDonald	AWI	26/4/18
James Morgan	AWI	26/4/18
Meredith Sheil	AWI	04/4/18
Jane Littlejohn	AWI	17/4/18
Stephen Feighan	AWI	17/4/18
John Roberts	AWI	17/4/18
Stuart Ford	AWI	27/4/18
Marius Cuming	AWI	02/5/18
Julie Davies	AWI	17/4/18
Natasha Hall	AWI	03/5/18
Jen Lau	AWI	02/5/18
Damian Madden	AWI	26/4/18

Stakeholders engaged

Name	Group/Organisation	Meeting Date
Laura Armstrong	AWI	17/4/18
Richard Smith	AWI	02/5/18
Marcus Majas	AWI	02/5/18
Adam Merretz	AWI	02/5/18
Colette Garnsey OAM	AWI	18/5/18
David Webster	AWI	17/5/18
David Collins	AWI	25/5/18
Robyn Clubb	Australian Wool Exchange Ltd	15/5/18
Jo Dawson	H Dawson Sons and Co	15/5/18
Chris Wilcox	National Council of Wool Selling Brokers	01/5/18
John Colley	National Council of Wool Selling Brokers	01/5/18
Rowan Woods	National Council of Wool Selling Brokers	01/5/18
Marco and Giovanni Schneider	Italian Wool Processors	17/5/18
Senator Anne Ruston	Assistant Minister	24/4/18
Senator Barry O'Sullivan	Chair of Rural and Regional Affairs and Transport Legislation Committee	03/5/18
Senator Bridget McKenzie	Deputy Leader of the Nationals	24/4/18
The Hon David Littleproud MP	Minister for Agriculture and Water Resources	16/4/18
The Hon Joel Fitzgibbon MP	Opposition spokesperson	08/5/18
Daryl Quinlivan	Secretary, Department of Agriculture and Water Resources	02/5/18

Stakeholders engaged

Name	Group/Organisation	Meeting Date
Sion Jones	NSW DPI	03/5/18
Dougal Gordon	NSW DPI	03/5/18
Paul Arthur	NSW DPI	03/5/18
Penny Callow	NSW DPI	03/5/18
Bruce Mullen	WA Department of Primary Industries and Regional Development	30/4/18
Alexandra Bunton	NSW Farmers Association	30/4/18
Annabel Johnson	NSW Farmers Association	30/4/18
Bindi Murray	Pastoralists and Graziers Association of WA	30/4/18
Chris Patmore	Pastoralists and Graziers Association of WA	30/4/18
Digby Stretch	Pastoralists and Graziers Association of WA	30/4/18
Ian Randles	Pastoralists and Graziers Association of WA	30/4/18
Kim Haywood	WA Farmers Federation	30/4/18
Steven McGuire	WA Farmers Federation	30/4/18
John Ive	Australian Superfine Woolgrowers Association	16/4/18
Mark Harvey-Sutton	NFF	20/4/18
Magnus Aikan	Paraway Pastoral Company	10/5/18

Stakeholders engaged

Name	Group/Organisation	Meeting Date
Mitch Abbo	Paraway Pastoral Company	10/5/18
Reith Parker	Sheep Producers Australia	27/4/18
Sue Dillon	Sheep Producers Australia	27/4/18
Wayne Button	Stud Merino Breeders Association of WA	30/4/18
Michael Collins	Victorian Stud Merino Sheep Breeders Association	08/5/18
Jo Hall	Wool Producers Australia	16/4/18
John Hassell	Wool Producers Australia	30/4/18
Richard Halliday	Wool Producers Australia	23/4/18
Nick Cole	Australian Corriedale Association	12/4/18
Michael Jackson	Australian Wool Testing Authority	15/5/18
Michael Jones	AWH	04/5/18
Mark Denton	AWH	04/5/18
David Mitchell	AWH	04/5/18
Peter Small	Chair of Toorallie (Quality Softwools Australia)	27/4/18
Madam Peng Yanli	China Wool Textile Authority	13/05/18
Jeremy Song	Nanshan Group	16/6/18
John Keniry	No Group	17/4/18
James Rowe	Sheep CRC	08/5/18
Polly Ward	Sheep CRC	08/5/18

Stakeholders engaged

Name	Group/Organisation	Meeting Date
Matthew Hand	United Wool Company Pty Ltd	13/05/18
Will Willson	WoolQ	15/05/18
Fabrizio Servente	Woolmark	17/5/18
Paolo Zegna	Ermenegildo Zegna	05/6/18
Judith Fox	Australian Shareholders Association	28/5/18
Dr Rob Banks	Australian Genetic and Breeding Unit (AGBU)	03/5/18
Tim Lester	Council of Rural Research and Development Corporations	16/4/18
Charles McEihone	Dairy Australia	20/4/18
Ian Halliday	Dairy Australia	20/4/18
Jeff Odgers	Dairy Australia	20/4/18
Michael Crowley	Meat and Livestock Australia	26/4/18
Richard Norton	Meat and Livestock Australia	26/4/18
Enzo Allara	Australian Pork Limited	25/5/18
Jason Letchford	Shearing Contractors Association of Australia	24/4/18
Klaus Steger	ERWO Holding AG	14/05/18
Alistair Calvert	Australian Wool Solutions	13/05/18

Stakeholders engaged

Name	Group/Organisation	Meeting Date
Brent Finlay	Commercial Woolgrower	01/5/18
Robert Lawrence	Commercial Woolgrower	12/4/18
Simon Hogan	Elders	15/5/18
Geoff Power	Grower	23/4/18
James Walker	Grower	03/5/18
Neil Jackson	Grower	30/4/18
Steven Bolt	Grower	30/4/18
Sydney Lawrie	Grower	24/4/18
Jock MacRae	Grower	22/5/18
Julian & Annabelle Von Bibra	JVB	11/4/18
Joe Keynes	Livestock SA	23/4/18
Graham Wells	No Group	01/5/18
Robert Harding	No Group	04/5/18
Tom Bull	No Group	10/5/18
Jim Gordon	No Group	27/4/18
Jim Gordon	No Group	22/5/18
Norm Smith	No Group	22/5/18
Doug Wright	No Group	22/5/18
Andrew Michael	SA Stud Merino Breeder	24/4/18
Paul Foley	Swan Wool Processors	15/5/18

Submissions received

For submissions details please visit: <http://www.agriculture.gov.au/ag-farm-food/innovation/awi-performance-review/submissions>

Submission Number	Name	Category
1	Brent Finlay	Woolgrowers
2	Norman Smith	Woolgrowers
3	Rebecca Glencross	Woolgrowers
4	Geoffrey Beath	Woolgrowers
5	Robyn Alders	Woolgrowers
6	Warren Duncan	Woolgrowers
7	Rod McErvale	Woolgrowers
8	Robyn O'Neill	Woolgrowers
9	Chris Komor	Woolgrowers
10	Daniel Brown	Woolgrowers
11	Simon John Cameron	Woolgrowers
12	William Bruce Michael	Woolgrowers
13	RSPCA Australia	NGOs
14	Virginia Hawker	Other
15	Robert Edward Kennedy	Woolgrowers
16	Chris Thomson	Woolgrowers
17	William Bruce Michael	Woolgrowers
18	Tim Gubbins	Woolgrowers
19	Steven Harrison	Industry Representative Bodies - Wool specific

Submissions received

For submissions details please visit: <http://www.agriculture.gov.au/ag-farm-food/innovation/awi-performance-review/submissions>

Submission Number	Name	Category
20	Andrew Wood	Woolgrowers
21	Peter Rogers	Woolgrowers
22	Julie Rogers	Woolgrowers
23	Peter Rogers	Woolgrowers
24	Richard House	Woolgrowers
25	Donald R Hamblin	Woolgrowers
26	David Roy Lindsay	Industry Representative Bodies - Wool specific
27	Michael T. Field	Woolgrowers
28	Andrew Heinrich	Woolgrowers
29	Timothy James Watts	Woolgrowers
30	Rick Morris	Woolgrowers
31	Dianna Enid Martin	Woolgrowers
32	Mark Wootton	Woolgrowers
33	William Roberts	Woolgrowers
34	Heather Dalla	Woolgrowers
35	Norman Smith	Woolgrowers
36	Michelle Humphries	Woolgrowers
37	WoolProducers Australia	Industry Representative Bodies - Wool specific
38	NSW Farmers Association	Industry Representative Bodies - Wool specific

Submissions received

For submissions details please visit: <http://www.agriculture.gov.au/ag-farm-food/innovation/awi-performance-review/submissions>

Submission Number	Name	Category
39	Chris Wilcox	Industry Representative Bodies - Wool specific
40	Peter Skillern	Other
41	Rae Young	Industry Representative Bodies - Wool specific
42	Inland Woolbroker Association	Industry Representative Bodies - Wool specific
43	Mark Grave	Service Sector
44	Susan Finnigan	Woolgrowers
45	Martin Oppenheimer	Industry Representative Bodies - Wool specific
46	Michael Jones	Other
47	Hamish McLaren	Woolgrowers
48	Ian A Ross	Woolgrowers
49	John McGoverne	Industry Representative Bodies - Other than wool
50	Lexi Cesnik	Industry Representative Bodies - Wool specific
51	Peter Morgan	Wool Industry Association
52	Peter Morgan	Industry Representative Bodies - Wool specific
53	Michael Allpass	Industry Representative Bodies - Wool specific
54	Dr. Robert Banks	Other
55	Kelly Lill	Industry Representative Bodies - Wool specific
56	National Farmers' Federation	Industry Representative Bodies - Other than wool

Annexure 14: Sample Board Skills Matrix

Sample Board Skills Matrix



Board skills

Dairy Australia's Board determines the policies and directions for investing in dairy industry service activities, and approves strategic and operating plans and performance targets. The Board ensures that policies and systems are in place to manage risk and ensure high standards of accountability, ethical behaviour and legal compliance in accordance with government funding arrangements and the compliance framework within which Dairy Australia operates.

Directors have varying backgrounds and are selected on the basis of the skills and capabilities which are needed at board level and to fulfil various roles on the Board and on its committees. Listed below is a summary of those skill areas which the Board considers are required of the Board as a whole. This information is updated by the Board (in consultation with its committees) as the needs of the industry and the organisation change. The Board also seeks to reflect the benefits of all aspects of diversity, including regional and geographic background, industry experience, research and development experience, farming systems, farm sizes, and race, gender and other distinctions between Directors.

- **Dairy Industry Knowledge** – these skill areas cover an understanding of industry structure, organisations and networks, the global dairy market and pricing, as well as broad understanding of dairy manufacturing, environmental aspects and dairy products.
- **Farm Systems/Milk Producer Skills** – comprises a broad understanding of farm systems, emerging farm technologies, animal performance (including feedbase), animal welfare and the drivers of farm management and profitability. Expertise in extension and education and in a diversity of farm types is valued.
- **Research and Development** – core skills needed here are in commercialisation and adoption of project outcomes, agricultural innovation and future farming, R&D project and portfolio evaluation and management. Overview skills in IP management are also required.
- **Strategy and Planning** – core skills here are in strategic and operating plan experience, an understanding of dairy market factors including the dairy industry's "social licence to operate", anticipating future innovations as they may apply to the dairy industry and expertise in strategies to convert plans to effective programs which change practice and behaviour.
- **Stakeholder Engagement** – a range of communication and marketing skills and strategies and networks are critical here with farmer, industry and government stakeholders. Awareness of emerging digital communication strategies is also important.
- **Finance and Governance** – a strong understanding of finance, risk management, business case evaluation and corporate governance is required. Very specific skills are required in audit and risk management disciplines.
- **Human Resources and Leadership** – expertise is needed in HR policy and procedures, and in remuneration principles and practice. Skills in a range of areas associated with managing talent in a knowledge intensive environment are critical to the effectiveness of the organisation.

As well as skills in these specific areas, directors are required to understand the responsibilities of, and obligations owed by company directors, possess general commercial and financial literacy and are expected to act with integrity, honesty and in a collaborative manner.

Reviewed February 2018

Source: Dairy Australia
<https://www.dairyaustralia.com.au/-/media/dairyaustralia/documents/about-dairy-australia/governance/board-skills.ashx?la=en&hash=174F0B49DA29C03FD6118B41C33D01EA3845B57E>

Annexure 15: Acronyms

Acronyms

Acronym	Definition
AASMB	Australian Association of Stud Merino Breeders
ABARES	Australian Bureau of Agricultural and Resource Economics and Sciences
AFR	Australia Financial Review
AGM	Annual General Meeting
AHA	Animal Health Australia
AMPC	Australian Meat Processor Corporation
AOP	Annual Operating Plan
APRA	Australian Prudential Regulation Authority
APS	Australian Public Service
ASBV	Australian Sheep Breeding Values
ASX	Australian Securities Exchange
AWEX	Australian Wool Exchange
AWGA	Australian Wool Growers Association
AWH	Australian Wool Handlers
AWI	Australian Wool Innovation
AWRAP	The Australian Wool Research and Promotions Organisation
AWS	Australian Wool Services
AWTA	Australian Wool Testing Authority
BCR	Benefit Cost Ratio
BDA	BDA Economics and Environment Pty. Ltd
BNC	Board Nomination Committee

Acronym	Definition
CAGR	Compound Annual Growth Rate
CBA	Cost Benefit Analysis
CCA	Cattle Council of Australia
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CFW	Campaign for Wool
CISS	Centre for Invasive Species Solution
COO	Chief operating officer
CoS	Chief of staff
CRC	Cooperative Research Centre
CRDC	Cotton Research and Development Corporation
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DAL	Dairy Australia Limited
DAWR	Department of Agriculture and Water Resources
DEDJTR	Department of Economic Development, Jobs, Transport and Resources
DMR	PR firm engaged by AWI
EADRA	Emergency Animal Disease Agreement
EMI	Eastern Market Indicator
EOI	Expression of Interest
GER	Germany
ICC	Woolgrower Industry Consultative Committee

Acronyms

Acronym	Definition
IWP	International Woolmark Prize
IWS	International Wool Secretariat
LINK	LINK market services Ltd, a share registry and financial services provider
LTEM	Lifetime Ewe Management
M&E	Monitoring & Evaluation
MLA	Meat & Livestock Australia
MLP	Merino lifetime productivity
NL	Netherlands
PAC	Project Advisory Committee
PAR	Program activity report
PARs	Program Achievement Reports
PGA	Pastoralists & Graziers Association
PIEE	Product Innovation and Education Extension
PR	Public relation agency
PWMMC	Peter Westblade Memorial Merino Challenge
R&D	Research & Development
RDC	Research and Development Corporation
RDE&M	Research, development, extension and marketing
Review Period	Covers the three-year span 2015-2018
RHDV1 K5	RHDV Boost Plus
RMF	Risk Management Framework

Acronym	Definition
ROI	Return on Investment
ROP	Review of Performance
RPS	Reserve Price Scheme
RSE	Registrable superannuation entities
RWS	The Responsible Wool Standards
SAP	Systems, Applications and Products
SCA	Sheepmeat Council of Australia
SED	SED Consulting
SFA	Statutory Funding Agreement
SFOs	State Farming Organisations
SPA	Sheep Producers Australia
SWC	Science and Welfare Committee
TOR	Terms of Reference
TWC	The Woolmark Company
WDA	Wild Dog Alert
WEP	Wool Exchange Portal
WoolQ	The Wool Exchange Portal
WPA	WoolProducers Australia
WSSR	Wool Selling System Review

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