



STRATEGIC PLAN 2016/17 TO 2018/19



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1. INTRODUCTION

1.1. Chairman's Statement



The investments of Australian Wool Innovation (AWI) – your company – are driven by the wool industry, as a result of the direction given by woolgrowers at WoolPoll 2015 plus ongoing consultation between AWI, woolgrowers and industry stakeholders.

The past three year strategic period has been one of considerable progress at AWI against a backdrop of global market uncertainty. Over the next three year strategic period, from 1 July 2016 to 30 June 2019, we will continue our hard work to build the profitability, competitiveness and sustainability of the Australian wool industry.

Our work in marketing aims to increase the demand for wool and thereby continue the lift in the Eastern Market Indicator as more consumers appreciate the premium benefits of the great natural fibre we produce. Meanwhile, our on-farm R&D investments aim to directly improve woolgrowers' productivity and profitability.

Wal Merriman

1.2. CEO's Statement



The 2016/17 to 2018/19 Strategic Plan is the result of our consultation with woolgrowers, the guidance of the Board of Directors of Australian Wool Innovation (AWI), and the priorities of both. This document reflects not only the aims and goals of the company in this next strategic period, but also demonstrates our emphasis on transforming AWI into a digital and service orientated company.

Our performance in the previous three year period leads this document, showing the results of the Review of Performance by Deloitte and our economist's view of our programs.

Through the period covered by this new strategic intent document we are determined to ensure that all parts of the wool supply chain are innovation rich and that Australian woolgrowers are the significant beneficiary.

Stuart McCullough

1.3. Statutory Obligations

As the designated Industry Services Body for the Australian wool industry, AWI collects woolgrower levies and matching Australian Government funds for eligible research, development and extension. A Statutory Funding Agreement (SFA) between AWI and the Australian Government is negotiated to ensure those funds are expended prudently and in line with levy payer and the Australian Government's expectations.

The Department of Agriculture manages the SFA on behalf of the Australian Government.

The SFA prescribes the following:

- The functions and role of AWI
- How AWI is to operate
- The management and expenditure of levies and funds
- Research and development activities eligible to attract matching Government funding
- Sanctions the Government can impose should AWI breach the SFA
- Activities AWI is prohibited from being involved in
- How, when and to whom AWI must report and consult.

The SFA also requires AWI to undertake the poll of all eligible levy payers - the WoolPoll - to determine the rate of levy to be collected.

Before WoolPoll can be held, the SFA requires AWI to commission an external consultant to conduct an independent Review of Performance (ROP) to provide woolgrowers with an independent assessment of the company's performance. The SFA outlines how this Review is to be conducted and who is eligible to conduct the review.

The levy rate determined by woolgrowers at WoolPoll forms the basis of the new SFA. In negotiating the SFA, both AWI and the Australian Government also consider the outcomes of the independent ROP, and changes to Government policy, to ensure ongoing improvements to the company's operations and return on levy payers' investment.

AWI business model

As wool was the first rural industry to identify the need for research and development, AWI is always mindful of its ultimate *raison d'être* - to invest in research, development & marketing (RD&M) to identify new practices and technologies to be adopted by woolgrowers to enhance farm gate returns.

The AWI model is the culmination of almost eighty years of significant industry change and subsequent institutional evolution within the wool research and marketing bodies in Australia. In recent decades, Australia has stopped 'riding the sheep's back' (although Australia continues to be the largest producer (90%) of global fine apparel wool, and wool is the largest rural and sixth largest commodity export from Australia to China). Against this background of a changing industry, the wool industry research and marketing bodies have been continually evolved and refined over time.

AWI as an entity has delivered a relatively long period of stability to industry service provision since its establishment, perhaps indicative that the right model has been achieved. Despite this period of stability, AWI has continued to evolve and improve since its establishment in 2001 ensuring it is 'fit for purpose' and responsive to industry and Government needs. Significant change has occurred within the business particularly since 2009.

If anything, history has taught us that a key feature of the industry and organisation is change; hence the need to be responsive and adaptive. AWI continues to look at ways of improving the business model on a regular basis to ensure it remains responsive to industry and Government.

Woolgrowers have the ultimate influence over their levies in AWI, through the ability to vote on the levy (including a zero option) at WoolPoll every three years; and through a robust consultation and engagement plan to seek input on priorities and report on AWI's performance.

AWI believes that its business model is the beneficiary of the many lessons learned by the industry over 80 years. These lessons, the commitment of the Board to be responsive to industry, in addition to the statutory requirements of WoolPoll, the independent ROP and various reporting requirements, have driven a culture of performance and reporting within AWI at all levels of the business.

At the 2015 WoolPoll, woolgrowers voted to continue paying a two per cent levy to AWI, with 40 per cent to be spent on research and development and 60 per cent on marketing.

1.4. Independent Review of Performance

An independent review of AWI's performance against the 2013-16 Strategic Plan, prepared by Deloitte in July 2015, found that AWI operated effectively, complied with its obligations, and focussed on delivering and enhancing value for woolgrowers.

The report said AWI had achieved considerable value for woolgrowers since the previous review, delivering a return to woolgrowers of \$2.90 for every dollar invested during 2012-15, and this result was achieved in the face of challenging industry conditions such as fluctuating wool prices, changing productivity and environmental factors impacting woolgrowers.

It said AWI's actions and investment activities, over the past three years, contributed to increasing market demand and rising wool prices, improved on-farm and off-farm productivity and cost savings for woolgrowers as a result of AWI's on-farm and off-farm R&D activities.

Performance reviews are mandated by the Australian Government, (who match all AWI funding for eligible research and development activities) through the Statutory Funding Agreement (2013-2016) (SFA) and Deloitte said AWI had demonstrated its compliance to the SFA and met all its obligations in regards to governance, operations, strategic planning and engagement with stakeholders.

AWI's operational improvements that have created benefits for woolgrowers		
Engagement and Collaboration	Governance and Operations	Strategy and Structure
Driven continuous improvement across all aspects of the organisation through defining and refining the Monitoring and Evaluation (M&E) Framework	Increased transparency and reviewed the way in which Board directors are appointed	Focussed on operational effectiveness through reviewing processes, mitigation strategies and escalation protocols
Increased the number of forums through which woolgrowers are able to access AWI	Aligned priorities and established firm schedule of regular meetings with the Executive	Encouraged collaboration through a "call for projects" process to contribute to Strategic Planning
Encouraged feedback through online publication of the Strategic Plan	Focussed activities through improved relations between the AWI Board	Monitored and evaluated the effectiveness of projects and programs through the M&E Framework

1.4. Independent Review of Performance (continuation)





Independent Review of Performance findings	
Engagement and Collaboration	<ul style="list-style-type: none"> • AWI has implemented engagement, consultation, and communication with, and feedback to, woolgrowers and other stakeholders. This includes providing opportunities for levy payers to influence the investment of levies. • AWI's Monitoring and Evaluation Framework underpins the Annual Planning and Consultation Cycle, and AWI ensures that the Strategic Plan and subsequent annual operating plans are developed to reflect the needs and expectations of stakeholders and the broader industry.
Governance	<ul style="list-style-type: none"> • AWI continues to improve the governance, structure and operations of the organisation to ensure good practice and appropriate corporate governance.
Operations	<ul style="list-style-type: none"> • AWI has been effective in meeting the priorities, targets and budgets as set out in its Strategic and Annual Operating Plans. • AWI has achieved benefits for woolgrowers, the community and broader industry by increasing farm gate returns.
Statutory Compliance	<ul style="list-style-type: none"> • AWI has met its obligations under the Statutory Funding Agreement 2013-16 (SFA) with the Commonwealth. • AWI has demonstrated an increased effectiveness of its intellectual property, risk management and fraud control plans, which are monitored by the Finance and Audit Committee (FAC). • AWI has addressed all and implemented three of the four recommendations from the previous Review.

Highlights from the Independent Review of Performance of the past three years shows that AWI has:

- Partnered with more than 140 international organisations.
- Launched the highly successful "Campaign for Wool" in eight international markets creating a net present value of \$27.9 million.
- Invested almost \$3 million in the past three years to assist controlling wild dogs.
- Delivered on-farm and off-farm returns of approximately \$2.90 for every \$1 spent by AWI towards R&D activities.
- Provided environmental benefits such as reduced soil erosion and reduced groundwater recharge.
- Trained more than 2,500 shearers and wool handlers nationally.
- Supported woolgrowers to adopt latest R&D practices.
- Complied with all requirements of its SFA.

1.5. Performance against 2013-16 Strategic Plan

Progress against Strategic Plan targets are reviewed quarterly by the AWI Board and reported to woolgrowers every year in the Annual Report. An Evaluation Group comprising key AWI staff was convened in September 2015 to report on benefits generated to Australian woolgrowers from AWI investment during 2013/14 to 2015/16. In its April report it was estimated that Australian woolgrowers will realise a benefit of \$2.70 for every dollar invested by AWI. The report was overseen by an independent and external contractor. A summary of consolidated progress for 2013-16 Strategic Plan targets is reported below by portfolio. For each portfolio the expected number of targets that will be achieved is shown against the total number of targets set.

On-Farm	Off-Farm	Marketing	Global Business Services
			
<p>HIGHLIGHTS</p> <ul style="list-style-type: none"> • Wild dogs – significantly exceeded cost saving • LTEM – substantial benefits • Husbandry practices – technology delivered below cost target 	<p>HIGHLIGHTS</p> <ul style="list-style-type: none"> • Supply chain – significantly exceeded target of businesses supported and wool volumes processed • Neulana – successful new product development 	<p>HIGHLIGHTS</p> <ul style="list-style-type: none"> • Sports & Outdoor – well exceeded target number of program partners • IWP – media value targets greatly exceeded • Cool Wool – substantial uptake over 2014/15 	<p>HIGHLIGHTS</p> <ul style="list-style-type: none"> • ROP – significantly exceeded requirements under SFA • Woolmark – licence revenue increased • Finance – exceeded availability of systems with full implementation of SAP
<p>CHALLENGING</p> <ul style="list-style-type: none"> • Genetics – potential increase in rate of genetic gain not determined • Grower skills – Bred Well Fed Well investment terminated 	<p>CHALLENGING</p> <ul style="list-style-type: none"> • Technical transfer – average wool volumes not reached 	<p>CHALLENGING</p> <ul style="list-style-type: none"> • Category Management – combined with Strategy 9 to increase focus with retail and brand partners 	<p>CHALLENGING</p> <ul style="list-style-type: none"> • The Wool Lab – revenues under target and subsequently revitalised. Presentations targeted exceeded

ON-FARM RESEARCH AND DEVELOPMENT

TOP GROWER PRIORITIES

1. Reproduction
2. Pests & diseases
3. Nutrition
4. Accessing better technology

PRODUCTIVITY

1. Competing enterprises
2. Harvesting
3. Wool prices

PROFITABILITY

BENEFITS DELIVERED

- Lifetime Ewe Management delivered an estimated \$6m to \$21m to growers, or \$13 to \$44 from every dollar invested by AWI.
- Wild Dogs delivered an estimated \$24m to growers, or \$8.60 from every dollar invested by AWI.
- 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.

OFF-FARM RESEARCH AND DEVELOPMENT

TOP SUPPLY CHAIN PRIORITIES

1. Environmental issues
2. Improved quality, efficiency, and cost reductions in processing

IMPROVED TEXTILE PROCESSING

1. Create innovative design features
2. Enhancement of wool's functionality

IMPROVED MANUFACTURING TECHNIQUES

BENEFITS DELIVERED

- Merino Touch delivered an estimated \$11m to growers, or \$7 from every dollar invested by AWI.
- Supply Chain Diversification delivered \$3.1m to growers, or \$4.1 from every dollar invested by AWI.

MARKETING

TOP CONSUMPTION PRIORITIES

1. Introduce new designers, markets and customers to merits of wool fibre
2. Skin health and sleep quality
3. Communicating eco-credentials

UNDERSTANDING MERITS OF WOOL

1. Build new demand in collaboration with key partners
2. Support improvement in quality of wool products sold

INCREASING USE OF WOOL IN PRODUCT RANGES

BENEFITS DELIVERED

- 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.
- 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.

2. AWI'S ROLE AND GOVERNANCE

Australian Wool Innovation (AWI) is the industry services body for the Australian wool industry, as declared by the Minister for Agriculture and Water Resources under the *Wool Services Privatisation Act 2000*.

AWI is responsible for managing and investing the levy funds received from levy payers, and matching eligible research and development (R&D) contributions from the Australian Government, for the benefit of the Australian wool industry and the public good.

AWI invests in research, development and marketing (RD&M) across the supply chain to enhance the profitability, international competitiveness and sustainability of the Australian wool industry, and to

increase demand and market access for Australian wool.

AWI is not an industry representative body, and it does not set policy on behalf of industry.

The AWI Board sets the strategic direction of the company - after consulting with growers and stakeholders on their priorities - within the requirements of the AWI constitution, the *Wool Services Privatisation Act 2000*, the *Corporations Act 2001* and the Statutory Funding Agreement.

The Board is committed to governance systems that enhance performance and ensure AWI operates according to accountability provisions required by

various acts, regulations and guidelines such as the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations as required by the Australian Government.

The Board has established three Board sub-committees and a Board Nomination Committee that monitor and guide specific activities in more detail. These committees assist the Board to implement, monitor and enforce appropriate corporate governance throughout the company.

The Board delegates responsibility for the management of the company to the Chief Executive Officer.

While a global organisation, AWI's 154 staff in 16 countries are led by its head office in Sydney, with all staff accountable to Australian woolgrowers. Staff are reminded of the woolgrower test, which underpins the day-to-day operations of all AWI staff across the globe - *'would this action be acceptable to woolgrowers'*.

2.1. Vision, Mission and Goal

Vision

AWI is a highly valued contributor to a vibrant, profitable and sustainable Australian wool industry.

Functions

AWI invests in:

- Research, Development, Extension and skills training from farm to fashion
- Marketing
- Global Business Services.

AWI is not a peak industry body, does not create or execute industry policy, and is not an advocate on issues outside its core functions.

Mission

AWI's mission is to make strategically targeted investments to:

1. Enhance the profitability, international competitiveness and sustainability of the Australian wool industry.
2. Increase demand and market access for Australian wool.

Goal

To increase the profitability, and support the sustainability of Australian wool industry through strategically targeted investments in research, development and marketing designed to optimise return on investment.

In working towards this goal AWI always strives to deliver an appropriate return on woolgrowers' and Government's investment of levies.

2.2. Investment Policy

Risk Appetite Statement

AWI is the custodian of woolgrowers' investment in their future prosperity and the matching eligible R&D provided by Government. Therefore we seek to balance our risk position between:

- Investing in higher risk activities that may drive substantial growth in the demand for wool; and

- The need to remain a stable organisation with the capacity to continue to work for woolgrowers long into the future.

Therefore our risk appetite is necessarily towards the middle of the risk-taking spectrum. Depending on our results from year to year, we may choose to increase or decrease our appetite for higher risk activities.

Investment is made with an overall business target of delivering a return to woolgrowers of \$3 from every dollar invested and to provide services on a cost competitive basis. We seek to have a low-medium risk weighting for our portfolio, delivering most benefits in the short to medium term. Our appetite for higher risk and longer time frames is towards On-Farm R&D and Processing Innovation.

The table below provides further explanation of our risk appetite with respect to our strategic objectives and other fundamentals of our business.

Key Performance Area	Policy Position
SHEEP PRODUCTION Increase the profitability and sustainability of growing wool	We seek a balance between optimistic targeted research and development of matters with the potential for short- to long-term commercial gain and the need to continually pursue sustainability of the industry. We do not actively seek high-risk, high-return projects.
PROCESSING INNOVATION Increase the profitability and sustainability of wool processing	Where projects arise that will address current or future threats to the industry, we will pursue these proactively. Otherwise, we seek projects with the potential for short- to medium-term commercial gain. Where these require large investments, they will be considered on a case-by-case basis. We will always be circumspect in choosing our trade partners.
MARKETING Increase consumer demand for Australian wool	We seek to position wool at the pinnacle of the fashion industry. We will pursue innovative, higher risk strategies on a case-by-case basis. However, our marketing should always be prudent and well within ethical boundaries established under accepted Australian industry standards and those of other regions in which we operate.
BRAND Revitalisation and building the Woolmark brand	Our promotion and defence of the Woolmark brand will always be aggressive. We will defend the Woolmark certification mark in all territories and take on legal actions as necessary to send clear messages that we are serious about protecting our brand.
MARKET ACCESS Extend access through proactive management of regulatory and trade environment	In our key manufacturing and emerging markets we will seek market access. At all times, our initiatives must remain ethical and must be appropriately considered in terms of the feasibility of success and the investment required.

2.2. Investment Policy (continuation)

Key Performance Area	Policy Position
Reputation	Our reputation for integrity and competence should not be compromised with our key stakeholders, woolgrowers and Government. There should be no incidences of major breaches of our integrity. Staff and our partners should be frequently reminded that we have a zero tolerance for fraud, corruption, facilitation payments or any other related activity.
Regulatory compliance	We have a nil tolerance for compliance breaches. While minor breaches will be managed on a case-by-case basis due to the complexity of business, there should be no excuse for substantive breaches at any time.
Performance measurement	As we have so many woolgrowers relying on us and we are entrusted with Government funds, we must have a strong focus on performance measurement and management. We aim to score highly at our independent Reviews of Performance.
Operational efficiency	Efficiency is a very high priority to maximise our ability to pursue our corporate goals. Furthermore, efficiency is within our control and hence should be a strong focus for all staff.
Knowledge management & intellectual property (IP)	We treat our know-how and Project IP as highly valuable assets that should be protected. We place a strong emphasis on ensuring we know and understand the value of our Project IP. Wherever practical our Project IP should be protected under contract and we will defend breaches of our Project IP on a case-by-case basis.
Workplace health and safety	There is no reason for anyone associated with our business to take safety risks other than those normally associated with travel. When travelling long distances or to remote locations, staff should review our workplace health and safety policies and be well aware of their responsibilities.
Financial	Over and above our willingness or otherwise to invest in RD&M and efficiency drives, we also require a stable financial position to be conserved as outlined in our Financial Reserves Policy.

2.3. Operating Principles

- AWI will be a commercially focused enterprise that seeks, at all levels, to support Australian woolgrowers and ensure the sustainability of the industry as a major contributor to the Australian economy.
- AWI will be an organisation where every person in the team is either focused on research and development; to increase the profitability, productivity and sustainability of the Australian wool and wool processing industries; or marketing to increase consumer demand for wool.
- AWI will deliver value to its stakeholders through effective strategies, a balanced investment portfolio and extensive consultation at all levels.
- In line with the reduced size of the industry, AWI will continue to actively review its size and resource base and reduce it wherever possible without compromising our ability to achieve our vision and goals.

- We will continue to add value to AWI brands (e.g. the Woolmark brand) acknowledging that these brands are company and woolgrower assets.
- We will continue to identify, review and manage current and potential issues impacting trade development, regulatory requirements and potential revenue streams.

AWI's corporate culture is a reflection of our stakeholders: innovative, transparent, accountable, hard-working and collaborative. Woolgrowers hold all these values in high regard and we reflect their values in our corporate culture. We use 'The Woolgrower Test' at AWI – each employee checks their thinking and their decisions against the logic of *'if you were standing in front of a woolgrower and were asked to explain your decision, would the woolgrower accept this as being a reasonable approach?'*

Innovative

We will continuously pursue fresh approaches and ideas in RD&M throughout the supply chain.

Transparent

In all our operations, internally and externally, AWI, its Board, management and staff will seek to be transparent about what, why and how we operate, and how we have performed.

Accountable

Adopting principles of measurement and accountability in all activities is vital to maintaining the credibility of AWI. Having developed a company-wide measurement and evaluation system, this will be rigorously applied at all levels.

Collaborative

AWI and its stakeholders have limited resources, and do not control the processing or end use of our product. We work with partners through the supply chain to ensure results are achieved through collaboration and partnership.

Investment partnerships that involve cost sharing between AWI and third parties are developed to maximise benefits to both Australian woolgrowers and AWI partners. Benefits from collaboration include more cost-effective outcomes, better risk management and increased likelihood of commercial success.

Proactive

We will seek to understand future trends, anticipate market needs and drive growth opportunities.

Committed

We are committed to providing our staff and management with a safe, rewarding, accountable and supportive work environment.

2.3. Operating Principles (continuation)

Monitoring and Evaluation Framework

AWI is committed to providing quantifiable returns on Government and industry investment, and has instituted a detailed system for assessment of investment return. This reflects the unique technical and marketing contexts in which AWI operates, and which meets the needs of critical stakeholders, such as Australian woolgrowers and the Australian Government.

The AWI Monitoring and Evaluation Framework, developed in 2011 and updated in 2014, defines the evaluation logic and operational processes, and is publicly available through the AWI website. Our process is based on the principle of

continuous improvement and refinement, as the evaluation framework and the tools and processes within adapt to the evolving needs of AWI and the greater industry we serve.

The core components of the Framework are the conduct of:

- AWI performance against the Strategic Plan
- Evaluation of investment proposals ('ex ante' evaluation)
- Evaluation of completed programs of investment ('ex post' evaluation)
- Reviews of active projects and programs.

Specific tools have been developed to assist with the evaluation processes, and some of these are noted in the Framework document.

Completed external reviews of AWI investment programs are made available through the AWI website, and include evaluation of investments in On-Farm and Off-Farm research and development, and marketing programs.

Operational implementation of the evaluation process promotes a culture of robust, collaborative review and improvement within AWI, and provides findings which can be used to refine decision-making processes at all levels within AWI. Our evaluation services program will support the on-going evaluation of all AWI programs.

2.3. Operating Principles (continuation)

Stakeholders

AWI has many stakeholders along the global wool supply chain that it interacts with in a variety of forms and times as appropriate. Woolgrowers and the Federal Government play a special role, as they are co-contributors and also a primary target for AWI activities.

The main ways AWI interacts with its stakeholders include communications, engagement and consultation. These are similar but quite distinct activities in terms of their purpose and methods employed.

Communicating with Stakeholders

AWI has a very strong track record of communication with its stakeholders, keeping them informed about AWI on-farm and off-farm activities, marketing campaigns and general industry news.

The vehicles used for this include AWI's flagship *Beyond the Bale* magazine, e-newsletters, media releases, and various other communication materials, including websites.

The primary target for these communications are individual woolgrowers, while secondary targets include grower representative bodies, Government departments, industry organisations and media outlets.

Engaging Stakeholders

AWI engages with woolgrowers to build their knowledge base and build relationships through various industry activities including AWI-convened seminars, workshops and forums; AWI attendance at a number of industry events, field days and ram sales; and AWI extension networks.

AWI has increased its level of engagement with woolgrowers in the past three years by allocating additional resources enabling

executives and staff to attend more industry events and seminars.

These events encourage woolgrowers to seek information on various AWI programs and general industry issues.

Consultation

The purpose of AWI's consultation activities is to seek feedback from its stakeholders that may be used to influence, inform or contribute to AWI business activities.

AWI has a formal Annual Planning and Consultation Cycle (page 19), which sets out the key planning and consultation processes across the business. This Annual Planning and Consultation Cycle forms part of our Triennial Business Cycle (page 20) and the reporting of progress back to woolgrowers.

This consultation assists AWI to identify the priority issues to woolgrowers and their representative groups, report grower priorities

to the AWI Board and provide guidance on investment priorities. AWI's consultation activities are used to inform decisions, they are not decision-making forums.

Individual woolgrowers are also consulted on their priorities and industry concerns through a variety of targeted ways including AWI's woolgrower forums, woolgrower surveys and feedback forms.

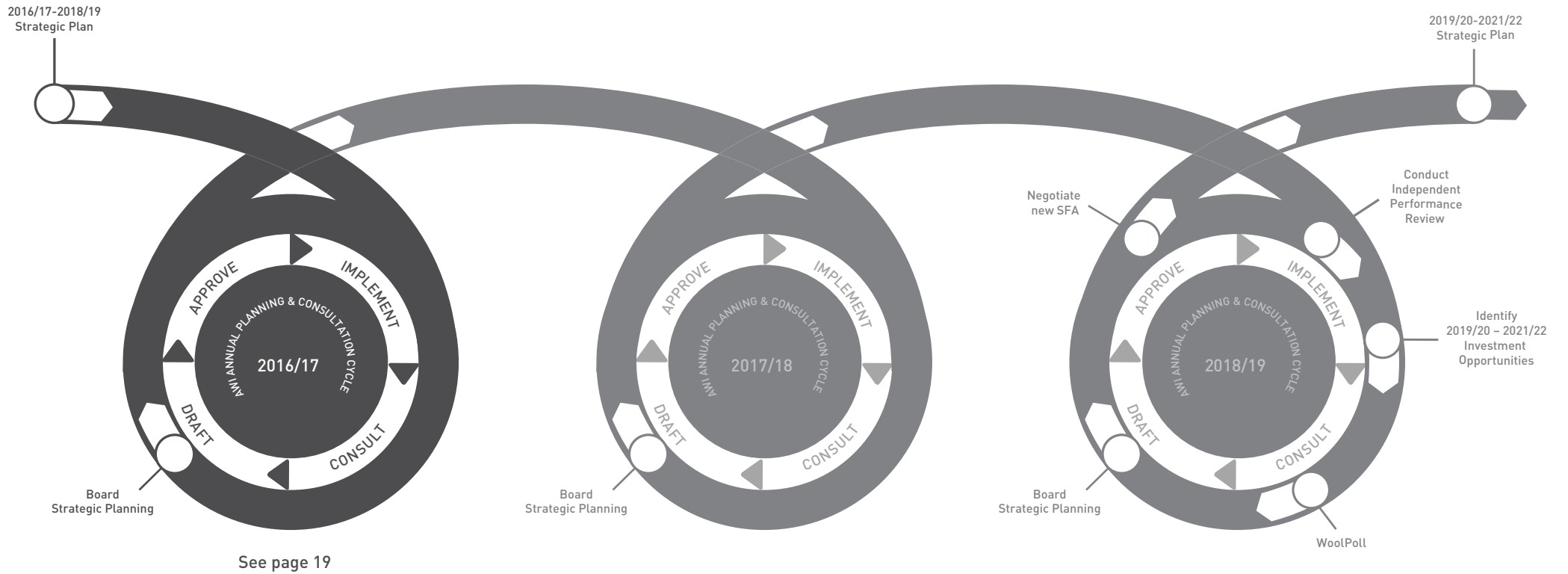
The core elements of AWI's consultation model include:

- AWI's Woolgrower Industry Consultative Committee (ICC)
- AWI's Woolgrower forums
- Annual stakeholder surveys
- Engagement with SFOs and state affiliates
- Seminars

Annual Planning and Consultation Cycle



AWI's Triennial Business Cycle 2016/17 - 2018/19



2.4. Planning and Reporting

Although AWI is required under the Statutory Funding Agreement with the Commonwealth to prepare a Strategic Plan for investment from 2016/17 to 2018/19, the development of the Strategic Plan is a fundamental part of sound investment management.

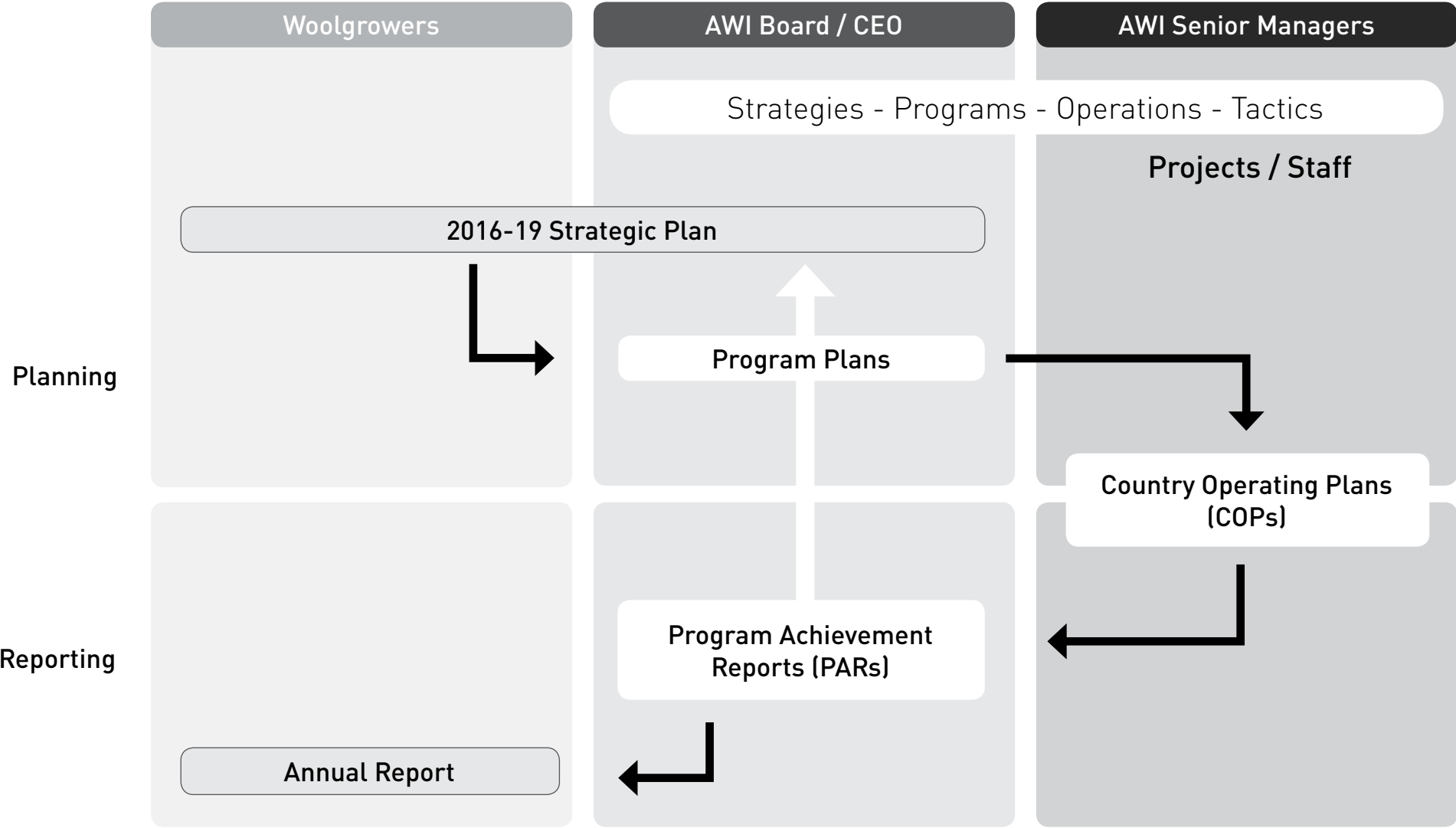
After a considered review of opportunities to improve the profitability and productivity of the Australian wool industry, done in consultation with woolgrowers and stakeholders and building on the success of past investment, we have mapped out a number of strategies and programs to ensure we remain focussed on delivering sustained benefits to Australian woolgrowers. Simply, our Strategic Plan will be the basis against which our future investment performance will be assessed.

Our Strategic Plan has also been developed in consultation with other Research and Development Corporations and Government bodies to ensure that investment targets are aligned with, and complementary to, National Research and Development and Extension priorities.

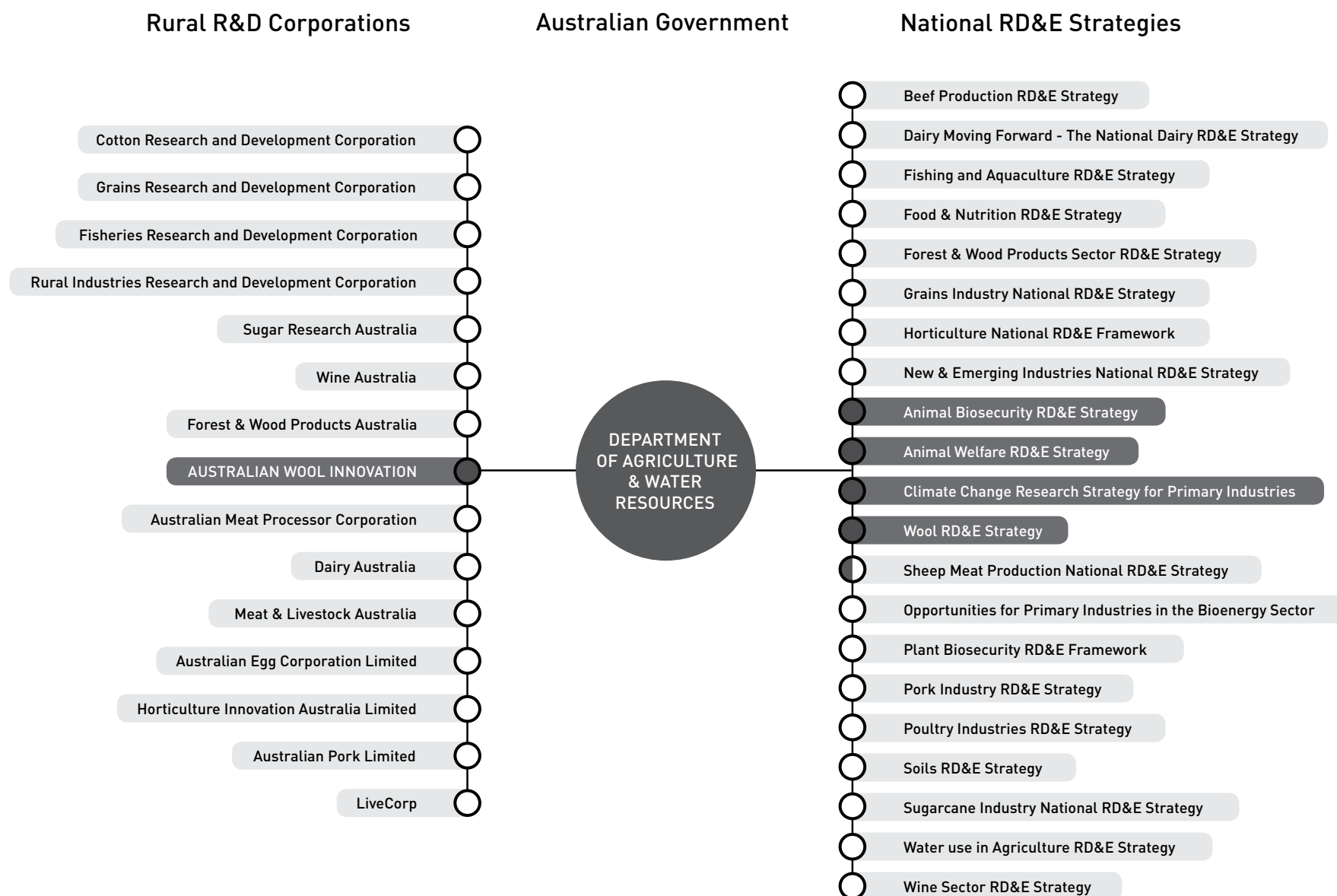
Monitoring progress against investment targets is an on-going responsibility of the CEO and AWI Board. We have developed a planning and reporting cycle that enables the organisation to monitor progress against set investment targets on a quarterly basis, and where necessary, to revise investment plans to capitalise on emerging opportunities or to address difficulties in achieving progress in any particular area.

The key aspects of our planning and reporting cycle is development of annual Program Plans that are aligned with our Strategic Plan. From these Program Plans operational plans are developed at a country level, where investment in specific projects and allocation of AWI staff is determined. Progress across all investment is reported back to the AWI Board and CEO on a quarterly basis through Program Achievement Reports. Every year progress is reported back to Australian woolgrowers and other key stakeholders through our Annual Report, detailing investment and progress at a program level. Strengthening links between our operations and Strategic intent will continue to be a priority for AWI.

Planning and reporting in AWI



2.5. Alignment with Government and Industry Priorities



Alignment of AWI's R&D investments against the National and Rural Research Priorities can be viewed in the online version on page 24.

3. OPERATING ENVIRONMENT

As part of the development of the AWI 2016/17 to 2018/19 Strategic Plan, we considered feedback from woolgrowers and industry stakeholders as well as our own assessment of investment opportunities to identify the top issues where AWI investment should be focussed. These issues are summarised below and detailed in the following sections.

MARKETING

TOP PRIORITIES

1. Introduce new designers, markets and customers to merits of wool fibre

UNDERSTANDING MERITS OF WOOL

- Enhance the aspirational use of wool as a fibre of choice for apparel wear
- Build consumer awareness of the benefits of wool as a fibre

1. Increase use or purchase of wool amongst leading or influential designers, companies, markets and consumers

INCREASING USE OF WOOL IN PRODUCT RANGES

- Establish and maintain effective collaborations with brand and retail partners
- Identify key consumer segments and regions that offer the greatest potential to build consumer demand

INVESTMENT FOCUS

SHEEP PRODUCTION

TOP PRIORITIES

1. Reproduction
2. Pests & diseases
3. Nutrition
4. Accessing better technology

PRODUCTIVITY

- Increase number of lambs weaned per ewe joined
- Reduce impact of wild dogs and other vertebrate pests
- Promote adoption of best practice management
- Contribute to genetic and phenotypic improvement in lifetime economic performance of ewes

1. Competing enterprises
2. Harvesting
3. Wool prices

PROFITABILITY

- Develop labour saving technologies
- Provide appropriate market intelligence
- Continue to support enhanced procedures for sheep welfare
- Mitigate impact of climate change on wool production

INVESTMENT FOCUS

1. Market trends

EXTERNAL FORCES

- Ensure industry is recognised as leaders in sustainable farming

WOOLGROWER SERVICES

TOP PRIORITIES

1. Skilled labour force
2. Access independent information to support technology adoption

WOOLGROWER SKILLS

INVESTMENT FOCUS

- Develop and deliver effective shearer and woolhandler training
- Support and strengthen wool production extension infrastructure
- Provide appropriate market intelligence

1. Support of regional events
2. Support of representative bodies
3. Continued market access for Australian wool
4. Facilitate interaction with the government and other stakeholder groups

CONSULTATION

- Facilitate effective interaction with woolgrowers
- Maintain effective interaction with key stakeholders, including the Federal Government

PROCESSING INNOVATION & EDUCATION EXTENSION

TOP PRIORITIES

1. Environmental issues
2. Improved quality, efficiency, and cost reductions in processing

IMPROVED TEXTILE PROCESSING

- Develop "fit for purpose" products
- Transfer wool processing skills and knowledge to emerging and existing wool processors
- Facilitate the effective transfer of knowledge on wool benefits across all supply chain participants

1. Create innovative design features
2. Enhancement of wool's functionality

IMPROVED MANUFACTURING TECHNIQUES

- Develop and make commercially available new manufacturing processes

BUSINESS SERVICES

TOP PRIORITIES

1. Cost effective business support
2. Adherence to required operational standards

OPERATIONAL INTEGRITY

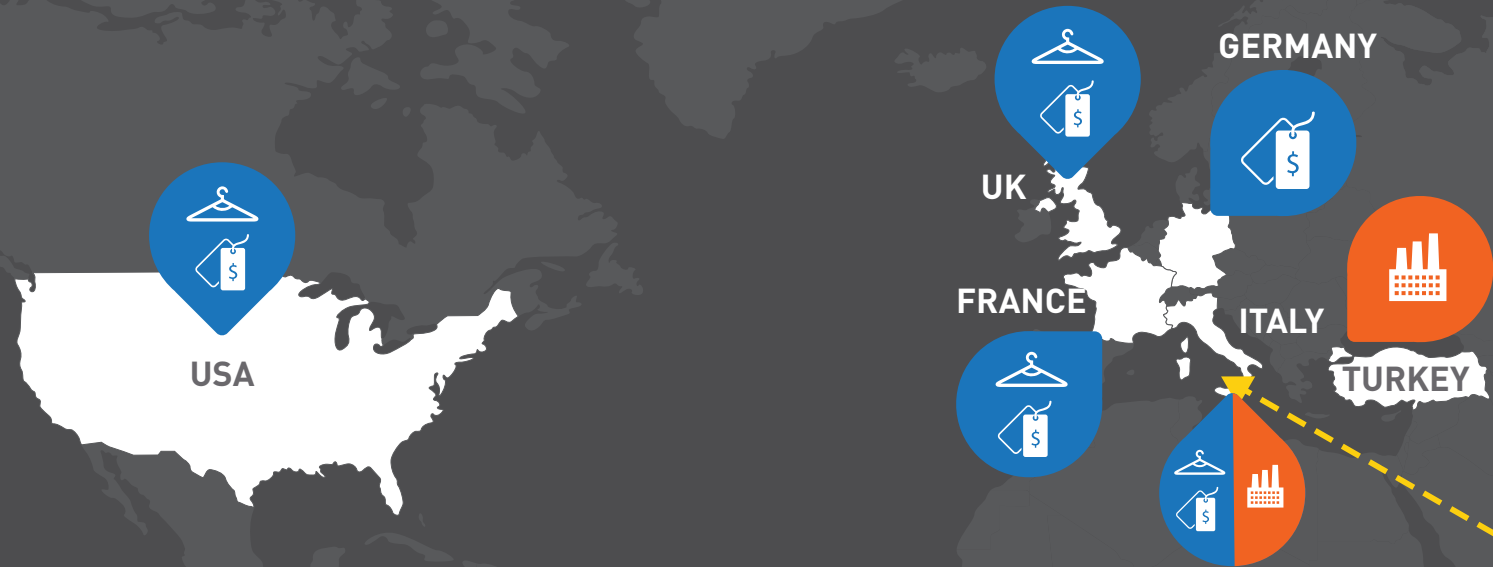
- Identify key corporate services and their effective provision
- Comply with all statutory, corporate and business requirements

1. Maintain the value of the Woolmark brand
2. Streamline licensing and business development functions
3. Ensure AWI keeps up to date with digital technologies

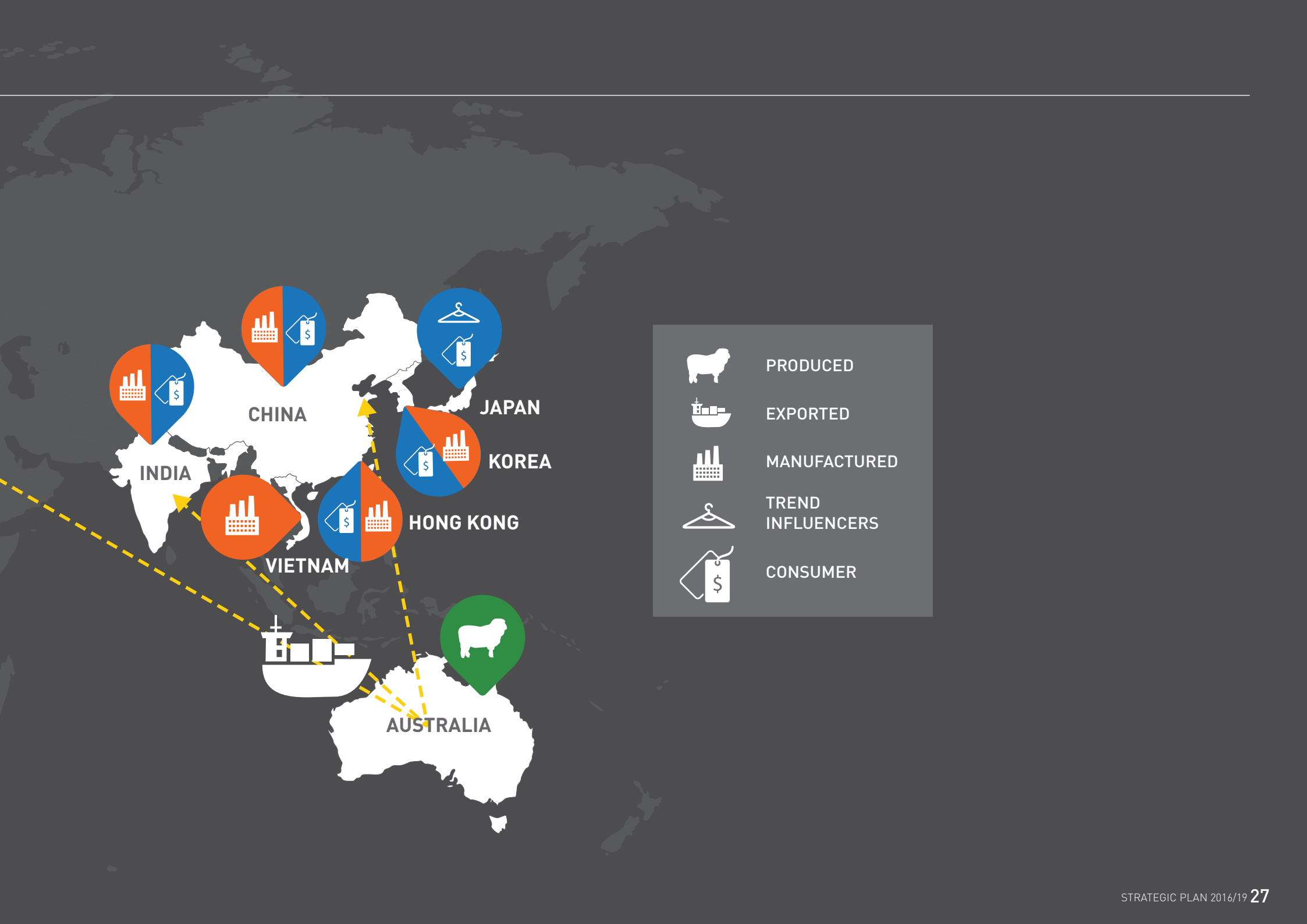
BUSINESS DEVELOPMENT

- Ensure Woolmark licensees are effectively serviced
- Facilitate the effective integration of Woolmark licensees across other AWI investment programs
- Generate cost savings through the provision of up to date digital services

3.1. Global Business Environment



A snapshot of global dynamics for the Australian wool industry. It illustrates where our key exports markets are, where the majority of wool is manufactured, where the fashion and trend influencers are located, and where the majority of Australian wool is consumed.



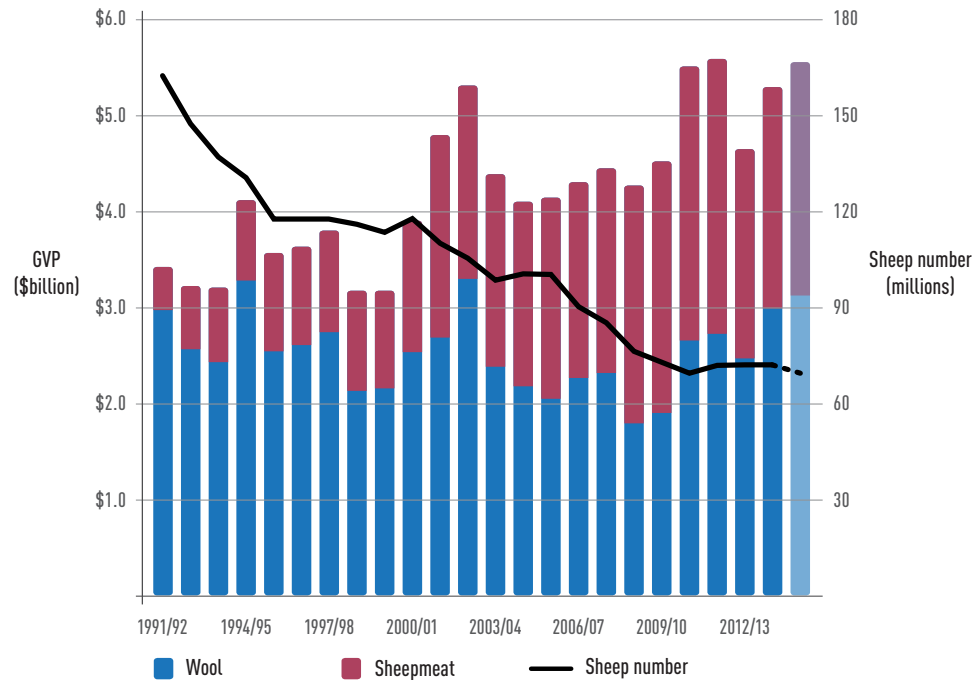
-  PRODUCED
-  EXPORTED
-  MANUFACTURED
-  TREND INFLUENCERS
-  CONSUMER

3.2. Production Environment

Production

Australia's national sheep flock has declined dramatically since 1992-93. Wool's contribution to total sheep gross value of production (GVP) is currently just under 50%. It is expected that the size of the national sheep flock will stabilise over the coming years and consequently, to maintain and grow wool's share, productivity gains will be required. Productivity gains against static (real) production costs will lead to increased profits for farms growing wool.

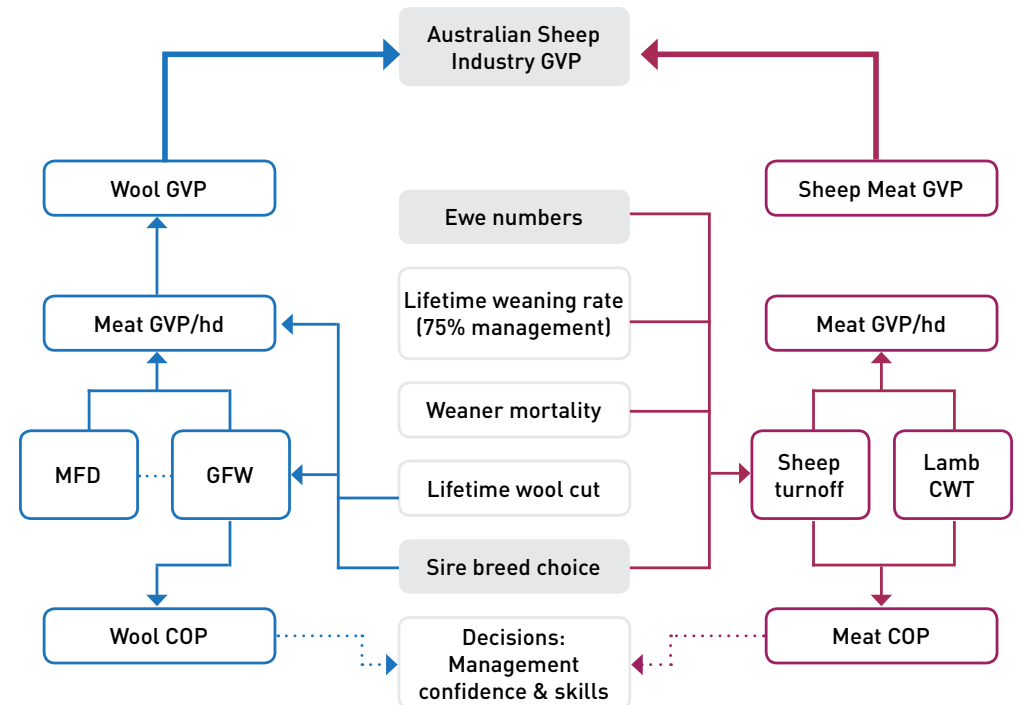
The focus on increasing industry GVP acknowledges the need to align productivity developments across both wool and red meat production. While wool GVP is largely determined by the mean fibre diameter (MFD) and greasy fleece weight (GFW), meat GVP is largely determined by sheep turn-off rates and carcass weight (CWT). The key alignments for future investment will be in increasing lifetime weaning rates and lifetime wool cut as well as reducing weaner mortality. Opportunities also exist to increase productivity through improved stock management and to make life easier through labour saving technologies.



Of the 40,000 sheep businesses in Australia only 9,814 are Merino based operations (ABS Census, 2011). Sheep farms are overwhelmingly small family-based businesses – averaging 2.1 FTEs, with 85% of sheep business labour being family labour. The high labour intensity of Merino enterprises remains a major challenge.

It is anticipated that wool supply will remain tight into the future and unlikely that supply can increase significantly, given competing pressures (sheep turnoff for meat vs sheep retention for wool). Delivering increased industry productivity and GVP will require:

- Increasing the lifetime reproductive productivity per ewe, whilst maintaining fleece weight, and so reduce wastage and increase feed utilisation efficiency.
- Proactively address welfare concerns, especially relating to invasive procedures (e.g. pre-operative pain relief)
- Reducing costs and impacts of vertebrate pests, diseases and parasites.



3.3. Processing Environment

As wool continues to demonstrate leadership in land stewardship, there will continue to be a need to manage climate variability and manage pasture based resources to minimise the need for supplementary feeding. Adoption of proven feed management and pasture varieties will remain a priority for AWI investment as this represents significant potential for short term productivity gains across the industry.

There are many ways Australian woolgrowers connect with their research, development and marketing body. This connection is critical to the effective operation of AWI, both in informing woolgrowers and key stakeholders of developments through time and to obtain feedback relevant to our operation and investments. The Woolgrower Services portfolio has been created to consolidate and manage our consultation and industry extension efforts. This will ensure our investment in this area is cost effective through time.

- Whilst the physical on-farm production issues of research and development of wool falls under Sheep Production, Woolgrower Services encompasses much of the communication, education, training and extension we are able to provide for woolgrowers.
- Another key element to this portfolio is consultation, not only with woolgrowers but also other stakeholders such as

the Federal Government, being AWI's biggest stakeholder.

AWI is proud of its strong working relationships with the entire woolgrowing community. Being engaged with the industry it serves is vital to the ongoing health of wool research, development and marketing. In recent years the investment in this area has been significantly increased and in turn a greater engagement with the wool industry has been achieved. Feedback to AWI activity has been regularly received and has been used to help direct further investment and delivery of services. With increased digital communication between AWI and the wool industry, this relationship will be strengthened and the transparency of AWI's activity will be increased leading to a better relationship between AWI and our woolgrowers who fund the organisation.

Discussing AWI's activities with woolgrowers and stakeholders will continue through a formal cycle of discussions including the regular Industry Consultative Committee. Informally, every year AWI speaks with and hears from the people it works for at hundreds of industry events and meetings across Australia. Having an increased on-the-ground presence matched with more focussed digital communication directly with woolgrowers will be an important feature for AWI in 2016-19 and will underpin a close working relationship between AWI and the Australian wool industry.

Processing

To date AWI, through The Woolmark Company, is recognised as a substantial contributor to innovation in the processing of wool. It is critical that the wool processing remains competitive against other fibres. Through our collaborations with research bodies and manufacturers world-wide we are able to support the development of innovative products and processing technologies. Our investment in this area needs to be integrated across all our operations in presenting our product innovation ideas coupled to a product marketing plan to targeted retailers and brands.

The fashion and sportswear apparel (woven and knits) sector, in the key markets of USA, UK, Japan and China will be our priority. This is in line with the mega trends of casualisation (more separates than suits) and the crossover between sportswear and fashion.

The pathway to investment success will entail collaboration with wool manufacturing companies. We will continue to establish close working relationships with manufacturers of textile machinery, textile dyestuff and chemicals, to develop new manufacturing processes for wool which will lead to the provision of new product opportunities.

Supporting the on-going profitability and productivity of our wool supply chain will necessitate AWI to expand our customer base and create new business opportunities by transferring manufacturing know-how to processors (primarily in emerging countries) who have not used wool before. Not only does this reduce our reliance on China in the manufacturing sector, in effect it creates new business opportunities i.e. once they have wool in their product range essentially they become our "salesmen" by offering wool products to their customers.

3.4. Consumption Environment

Positioning

Through its extensive educational and inspirational initiatives, The Woolmark Company has firmly established itself as the global authority on wool, and highlights Australian Merino wool's importance in luxury apparel. Through our rapidly expanding digital ecosystem and ongoing global and category-specific campaigns, The Woolmark Company's global activities have the potential to reach even more consumers, amplifying our message and increasing return on investment for woolgrowers.

Over the previous AWI Strategic Plans we have consolidated The Woolmark brand as one of the world's most widely recognised brands and continued to build global awareness of Merino wool as a fibre of choice across consumers. Awareness of 100% wool as a fibre of choice for consumers is very high and Merino wool is now well established across global consumers. More important, these consumers are willing to pay a premium for wool products. We have successfully repositioned the fibre, and the company, in the global market with all elements of the supply chain.

In actively communicating to wool customers, and their consumers, the provenance and qualities of wool as a fibre, and in engaging with the supply chain at every stage, we aim to grow the presence of Australian Merino wool in the global market. This will increase demand and appreciation, and generate greater returns for our woolgrowers. Our focus in this strategic period will be on the consumer, and those who do, or have the potential to, purchase our customers' products

4. Focus on improving **productivity** and efficiency by **continuing the shift to a digital engagement model** for B2C and B2B2C activities and remain consumer-centric across all aspects of marketing strategies, programs and projects.

Working with our **key global customers, and targeting their consumers**, we will build, distribute and promote key marketing tools that focus on the benefits of wool, target high potential (HP) categories and both educate and motivate consumers to purchase.

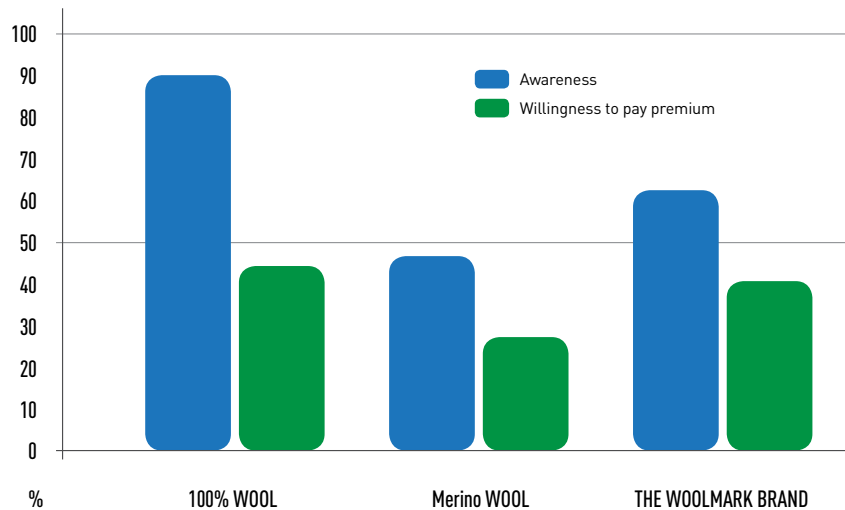
AWI Investment Focus

Over the 2016/17 to 2018/19 Strategic Planning period, AWI will:

1. Continue to **position** Australian Merino wool as the premium fibre for luxury apparel worldwide.
2. Increase the demand for Australian Merino wool in order to increase the average price and **improve the return** to Australian woolgrowers.
3. Recognise brands and retailers 'own' their consumers and **partner** with them to effectively create demand for finished products made from Australian Merino wool.

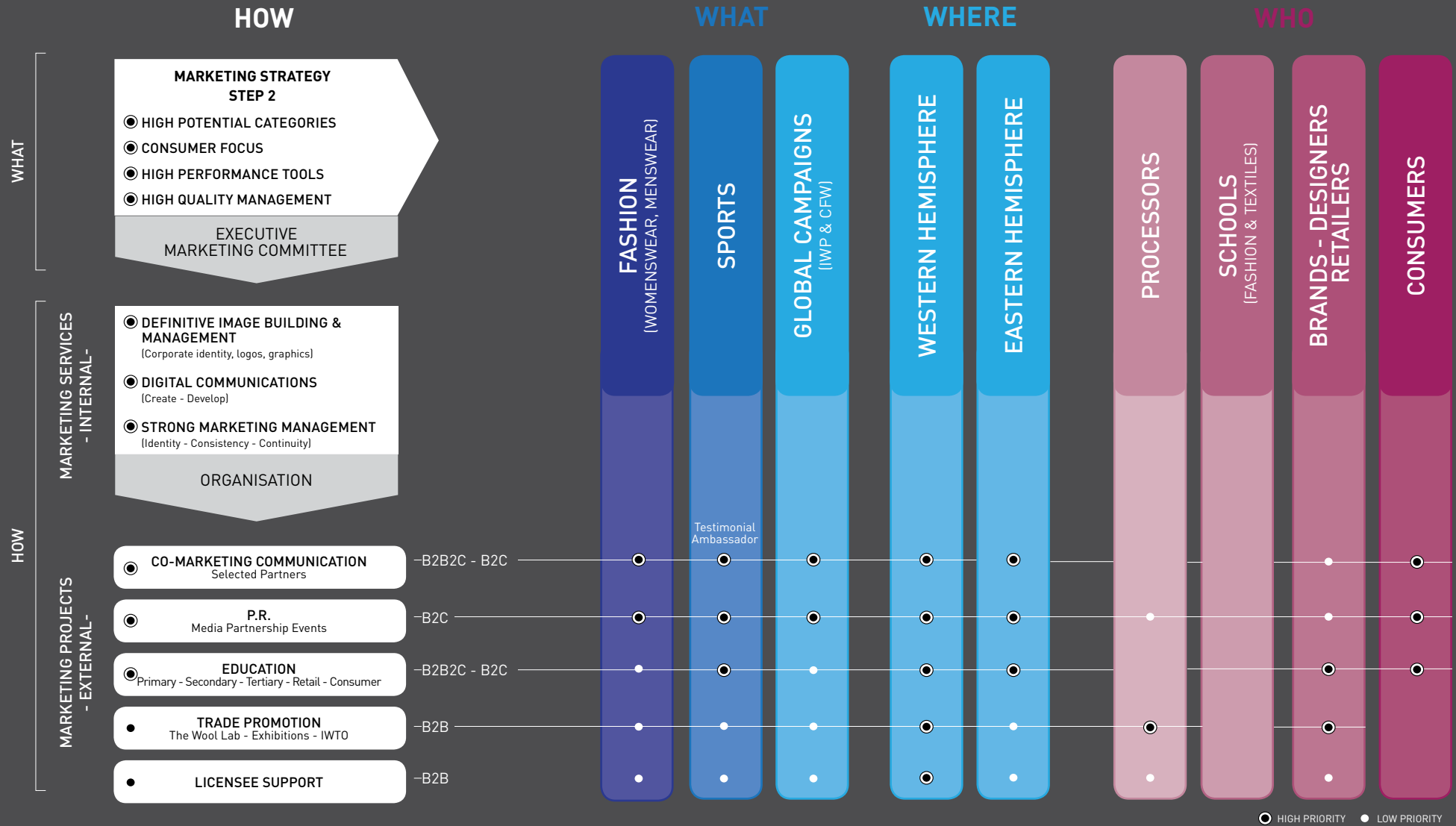
We will coordinate our internal marketing services with a range of external marketing initiatives across three strategic areas, Fashion, Sport and Global Campaigns (the What). Our investment (the How) will reflect different priorities across the Western and Eastern Hemisphere (the Where) and supply chain segments engaged (the Who).

Figure 1: Consumer Awareness - Global



Source: Nielsen Tracking Survey

3.4. Consumption Environment (continuation)



3.4. Consumption Environment (continuation)

Markets

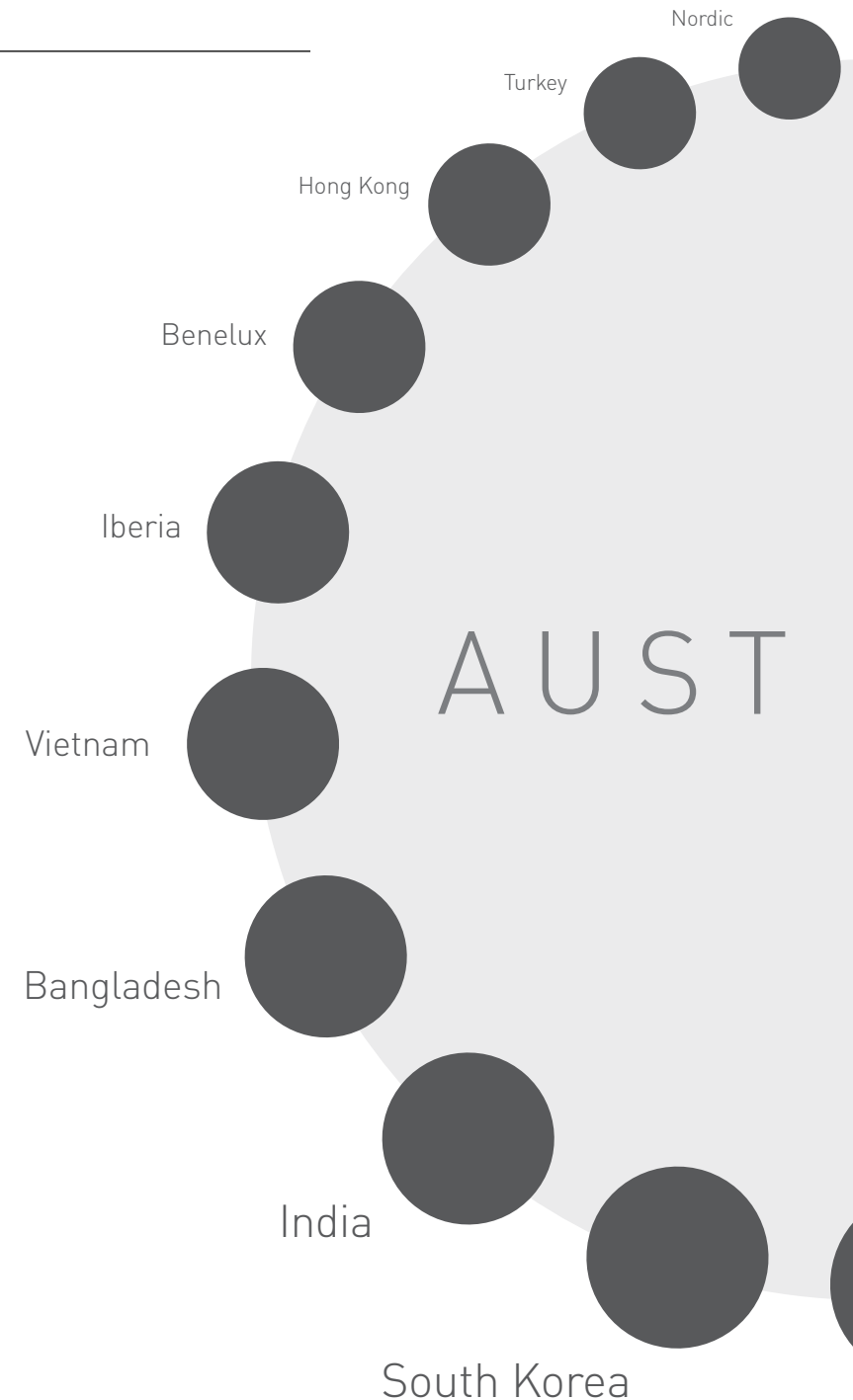
While our field of operation is global, consumers of wool products are primarily located in the Northern Hemisphere, which accounts for 100% of our target Global Key Accounts and over 95% of our current and potential global Consumers. There have been no significant structural changes in the global demand model, with apparel remaining the core market for Australian wool. In 2014 knitwear and woven menswear each accounted for 40% of the global trade of wool clothing, with woven womenswear accounting for the remaining 20%. These segments have continued to grow at rates of around 4% a year (IWTO).

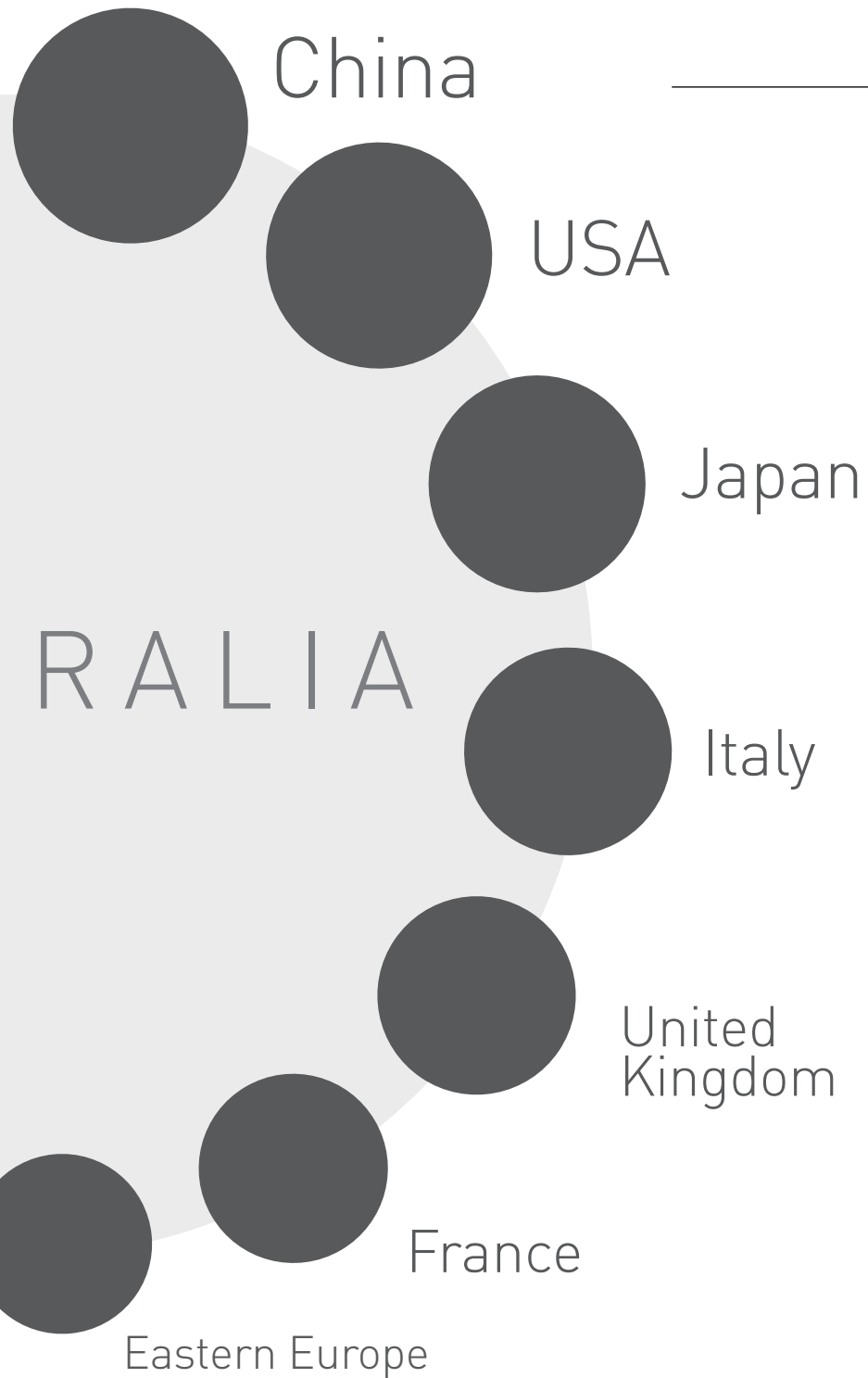
Chinese consumers play a primary role in the growth of luxury spending worldwide. They account for the largest portion of global purchases (31%), followed by Americans (24%) and Europeans (18%). Chinese shoppers increasingly spend far more abroad than in Mainland China, which accounts for only 20% of their global purchases. However, the depreciation of the Euro boosted the country to be now the third-biggest market in the world, after the US and Japan. The most popular travel destinations for Chinese luxury shoppers are Europe, South Korea or Japan—

in response to currency fluctuations, which create temporary favourable price gaps.

On this basis, our primary Marketing resources and efforts should be focused on and located in or close to our key Consumer Markets – the USA and Western Europe, and North Asia – and where they shop. Considerable differences exist across these markets. European fashion will continue to be driven by the luxury brands while in the US, the market for active wear apparel (37% of global industry) will drive opportunities for wool. There is also a resurgence of interest in personal tailoring in Asia and Europe which will provide opportunities for worsted demand at the premium end of the market.

Based on consumption data, market and consumer research and specialised qualitative analyses of the luxury market globally, the regions with the highest potential for generating incremental growth in high-end fashion apparel and sportswear demand are China, USA, Japan and Western Europe. There is also likely to be strong growth (off a lower consumer base) in India and South-east Asia.





-
- The Western Hemisphere (Europe, USA & Japan) continues to be the dominant consumer of premium, high margin products and to set the design and quality agendas for the global consuming public.
 - The Eastern Hemisphere (China, India, Southeast Asia) continues to drive volume growth in demand across all segments of the market, with the emergence of developing cities creating the most significant source of new demand for premium and luxury brands.
 - As contemporary fashion demands for casual, comfortable (and natural) products becomes more pervasive (such as “athleisure”), the continued growth in demand for knitwear and the move to separates and away from traditional product forms such as suits requires us to focus on innovative product forms while we reinforce demand for traditional forms.

The greater the size, the more important the market is for the growth in demand for Australian wool.

4. STRATEGIC FRAMEWORK

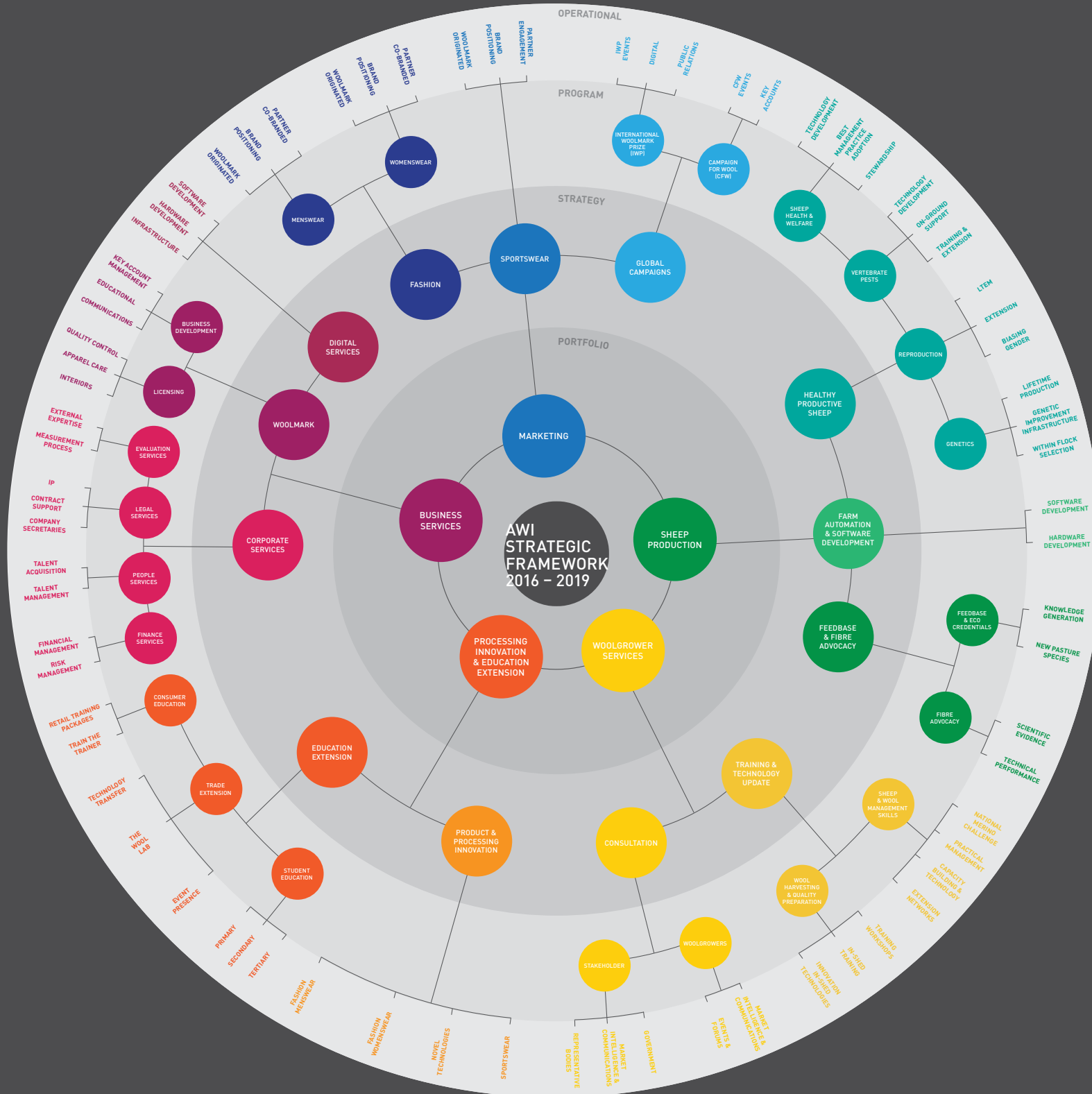
Across AWI's five portfolios we plan to execute 13 Strategies and 23 programs. These Strategies seek to address key industry issues and opportunities.

In developing the Strategic Framework for AWI's investment from 2016/17 to 2018/19 we were conscious of the need to better align our operations, at all levels, against the strategic intent that underpins the Strategic Plan. The Strategic Framework is based on a circular representation of AWI investment, from a high level strategic perspective to operations and tactics executed by staff, globally, on a day to day basis. Ensuring that there is a clear link between strategy and operations is a fundamental consideration in the design of our Strategic Framework.

The first ring of the AWI Strategic Framework reflects the five portfolios that have been developed to describe the key areas of AWI business operations. The second ring describes the thirteen strategies AWI intends to pursue to ensure the top issues identified across the wool supply chain can be effectively addressed.

The third ring describes the 23 individual programs that AWI intends to implement. These programs provide a narrower focus on opportunities within each portfolio to maximise benefits to Australian woolgrowers. In the following sections the investment intent of each program is detailed. We have developed targets under each program based on an expected investment budget of between \$75m and \$80m annually.

We have also articulated the investment focus for each program, which details the broad areas under which investment will be made. This investment focus effectively links our operations with our Strategic intent. This essentially adds a fourth ring to our Strategic Framework. This implementation detail is provided in section 5 of the 2016/17 to 2018/19 Strategic Plan and will form the basis of each of our Annual operating plans going forward. We will make available to all woolgrowers an electronic version that will enable them to drill down to the key operational activities under each program.

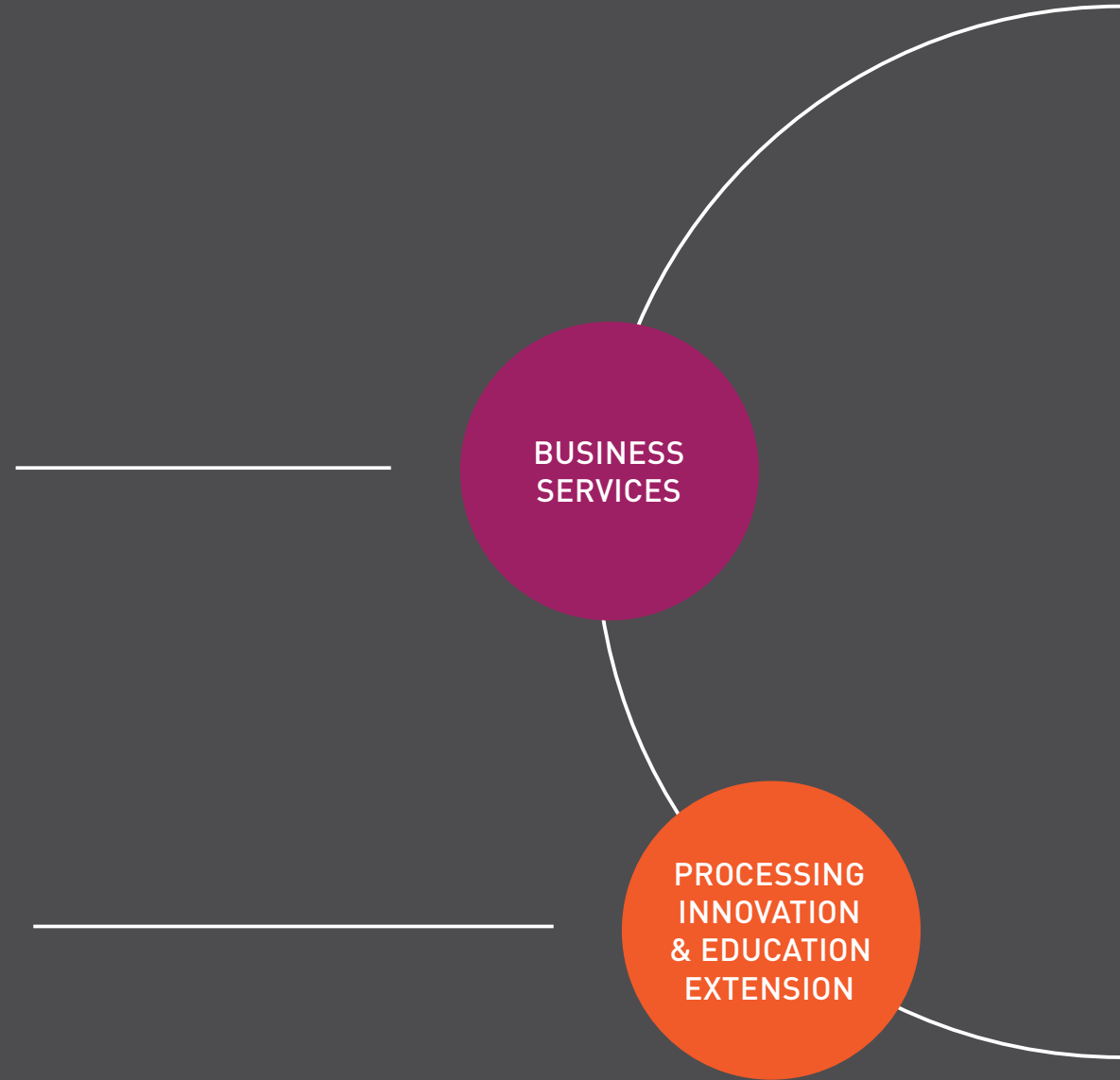


4.1. Portfolio Structure

AWI's Strategic Framework has been centred around five key portfolios. These portfolios will focus AWI investment across selected strategies and programs.

Business Services – We will seek to implement structures that enable the most cost effective provision of cross-company support services, including the maintenance and development of our primary asset, the Woolmark brand.

Processing Innovation & Education Extension – Increasing the profitability and sustainability of wool processing will continue to be a priority for AWI, with emphasis on innovation and the cost effective delivery of education extension services to a wide range of people involved in the wool supply chain.



MARKETING

Marketing – We are conscious of the need to continually build the demand for Australian wool and will seek to do this by building on the consumer awareness we have achieved in the past and the collaborations we have developed with key retail and brand partners globally

**SHEEP
PRODUCTION**

Sheep Production – Increasing the profitability and sustainability of growing wool will remain a primary focus of our Research and Development activities.

**WOOLGROWER
SERVICES**

Woolgrower Services – We recognise the need to have a more structured process of consulting with woolgrowers and stakeholders and for the delivery of effective training and technology adoption across the industry.

4.2. Investment Objectives and Outcomes

OBJECTIVES

OUTCOMES



MARKETING

Increase demand for Australian wool.

- New and sustainable demand for Australian wool.
- Australian Merino wool positioned as the premium fibre for luxury apparel and sportswear.
- Enhanced consumer awareness of the benefits of Australian wool as a fibre of choice in apparel wear.
- AWI / TWC is a well respected and sought after co-marketing partner with brands and retailers.



SHEEP PRODUCTION

Increase the profitability and sustainability of woolgrowing.

- Widely utilising pre-operative pain relief for invasive procedures, or welfare enhanced alternative procedures.
- Lifting the average weaning rate in Merino-Merino joinings.
- Reducing the impacts and costs of wild dog and other vertebrate pests on Australia's woolgrowers.
- Increasing the genetic and phenotypic aspects of lifetime economic performance of ewes in wool enterprises.
- Strengthen wool's reputation for environmental stewardship.

4.2. Investment Objectives and Outcomes

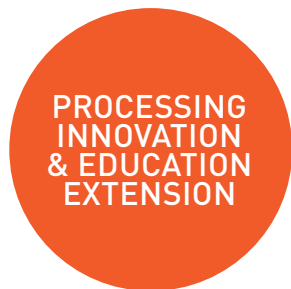
OBJECTIVES

OUTCOMES



Increase woolgrower profitability.
Provide cost effective services to woolgrowers and other parties on their behalf.

- Woolgrowers and other key stakeholders will have greater knowledge of AWI operations.
- Woolgrowers will continue to have effective access to information on existing and new sheep and wool management technologies.
- More highly trained shearers and wool handlers.
- AWI recognised as a valuable contributor to the profitability and sustainability of Australian woolgrowers through a broad range of grower-facing communications, engagement and training.
- AWI is recognised as an organisation that has effective consultation processes with woolgrowers and stakeholders.



Increase the profitability and sustainability of wool processing.

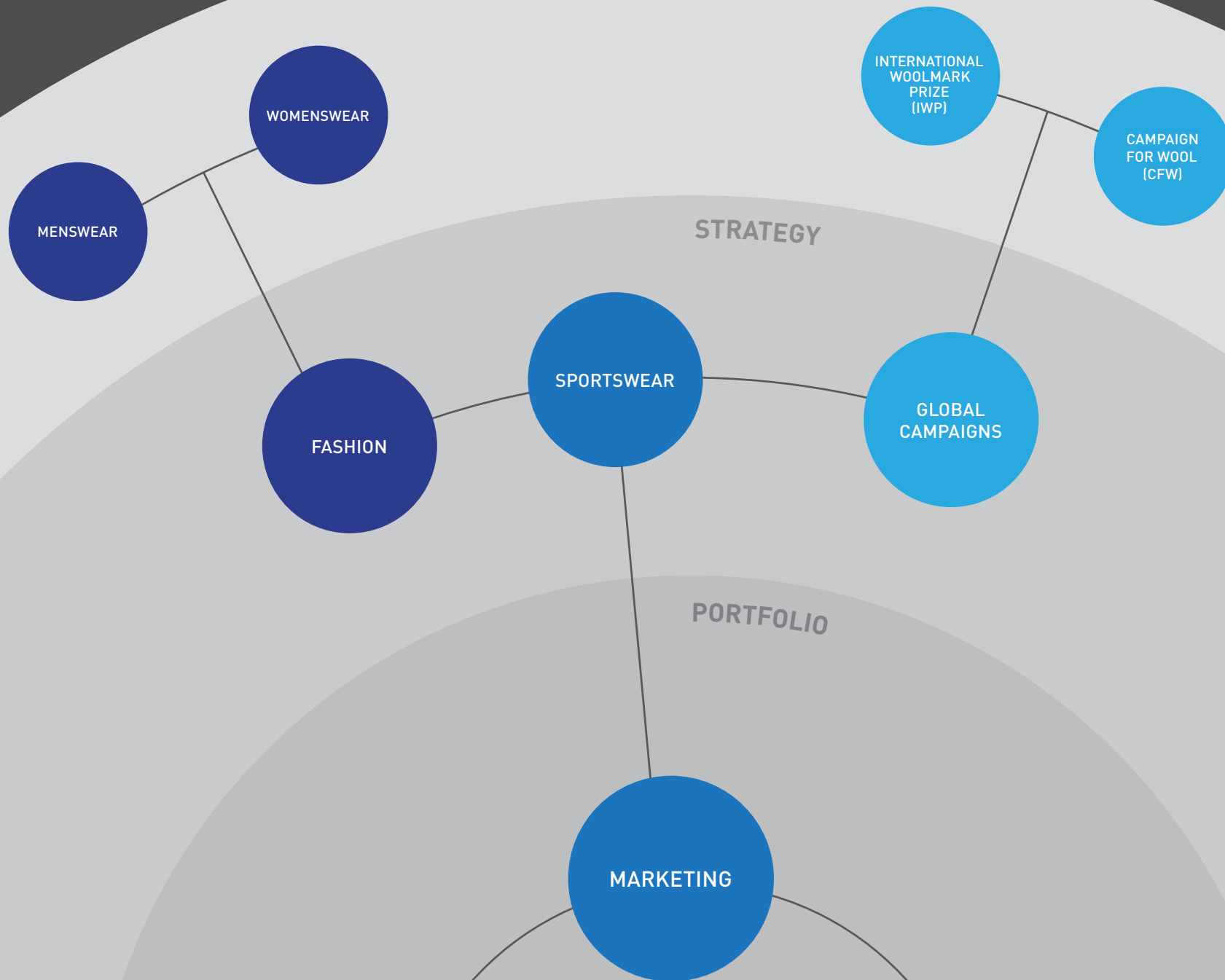
- Develop new innovative manufacturing processes.
- Develop new product ranges based on newly developed processes launched globally in collaboration with the marketing team.
- Manufacturers mainly in emerging countries, new to wool, using established wool technologies.
- Improved links with logistics companies that facilitate imports of Australian wool into new markets.



To enable AWI to operate cost effectively through the efficient provision of a range of cross-company support services.

- Maintain the strength of the Woolmark brand globally.
- AWI's internal and external stakeholders will be provided with a range of efficiently delivered support services, relevant to business needs.
- AWI to be recognised as a leader in the development and delivery of Digital Services for the Australian wool industry.

PROGRAM



STRATEGY

PORTFOLIO

4.3. Marketing

OBJECTIVE

Increase demand for Australian wool.

OUTCOMES

- New and sustainable demand for Australian wool.
- Australian Merino wool positioned as the premium fibre for luxury apparel and sportswear.
- Enhanced consumer awareness of the benefits of Australian wool as a fibre of choice in apparel wear.
- AWI / TWC is a well respected and sought after co-marketing partner with brands and retailers.

Marketing Strategies



FASHION

Develop and implement co-marketing campaigns in Fashion, targeting Menswear and Womenswear that builds demand in key consumer markets for fashion apparel where the ingredient is Australian Merino wool. Support this program with AWI marketing services that help deliver value to partner brands, maximise AWI cost-efficiency and maintain a cutting edge digital infrastructure.



SPORTSWEAR

Taking advantage of the explosive growth in demand for sportswear and activewear, and in particular the opportunity for wool as a technical fibre to meet increasingly demanding consumer needs for comfort and performance, we will target running, outdoor activities and the emerging 'athleisure' markets and work with major brands to introduce wool to new categories of demand.



GLOBAL CAMPAIGNS

Implement global campaigns, utilising all consumer-relevant communications channels and tools, in the apparel market. These will consist of the International Woolmark Prize and the Campaign for Wool and we will continue to build on the past success of these programs.

Introduction

Australia produces around 60% of all apparel wool (< 24.5 µm) and around 90% of the fine apparel wool (<19.5 µm). To achieve its mission of increasing the global demand for Australian wool, it is therefore vital for AWI to reinforce the presence of Australian Merino wool in international fashion markets.

We will develop and implement co-marketing and Woolmark originated campaigns in fashion, targeting menswear and womenswear that builds demand in key consumer markets for fashion apparel where the ingredient is Australian Merino wool. The fibre will continue to be positioned as the premium natural fibre for luxury apparel, thereby increasing the price that consumers are prepared to pay for Merino wool-rich apparel.

In the menswear market, although there are good opportunities for wool to capitalise on increasing casualisation, the formal and semi-formal market will continue to form the majority of the menswear market for wool.

In this market, we will continue to defend Australian Merino worsted as the only component of a high quality suit, and capitalise on the current trend for woollen looks in men's outerwear. We will aim to partner with upper-middle brands that are seen by the trade as 'iconic' and who have the elasticity in their pricing to absorb higher wool prices. This will influence the aspiring men's middle market that seeks to trade up via fibre upgrades and ingredient branding.

In the womenswear market, we aim to continue to reverse the trend towards the

'fast fashion' and focus on the upper end of the market where there is a growing awareness of, and demand for, transparency in manufacturing and source of fibre content. This represents a distinct advantage for Australian wool.

Consumer demand in this sector of the womenswear market is designer-led, and now celebrity-led by way of digital media. In order to rebuild the demand for wool, collaborations with the right designers and 'luxury' brands which have a global presence, and are influential within the fashion triangle, are key.

This program will be supported with AWI marketing services that help deliver value to partner brands, maximise AWI cost-efficiency and maintain a cutting edge digital infrastructure.

Strategy: Fashion

PROGRAM: Menswear

Whilst casualisation in men's outerwear is set to continue as exemplified by the 2015 International Woolmark Prize winners, the formal and semi-formal men's market will continue to form the core business of Woolmark's global spinner and weaver licensees.

There are three strategic areas to consider whilst always prioritising the need to respond to and influence the new consumer in all the areas of menswear:

1. Continue to defend Australian Merino worsted as the only component of a high quality suit.
2. Capitalise on the current trend for woollen looks in men's outerwear by promoting structured and un-structured worsted jacketings coordinated with Merino knitwear as an alternative look for outdoors and indoors.

3. Choose upper-middle brand partners that are seen by the trade as 'iconic' to influence the aspiring men's middle market seeking to trade up via fibre upgrades and ingredient branding. Suitable target brands include Woolrich, Paul Smith, J. Crew and Onward.
4. Co-marketing campaigns with the world's leading fashion brands aimed at rebuilding the use of and demand for Merino wool apparel in men's fashion.
5. Focus on leveraging the resurgence of Personal Tailoring (wovens) and growing share in Knitwear.

The key target areas for focus within the Menswear Program are:

- Tailored/Outerwear
- Accessories
- Contemporary
- Casual
- Athleisure

INVESTMENT FOCUS

Co-branded Partnerships

It is important to promote Merino wool through the most renowned and credible brands. The selection of these partners is done in order to have only the most suitable in terms of positioning, broader market influence and sales volume. Co-branded partnerships would include advertising featuring the Woolmark logo, in-store activations and a global PR and digital campaign supported by both the partner brand and The Woolmark Company.

TWC-originated Projects

Projects which are initiated and originated through our internal network will aim to drive brand awareness, inform and educate the consumer by highlighting a consistent and globally recognisable image for the company, reinforcing the benefits of wool and highlighting the fibre's environmental benefits in a world which is being consumed by fast fashion.

Brand Positioning

Projects undertaken purely to raise the profile of wool and the Woolmark brand will be undertaken in key regions to ensure the messaging is reaching target audiences from trade through to consumers. As the global authority on wool, The Woolmark Company's presence at industry events such as trade fairs and fashion events is essential for networking purposes and to reinforce brand credibility.

TARGETS

1. 2.5 million kgs of new demand over this strategic period.
2. 6 new global partnerships.



Strategy: Fashion

PROGRAM: Womenswear

Womenswear is the fashion apparel category which has historically been the largest area of loss in share of fibre for wool - in part driven by the 'fast fashion' movement, and in part by the lowering costs of production of man-made fibres.

At the upper end of the market there is a growing awareness of, and demand for, transparency in manufacturing and source of fibre content. This represents a distinct advantage for Australian wool.

It is absolutely the case that consumer demand shifts in this sector are designer, and now celebrity led. In order to rebuild the demand for wool, collaborations with the right designers and brands are key.

The opportunity for Australian Merino wool in this market can be capitalised through:

1. Partnerships with 'luxury' brands which have a global presence and are influential within the fashion triangle.
2. Alongside TWC's global product development team, ensure partners are supported at all levels from fabric sourcing through to PR and customer communication to highlight product innovation.
3. Stress the environmentally beneficial 'eco' factor in a fibre upgrade and the impact of landfill, caused principally by fast fashion.

Our focus within the womenswear program will centre around the following target areas of the market:

- Contemporary fashion
- Athleisure
- Accessories
- Tailored/outerwear
- Casual

INVESTMENT FOCUS

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It is important to promote Merino wool through the most renowned and credible brands. The selection of these partners is done in order to have only the most suitable in terms of positioning, broader market influence and sales volume. Co-branded partnerships would include advertising featuring the Woolmark logo, in-store activations and a global PR and digital campaign supported by both the partner brand and The Woolmark Company.

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TARGETS

1. 2 million kgs of new demand over this strategic period.
2. 6 new global partnerships.



Introduction

We will continue to cement Merino fibre's presence in the sportswear and activewear markets, collaborating with leading manufacturers and brands to promote the natural benefits of wool as a performance fibre.

There has been explosive growth in demand in this sector, and in particular we aim to continue to take advantage of the opportunity for wool as a technical textile.

There are three main category areas that we will target, all the time working with major brands to introduce wool to new categories of demand.

Firstly, we will target the 'running' category which also encompasses other high intensity sports like tennis and biking. These are dominated with man-made (petroleum & celulosic) fibres and is where we can see short to mid-term growth opportunities through the offer of our natural fibre.

Secondly, we will target the 'outdoor' category. A majority of the world's leading outdoor brands now incorporate Merino wool innovations in their collections – and brands' designers and developers continually seek our advice and assistance in incorporating or extending their product ranges with Merino wool. There is significant potential growth in demand.

The third category is the 'athleisure' market, currently the world's fastest growing design sector. Merino wool's ability to combine comfort and flexibility with casual elegance, positions it well to cater to the emerging market for 'athleisure' – a term used for activewear that can be used for non-active and casual, everyday use – with a modern, comfy and stylish look.

Strategy: Sportswear

AWI's focus on the sportswear market for Australian wool will continue during 2016-19. Wool continues to expand into the high performance apparel sector and there is an opportunity to capitalise on this growth.

Opportunities exist to increase wool's footprint into three main categories.

Run – is an area where we can see short- to mid-term growth opportunities and where there is a genuine interest in wool as a technical fibre. The run category also encompasses other high intensity sports like tennis, biking and climbing.

Outdoor – is an area where leading brands have sought to feature wool in their collections. This retail presence is not reflected in wool's share as an apparel fibre and there is significant potential growth in demand.

Athleisure – is an emerging trend where fashion brands seek inspiration from, and tap supply chains and sources in the performance apparel industry.

Wool's versatility makes it ideal as a cross-over fibre for the sportswear market. The attraction and interest generated from the active sports business will be based on high tech innovations and fibre functionality.

INVESTMENT FOCUS

Consumer focus

Through co-marketing and endorsement with key global influencers in the form of commercial partners, celebrities, successful teams and authoritative sports entities, AWI will define and create co-marketing opportunities to showcase Australian Merino wool and its diverse benefits in high energy sports.

Communication channels

Our marketing activity, combined with this type of partnership, will necessitate engagement using the widest variety of communication channels, specifically advertising, PR/ editorial, events, online, social and in-store. In most cases these channels will consist of both AWI and partner opportunities.

Partner engagement

Collaborating with genuine "Run" sports brands/retailers, AWI will focus on "high intensity" activities where wool is put to the test with potential partners such as Nike, adidas, Ashmei, Asics, Rapha, Pearl Izumi.

Our key "Outdoor" sportswear partners include adidas, Helly Hansen, Musto, The North Face, Cutter & Buck, Fjallraven, Millet, Nike. In the emerging "Athleisure" area our key partners would range from premium fashion entrants like Zegna/Zegna Sport, Burberry; volume sport/leisure brands such as adidas, Lacoste; through "Commuter" Apparel brands like Rapha and yoga brands like Lululemon. Partnerships with other fibre manufacturers will be explored.

TARGETS

1. 20 new partners working with AWI
2. 2 million kgs new demand for Australian wool over this Strategic period



Introduction

We will continue to implement our successful global campaigns– International Woolmark Prize and the Campaign for Wool – utilising all consumer-relevant communication channels and tools.

Now in its fifth year of its modern incarnation, the International Woolmark Prize is the ‘jewel’ in AWI’s fashion promotion activities. It is designed to generate long term incremental demand by connecting emerging designers, emerging markets and consumers.

It is an award for the next generation, shifting the focus from glamour to true talent as a way to highlight the beauty of the Merino wool fibre at the hands of the future leaders of the industry.

The interest in these awards from fashion communities and media globally continues

to be phenomenal which is important to help increase the global demand for Australian wool. It is helping put wool back on the agendas of fashion designers across the world, and consequently into retail stores for consumers to purchase.

Since its launch in 2010, The Campaign for Wool has helped build new demand for wool on an international scale. Each year, the campaign’s annual international Wool Weeks are held in key global markets across the world.

The Campaign was initiated by its patron, HRH The Prince of Wales, to raise awareness amongst consumers about the unique, natural, renewable and biodegradable benefits offered by the fibre. The initiative encourages collaboration between an international

community of woolgrowers, major fashion designers, retailers, manufacturers, artisans and interior designers.

The Campaign has been instrumental in educating consumers about the versatility of wool, and reconnecting them with its myriad uses - from luxurious fine Merino wool apparel through to beautiful hardwearing interior products for the home. The next Strategic period will see The Campaign for Wool adopt a higher level of focus on student education making explicit these well known benefits.

These two campaigns, and other initiatives from The Woolmark Company, will be backed by concerted and strategically-driven global PR campaigns, and digital engagement via social media and consumer-focused content marketing.

Strategy: Global Campaigns

PROGRAM: International Woolmark Prize

The International Woolmark Prize represents the major 'owned' program for AWI in the emerging designer and high-end menswear and womenswear fashion space. Continuing the program on a well-funded and -resourced basis is important in both achieving results and building an alumnus of the world's current and future fashion influencers. As such, we will maintain the momentum and visibility of IWP throughout this Strategic Plan period.

The alumni program will involve a B2B content schedule designed to create opportunities that continue the conversation around wool and its uses with a sector of the most influential talent. The primary objective of this program will be to reinforce how alumni members can leverage their knowledge of the fibre and encourage the increased use of Merino wool within future mainline collections.

Regional and global competitions will continue with expansion to those

markets considered to have demand potential for high level or innovative fashion in wool. Importantly AWI will continue to expand the number of retail partners willing and able to sell the winning collections and thus further promote the use of wool in a designer context to a broad audience.

Through the IWP retail partner program, TWC can ensure luxury boutiques and their staff are educated about the intrinsic benefits of the fibre and the prestige of the collection and Woolmark certification.

Retail launches will be joint partner events between TWC, retail partners and winning designers, ensuring we are capturing all customer bases in each location and maximising the opportunity to sell.

There will be engagement of influencers, celebrities and fashion personalities to validate winning collections.

INVESTMENT FOCUS

Alumni

- Educational wool seminars and webinars.
- Partnerships with influential industry experts in marketing, retail and business to offer independent advice to alumni and specifically winners on how they can maximise their relationship with TWC and the fibre.
- Continued coverage and support of alumni brand development across TWC-owned digital and social platforms.

Events / Content

- Investment in boundary pushing content profiling the award and its participants by aligning with top level tastemakers from across the fashion, art and technology industries to create highly sharable and media worthy assets.
- Create inspiring events that tell the story of the fibre in a unique way and encourage top level media attendance and content opportunities for continued editorial and social media coverage.
- Secure the most influential fashion commentators, celebrities, stylists and bloggers to attend events and elevate the prestige of the award.

Retail / Commercialisation

- Support for international retail launch activities including local area marketing, events, merchandising and designer appearances for maximum engagement with VIP shoppers, media and staff to promote the benefits of the fibre.

TARGETS

1. An additional 3.5 million kgs in new demand.
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 three new retailers from a base of eleven.



Strategy: Global Campaigns

PROGRAM: The Campaign For Wool

The Campaign for Wool (CFW) is an advocacy campaign that focuses consumer and retailer attention on the Natural, Renewable and Biodegradable aspects of wool. CFW provides an opportunity for the involvement of the major processors and retailers together with a direct communication to the consumer – linking farm to fashion.

The Patron HRH The Prince of Wales, has agreed to support the Campaign until 2018. A further extension of the Campaign beyond that date, perhaps under different patronage, is yet to be discussed officially. HRH's unequivocal endorsement of wool's green environmental credentials is pivotal to the Campaign. A genuine green message is becoming increasingly more relevant as mid and upper-mid market fashion retailers seek to exploit the ecological agenda to improve their image amongst growing numbers of concerned consumers.

The core Campaign program in UK will be the 'inspiration' for a global Campaign in key wool markets receptive to HRH's environmental message, particularly where landfill issues are at the forefront of the ecological debate. Italy, Japan, Germany, USA/North America are seen as key target markets for the next three years.

The Global Campaign will be delivered with more than 400 participating brand partners via a series of retail Wool Weeks in major cities. Keystone events will stress the farm to fashion message and the core values of the Campaign. Social media and digital communications will be fully planned out, integrated and exploited to ensure optimum consumer engagement.

The Campaign for Wool is designed principally to appeal to consumers who believe a difference can be made to the eco balance by opting for, or upgrading to, wool in apparel.

INVESTMENT FOCUS

Events and Leverage

One major high impact event per year; preferably with HRH Prince of Wales as the drawcard/patron; full supply chain represented; forum to generate business/in-depth media; location to vary year-to-year ideally piggybacking on an existing successful event.

Consumer Focus

The Global Campaign will connect to consumers through 400 participating brand partners via a series of retail Wool Weeks in major cities.

Education

Design an education module (or adapt existing) and roll this out via education forums at key TWC-attended trade shows, such as PV, France; Pitti Uomo, Italy; Making It In Textiles, UK; etc. Key schools/Unis to be collaborated with career advice as a key agenda item, delivered via an inspirational keynote speaker.

Emphasis on younger demographic attending and contributing (an alumni to be built known as 'Campaigners for Wool').

'World Wide Wool'

Current Wool Week format to shift from physical to predominantly virtual via social/digital media.

Global Key Accounts

Retailer activation by collaborating with key accounts globally.

Key Account Managers to engage with brands and retailers to proliferate this plan globally in our target markets.

Sports/Outdoors

Focus to complement, support and leverage the other Marketing strategies.

TARGETS

Additional 1.0 million kgs of new demand





4.4. Sheep Production



OBJECTIVE

Increase the profitability and sustainability of woolgrowing.

OUTCOMES

As a result of AWI's investments Australia's woolgrowers will be:

- Widely utilising pre-operative pain relief for invasive procedures, or welfare enhanced alternative procedures.
- Lifting the average weaning rate in Merino-Merino joinings.
- Reducing the impacts and costs of wild dog and other vertebrate pests on Australia's woolgrowers.
- Increasing the genetic and phenotypic aspects of lifetime economic performance of ewes in wool enterprises.
- Strengthen wool's reputation for environmental stewardship.

Sheep Production Strategies



HEALTHY, PRODUCTIVE SHEEP

Improving wool sheep health, welfare and productivity represents the greatest overall opportunity for on-farm R&D for the benefit of the Australian wool industry – both in terms of delivering productivity gains and improved profitability, but also in terms of protecting and enhancing the international reputation of Australia’s woolgrowers as custodians of the world’s largest population of Merino sheep.



FARM AUTOMATION & SOFTWARE DEVELOPMENT

Labour use efficiency is an important contributor to farm profitability, and seasonal labour availability constraints have been shown to limit important profit drivers as stocking rate, but can also impact on sheep health and welfare. More significantly and specifically, the wool industry suffers by comparison to other livestock enterprises due to the frequency of hands-on sheep management and harvesting activities.



FEEDBASE & FIBRE ADVOCACY

Improving wool’s reputation as a sustainable textile, healthy for both consumers and the planet is an increasing priority for the Australian wool industry. Critical review of raw material supply chains is an ongoing process by brands and retailers with those supply chains considered to be environmentally harmful at risk of being overlooked.

Introduction

Improving wool sheep health, welfare and productivity represents the greatest overall opportunity for on-farm R&D for the benefit of the Australian wool industry – both in terms of delivering productivity gains and improved profitability, but also in terms of protecting and enhancing the international reputation of Australia’s woolgrowers as custodians of the world’s largest population of Merino sheep.

Sheep health and welfare challenges are estimated to cost the Australian sheep industry more than \$2.0 billion per annum in control, prevention and production costs, with reproduction-related conditions now accounting for 50% of all costs, given the rapid escalation of sheep meat values over the past decade.

In addition, given the plans by the Australian sheep meat sector to improve national average sheep weaning rate by 5% to 95% by 2020, and simultaneously increase lamb turnoff and carcass weights, the Australian

wool industry and its Merino ewe base is threatened to the extent that the presently low level of average reproductive efficiency (75-80%) among Merino ewes does not improve, compared to readily available alternative maternal and terminal breeds.

AWI’s on-farm investment Strategy has been developed to address these challenges, and targets the key strategic synergies between the Australian wool and sheep meat sectors. This Strategy will contribute substantially to maintaining the gross value of Australian wool and sheep meat in real terms through to 2030, while supporting the confidence and international reputation of its producers. Major deliverables include:

- Availing growers of pre-operative pain relief for invasive procedures, or welfare enhanced alternative procedures, and support excellent welfare practices by Australia’s woolgrowers;

- Lifting the average weaning rate in Merino-Merino joinings by 3% by 2020, and by 7% by 2030, through extending grower engagement in Lifetime Ewe Management training, and expanding the range of reproduction enhancing best practices;
- Reducing the impacts and costs of wild dog and other vertebrate pests on Australia’s woolgrowers, through the effective combination of community-based pest control activities, regional and national coordination of efforts, and targeted R&D supporting on-ground efforts.
- Contribute to genetic and phenotypic improvement in lifetime economic performance of ewes in wool enterprises, by fostering selection for Merino reproductive efficiency and resilience, while maintaining or increasing flock average fleece weight.

Strategy: Healthy, Productive Sheep

PROGRAM: Sheep Health & Welfare

Sheep health and welfare remains a critical challenge and opportunity for the Australian wool industry – both to ensure sheep health management practices are seen to align with evolving consumer expectations, and that the industry is able to reduce the still substantial impacts of wool sheep parasites and diseases, and mitigate trade continuity risks associated with emergency animal disease outbreaks. These are the two sides of a common opportunity for the industry – to not only achieve but be recognised for achievement of the highest standards in sheep health and welfare practice, and so the stewardship of the sheep within our care.

The intent of this area of AWI investment is to address welfare concerns, and to reduce input costs, production losses and biosecurity impacts arising from parasites and disease of wool sheep. Program investment priorities are aligned with disease costs and risks, recognising that more than 50% of total sheep disease treatment, prevention and production loss costs are now associated with reproduction-related diseases, which are addressed in the Reproduction Program of this Strategy.

INVESTMENT FOCUS

- Growers availed of the basis for practical genetic and chemical control programs for control of internal parasites and fly strike.
- Reduce adverse welfare impacts of current surgical practices, through successful commercialisation of pre-operative analgesia for sheep.
- Support National Wool Declaration participation and recognition through the wool demand chain.
- Reduce risks to wool trade continuity from emergency animal diseases, through wool bale disinfection and traceability.

TARGETS

1. Support adoption of pain relief technologies. Revised February 2018
2. Viable breech modification alternatives available for commercialisation. Revised February 2018
3. Development of an ASBV for faecal consistency, so fostering development of non-allergenic genetic resistance to internal parasites. Deleted February 2018
4. Improved laboratory diagnostic testing for worms and larvae.
5. Sustained increase in grower utilisation of the ParaBoss website.
6. Wool bale decontamination and disinfection procedures developed.



Strategy: Healthy, Productive Sheep

PROGRAM: Vertebrate Pests Control

Australian woolgrowers continue to face high levels of pressure on their operations from wild dogs and other vertebrate pests, particularly in areas where profitable control cannot be achieved without wider community engagement. Wild dogs kill and maim adults and lambs in Merino flocks, feral pigs predate on lambs in particular and occasionally on adults; rabbits drastically reduce farm carrying capacity through competition for available feed on offer; and fox predation continues to reduce lambing percentages across Australia. AWI will seek to reduce these impacts through support for coordinated community based control programs, so continuing our strong focus on achieving strong productivity and welfare gains for Merino wool producers.

Previous investment by AWI, community groups and local and state Governments has enabled more effective dog control in areas where predation has historically been high and has effectively increased wool growing profitability in these areas and reduced the level of stress associated with high stock loss. This community-based nil-tenure model will be applied to other vertebrate pests as necessary, accounting for up to 40% of AWI investment in this area, with an additional 40% allocated to regional and national coordination of pest control efforts, and 20% to research.

INVESTMENT FOCUS

- Coordination of effective and efficient use of appropriate vertebrate pest control techniques across all land tenures.
- Direct assistance to community based vertebrate pest control programs, to overcome emergency pest animal challenges and lay secure foundations for sustainable long-term future pest animal control programs.
- Research into and development of new and emerging technologies which will enhance producers' abilities to detect, deter and/or destroy vertebrate pest challenges to their enterprises.
- Development of producer and service sector capacity through training to control vertebrate pests.

TARGETS

1. Effective national and regional coordination of vertebrate pest control effort in sheep producing areas.
2. 15 new community based vertebrate pest control groups established each year, bringing to a total of 150 group supported by end 2018/19, with the value of avoided stock loss (sheep) greater than costs to woolgrowers and AWI combined.
3. National release of RHDV K5, and successful development of RHDV strains of enhanced virulence.
4. Maintain support to existing funded groups and expand to other vertebrate pests. Additional target February 2018



Strategy: Healthy, Productive Sheep

PROGRAM: Reproduction

The profitability of woolgrowers in Australia is largely driven by stocking rate and wool and meat production per DSE. Given the Australian sheep meat sector plans to improve national weaning rate by 5% by 2020 and overall sheep numbers by 10 million head by 2030 (MISP and SISP), the low average reproductive efficiency among Merino ewes compared to alternative maternal and terminal breeds represents a major threat to the Australian wool industry. AWI-funded research demonstrates that both wool production and reproductive efficiency can be improved substantially and at relatively low cost through adoption of targeted management practices embodied in the Lifetime Ewe Management (LTEM) training package. Moving forward, it is critical to expand

the reach of LTEM, especially to larger Merino producers, so that engagement of the national ewe flock increases from 20% to 35% in the 2016-19 strategic period, with the intent of continued expansion in subsequent Strategic Plans.

The AWI Reproduction Program will also develop new opportunities for wool producers to improve reproduction efficiency in variable environments. It will extend the existing scope of best management practices to include optimising ewe and lamb density at lambing, refining selection of ewes within flock to improve reproductive performance, improving resilience to variable and resource limiting environments and better managing the often compromised performance of Merino weaners and maiden ewes.

INVESTMENT FOCUS

Lift the lifetime reproductive performance of Merino ewes through:

- Refinement and further delivery of the LTEM package.
- Improving guidelines to target nutrition to the most responsive ewes in the flock.
- Increasing the use of flock monitoring technology to identify high priority ewes.
- Increasing the understanding of the impacts of lambing density on ewe behavior associated with twin lamb survival.
- Developing information to target selection and culling of ewes and rams to increase lifetime reproductive performance.

TARGETS

1. An extra 1500 AWI-funded participants complete LTEM (500 per annum), increasing their lamb weaning rates by 7%, reducing ewe mortality by 30%, and lifting to 35% the LTEM graduate share of the adult ewe flock in Australia.

2. At least 250 producers engaged in determining the impact of lambing density (ewe mob size and stocking rate) on lamb survival.
3. Strategies to improve weaner and maiden ewe performance developed. Revised February 2018
4. 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. Deleted February 2018



Strategy: Healthy, Productive Sheep

PROGRAM: Genetic Improvement

Genetic progress is a long-term strategy for reducing input costs and increasing productivity in the face of sustained trends in markets, costs and the challenges associated with the highly variable and resource limited environments Australian sheep generally occupy. Fostering and tracking genetic progress requires a range of practical and cost-effective sheep selection practices which cover the breeding philosophies embraced by studs and commercial producers, and implicitly recognise both the importance of health, resilience and resource use efficiency, but also the limitations of these individual selection practices. These practices include wether trials, central test sire evaluation, MerinoSELECT, and skilled classing and selection, and

AWI investment will contribute to improved wool grower profitability through optimised breeding tools to suit the strategic challenges faced by the wool industry and the diversity of priorities for individual producers within.

In particular, and reflecting AWI's overall strategic intent to lift weaning rates from Merino-Merino joinings by 7% by 2030 while maintaining or increasing clean fleece weight, this Program will contribute to improved lifetime economic performance of ewes in wool enterprises, by fostering selection for Merino reproductive efficiency and resilience, while maintaining or increasing flock average fleece weight.

INVESTMENT FOCUS

This program of investment will support an increase in the net reproductive rate in Merino flocks of 7% by 2030, while maintaining fleece weight and increasing productivity per unit land area, through:

- Increased collection of lifetime fleece, body and reproduction data in wool sheep.
- Maintenance and improvement of Australia's across-flock sheep genetic improvement infrastructure, including wether trials, central test sire evaluation and R&D projects for MerinoSELECT.
- Fostering improved within-flock sheep selection practices.

TARGETS

1. At least 3,800 Merino ewe progeny being evaluated for lifetime productivity across at least four regionally representative sites, in partnership with Australian Merino Sire Evaluation Association.
2. Routine, low-cost per head alternatives to genomic parentage technology in wide commercial use for mothering-up Merino lambs.
3. Australian sheep breeders maintain access to consolidated and improved wether trial, central test sire evaluation and MerinoSELECT databases.



Introduction

Labour use efficiency is an important contributor to farm profitability, and seasonal labour availability constraints have been shown to limit important profit drivers as stocking rate, but can also impact on sheep health and welfare. More significantly and specifically, the wool industry suffers by comparison to other livestock enterprises

due to the frequency of hands-on sheep management and harvesting activities.

Recent advances in the field of electronics and software development, especially the advent and wide uptake of mobility devices, has created new opportunities for development of labour-saving devices offering realistic potential to generate substantial

labour savings for routine operations, and to simultaneously improve management skill and deliver spin-off benefits for sheep health, welfare and productivity – so underpinning the other major on-farm R&D portfolios in AWI. An example has been the LTEM app development, now in wide use by LTEM graduates.

Strategy: Farm Automation & Software Development

Through this Farm Automation Innovation program of investment, AWI will seek to ensure Australian woolgrowers are availed of practical, low cost digital tools which automate routine operations, support productivity and welfare improvements, and genetic progress. In seeking to actively lead and catalyse developments in this space for woolgrowers, and technology risks associated with the rapid technological evolution, AWI will work with leading edge commercial technology developers

and IP owners to minimise R&D costs, risks and development timeframes, but also actively co-invest with relevant partners including other RDCs.

In 2015, AWI set up Digibale, a commercially focused company responsible for developing and distributing digital tools for Australian woolgrowers and other supply chain participants. Some of the products developed to date include a lambing planner, shearing app and Bluetooth humidity monitor.

INVESTMENT FOCUS

- Development of low-cost, smart sheep ear tags capable of generating maternal pedigree (mothering up), geo-location, and other behavioural information of commercial value such as wild dog and flystrike alert notifications.
- Support development of virtual fencing, for precise grazing management, but also potential stock movement.
- Development of platforms to enable automated pasture production assessment and its integration into farm apps such as the LTEM app.

TARGETS

1. Develop and demonstrate across sheep production systems smart sheep ear tags capable of generating maternal pedigree, automatic geolocation, and welfare alerts, and integrating with virtual fencing advances.
2. Integrate pasture feedbase assessment technologies into digital farm management tools.



Introduction

Improving wool's reputation as a sustainable textile, healthy for both consumers and the planet is an increasing priority for the Australian wool industry. Critical review of raw material supply chains is an ongoing process by brands and retailers with those supply chains considered to be environmentally harmful at risk of being overlooked.

Increased climate variability and drought severity add to wool-growing risk both in the short-term through lost production and in the long-term through lost environmental reputation from negative impacts such as desertification and reduced biodiversity.

This strategy will focus on improving global recognition of wool's environmental and wellness credentials and thereby

maximize future demand for wool. Feedbase investment will be targeted towards climate change mitigating and adapting technologies, particularly those that concurrently increase profit. Improving understanding and adoption of proven technologies will be prioritised ahead of developing new pasture germplasm and technologies.

This strategy will maximize future demand for wool and improve wool's reputation through:

1. Undertaking targeted LCA research studies and engaging with stakeholders to significantly improve wool's environmental footprint rating, and strengthen wool's reputation for environmental stewardship;

2. Prepare woolgrowers for the effects of climate change and increase adoption of beneficial feedbase practices with currently modest adoption rates – reaching 50% of all growers by 2019;
3. Internationalise studies demonstrating that Merino base layer garments ameliorate chronic skin conditions associated with microclimate management of the skin;
4. Develop specifications for next-to-skin wear to improve reliability and consumer confidence in Merino baselayer garments.

Strategy: Feedbase & Fibre Advocacy

PROGRAM: Feedbase and Eco-credentials

While Australian sheep traditionally generally graze in extensive grassland ecosystems, trends over recent decades have seen increased climatic variability, consolidation of the declining sheep population in the higher rainfall and cropping zones, with major pastoral zone production regions adversely affected by wild dog predation. These trends are reflected in continually increasing pressure on the productivity and drought tolerance of pasture feedbase, and on the ability of sheep to integrate positively and at low cost and risk into the increasingly high risk cropping enterprises.

Where AWI's historical investments in the feedbase area has been heavily focused on development and commercialisation of new pasture germplasm, and in major

collaborative ventures such as EverGraze, the critical challenge ahead is to better understand and inform gaps in knowledge of barriers to grower investment in feedbase renovation, and re-integration of sheep into cropping enterprises. Beyond the farm gate, Australia's wool industry is also increasingly challenged to establish and improve its ecological credentials, often by organisations and individuals with limited practical understanding of the nature of these ecosystems, or on the basis of incorrect assumptions. Accordingly, through this program of investment, AWI will foster global recognition of wool's positive environmental credentials across the supply chain and reduce wool's environmental footprint, while helping to prepare woolgrowers for increasing climate variability, and overcome constraints to pasture productivity.

INVESTMENT FOCUS

- Undertaking targeted LCA research studies and conduct effective stakeholder engagement to address major threats to wool's environmental credentials and reposition wool's rating.
- Develop and communicate relevant case studies demonstrating wool producers' environmental stewardship.
- Identify pasture species to fill seasonal feed gaps, increase feed conversion efficiency and mitigate methane emissions.
- Develop a suite of options to enable livestock industries, particularly wool sheep to prepare for a future requiring resilience to increasing drought frequency and severity.

TARGETS

1. Generate significant improvement in wool's environmental footprint ratings, and strengthen wool's reputation for environmental stewardship.
2. Through better understanding of constraints to grower investment in pasture renovation, increase adoption of beneficial feedbase practices by 20% by 2021. Revised February 2018
3. Prepare woolgrowers for the effects of climate change - by 2019, 50% of woolgrowers will have implemented climate change mitigating or adapting technologies without loss of profit.



Strategy: Feedbase & Fibre Advocacy

PROGRAM : Fibre Advocacy

This program of investment will, through targeted research and product development, build and extend the scientific basis for wool's wellness credentials, including support for the establishment of new high value next-to-skin consumer product categories associated with positive health outcomes for consumers, based around unique and defensible attributes of wool's technical properties. Ultimately, it will contribute to demand.

These unique properties include natural ability to manage the

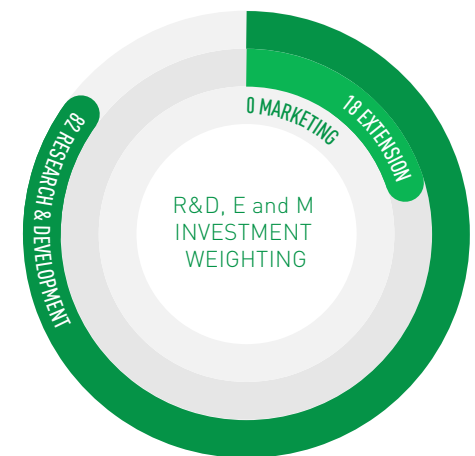
microclimate between fabric and the skin of the wearer, to resist odour development, and to provide inherent flame resistance without requiring chemical modification. Nonetheless, advances in product specification are required in order to overcome real or perceived limitations to wool's suitability to these end uses, especially ensuring end-product freedom from mechanical irritation ('prickle and itch'), overcoming perceptions that wool is an allergen, specification of wool's thermal and flame resistance properties.

INVESTMENT FOCUS

- Challenging the widespread misconception that wool is an allergen and demonstrating that suitably selected fine Merino products are healthy for the skin, especially for those with the most sensitive skin.
- Developing scientific evidence to support sleeping on or under wool bedding, or in Merino sleepwear.
- Improve the technical basis and the wool trade's ability to specify fabrics for health applications across a range of climatic applications, with assistance from technical experts.
- Establish partnerships with international funding and research institutions, to internationalise the outcomes and program impact.

TARGETS

1. Internationalise studies demonstrating that Merino base layer garments ameliorate chronic skin conditions associated with microclimate management of the skin.
2. Demonstrate that wool bedding and sleepwear improves sleeping conditions.
3. Support development of product market opportunities in categories such as corporate wear, safety wear, medical product and infant wear.
4. Develop specifications for next-to-skin wear to improve reliability and consumer confidence in Merino baselayer garments.





WOOLGROWER SERVICES

PORTFOLIO

TRAINING & TECHNOLOGY UPDATE

SHEEP & WOOL MANAGEMENT SKILLS

CONSULTATION

STRATEGY

WOOL HARVESTING & QUALITY PREPARATION

PROGRAM

STAKEHOLDER

WOOLGROWERS

4.5. Woolgrower Services

OBJECTIVES

Increase woolgrower profitability.

Provide cost effective services to woolgrowers and other parties on their behalf.

OUTCOMES

- Woolgrowers and other key stakeholders will have greater knowledge of AWI operations.
- Woolgrowers will continue to have effective access to information on existing and new sheep and wool management technologies.
- More highly trained shearers and wool handlers.
- AWI recognised as a valuable contributor to the profitability and sustainability of Australian woolgrowers through a broad range of grower-facing communications, engagement and training.
- AWI is recognised as an organisation that has effective consultation processes with woolgrowers and stakeholders.

Woolgrower Services Strategies



TRAINING & TECHNOLOGY UPTAKE

To be seen as a valuable contributor to the profitability and sustainability of Australian woolgrowers, through a broad range of grower-facing communication, engagement and training initiatives



CONSULTATION

Extensive consultation with its stakeholders – from woolgrowers, grower representative bodies and Government, through the supply chain to consumers

Introduction

Through a broad range of grower-facing communication, engagement and training initiatives, we aim to continue to be a valuable contributor to the profitability and sustainability of Australian woolgrowers.

Encouraging the next generation of wool industry workforce participants is critical to the prosperity of the Australian wool industry. Our programs in this area aim to help improve the engagement of young people interested in the wool industry, thereby developing and retaining the skills the wool

industry needs to be innovative in response to new challenges.

Existing and future workers will also have the opportunity to be provided with a solid base of practical skills, through a suite of AWI programs and initiatives to train, encourage and motivate.

Adequate numbers of highly skilled professional staff to harvest and handle a high quality Australian wool clip in a timely manner are key to the profitability of the Australian wool industry. We are therefore very committed to

attracting and retaining new entrants into the wool harvesting industry, building the capacity and longevity of existing staff, and increasing returns to woolgrowers through improved clip preparation practices.

We will continue to fund hands-on practical training for shearers and wool handlers in the shed, aimed particularly at increasing their skill development. The training for harvesting staff will cover a wide range of experience, from learner to professional shearers and novice to professional wool handlers.

Strategy: Training & Technology Uptake

PROGRAM: Sheep & Wool Management Skills

Encouraging the next generation of wool industry workforce participants is critical to the prosperity of the Australian wool industry. Ensuring existing and future workers have a solid base of practical skills around sheep and wool harvesting is a priority for AWI, with a suite of programs and initiatives to train, encourage and motivate.

INVESTMENT FOCUS

AWI will undertake a range of activities to increase sheep and wool management skills across existing and potential industry members.

National Merino Challenge

AWI will continue to support the NMC – the two day competition for young people to allow them to engage with the wool industry to support their possible future employment in the industry.

Extension Networks

Enhanced delivery of AWI priorities through increased utilisation of AWI's state grower networks. Focus will be on segments of the industry which have not previously been targeted in this area (e.g. young growers, technology), whilst maintaining traditional activities.

Practical Management Information

AWI will continue to develop and make available key industry resources on best management practices and existing technologies across all facets of sheep production. Resources will be made available through a range of mediums including print and AWI websites.

Capacity Building & Technologies

Retention of wool industry participants through access to skills building opportunities to increase their capacity in leadership, business, industry promotion and their confidence in the future of their industry. Address short-falls in practical hands-on training initiatives specific for wool and sheep. Re-establish the facilities at Falkiner Field Station (FFS) for training and engagement purposes.

TARGETS

1. More than 10 practical sheep skills training events held across the country each year, reaching more than 100 people and at an average cost not exceeding \$150 per effective participant.
2. Delivery of the National Merino Challenge on a fixed annual budget in real terms.
3. Average annual cost saving to woolgrowers participating in AWI supported networks exceeds \$700, net of AWI and grower costs.
4. Achievement of a minimum of 8,000 page views for practical sheep management resources on AWI websites at a maximum cost per hit of \$1.50



Strategy: Training & Technology Uptake

PROGRAM: Wool Harvesting & Quality Preparation

AWI is committed to developing shearer and wool handler skills so that the cost of shearing remains cost competitive in the future without a loss in the quality of prepared fleeces.

In the past AWI has complemented a range of externally funded training initiatives with in-shed learning opportunities.

INVESTMENT FOCUS

AWI will invest in a range of activities to increase the productivity of wool harvesting.

In-Shed training

AWI will continue to support in-shed training across all regions of Australia. This will be delivered to shearers and woolhandlers, from novice to professional.

Workshops

AWI ran a number of trial training opportunities through targeted workshops in the first half of 2016. These workshops are designed to complement commercial training opportunities without “slowing down” operations in a working shed. AWI will continue to develop and deliver these workshops.

Research and Development

Apart from the provision of training opportunities for shearers and woolgrowers AWI will invest in research and development to enable the ultimate commercialisation of in-shed technologies and methods to improve the efficiency and quality of wool harvesting. This might also include the development of innovative approaches to address seasonal wool harvesting labour requirements.

Information

AWI will continue to develop appropriate resources on shed operations, shearing and wool handling and ensure these are made available to industry on a cost effective basis.

TARGETS

1. Increase shed productivity by, on average, four sheep per day by 2019 across the whole industry.
2. Cost per person trained remains constant in real terms.
3. Commercial availability of at least one technology, by 2019, to increase the efficiency of wool harvesting



Introduction

As a company owned by Australian woolgrowers, AWI's activities are directly driven by the wool industry, reflecting consultation with our stakeholders – from woolgrowers, grower representative bodies and Government, through the supply chain to consumers.

While we have a robust and broad-ranging consultative framework, engagement with woolgrowers remains the key priority. Our database, although robust and the envy of other industries, is distinctly analogue. To effectively communicate directly with our levy payers the next Strategic period will

have the company focus on digitalising our communications and tailoring content to the precise interests of the recipient. This more modern approach will also be applied at the consumer end of the market.

We will engage directly with woolgrowers and their representative bodies to improve awareness of AWI's activities, promote two-way exchanges of information and ensure woolgrowers' views are incorporated into key corporate planning activities.

The existing structured annual consultation and planning cycle is complemented by

on the ground presence at a large array of industry events Australia-wide, often coordinated alongside and within existing local and state industry events.

A significantly enhanced digital capacity of the company will also provide woolgrowers with more relevant information and more interactivity regarding the specific operations of the company.

We will also continue to review and implement our Government relations strategy to strengthen relationships with Government stakeholders.

Strategy: Consultation

PROGRAM: Woolgrower

Effective consultation is vital to a healthy and transparent Australian Wool Innovation.

AWI consults regularly and extensively with the shareholders it serves and the stakeholders it works with. In recent years AWI has increased its capacity for consultation with woolgrowers through various channels. The existing structured annual consultation and planning cycle is complemented by a greater on the ground presence at a large array of industry events Australia-wide. The significantly enhanced digital capacity of the company provides woolgrowers with more relevant information and more interactivity regarding the specific operations of the company.

While the Industry Consultative Committee continues to serve as a chief point of consultation with

all woolgrowing bodies, specific consultation forums are either requested around a particular issue or are initiated by AWI such as the Wool Exchange Portal discussion day and Animal Welfare Forum. Very large shareholders have recently requested individual and specific meetings with AWI for the specific purpose of information and consultation.

Existing expert and advisory panels/groups meet regularly, feeding into the consultation cycle of the company. Producer Advisory Panels for state extension networks, rabbit and wild dog advisory groups and the regular animal welfare forums are examples.

Senior AWI staff are present and often asked to speak at well over 50 wool industry and related events throughout every year and keep in regular dialogue with those from all aspects of woolgrowing.

INVESTMENT FOCUS

Initiate and conduct regular and requested woolgrower consultation & engagement.

Host AWI events and shareholder engagement, often co-ordinated alongside and within existing local and state industry events.

Conduct more individualised consultation events upon request from very large shareholders.

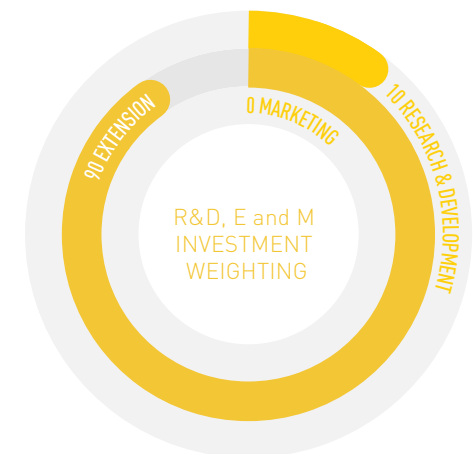
Ongoing support for national and international wool industry events.

Have a greater two-way information exchange with woolgrowers.

3. Provide a more customised flow of information to and from shareholders, delivered regularly and digitally through Beyond the Bale quarterly and newsletters monthly.
4. Create the most valued market intelligence in the wool industry.
5. Continue to provide strong and recognised support for more than 50 wool industry events nationwide.

TARGETS

1. Provide multiple channels for shareholders to access and consult AWI directly, in person at specific and industry events or digitally .
2. A greater awareness amongst shareholders of the ongoing research, development and marketing projects conducted by AWI for the wool industry.



Strategy: Consultation

PROGRAM: Stakeholder

AWI continues to engage in extensive consultation with its stakeholders – from woolgrowers, grower representative bodies and Government, through the supply chain to consumers. AWI has a formal Annual Planning and Consultation Cycle that continually gathers valuable feedback, which is used to inform and contribute to AWI business activities and decisions made by the AWI Board. The primary target for AWI consultation activities are woolgrower representative bodies, individual woolgrowers, and Government stakeholders.

INVESTMENT FOCUS

Woolgrower Representative Bodies

AWI's objectives are to provide all relevant grower representative bodies with the opportunity to be informed, engaged and consult with AWI to provide feedback on their member priorities for research, development and marketing. The core elements of AWI's consultation model include:

- AWI's Woolgrower Industry Consultative Committee (ICC).
- AWI Woolgrower forums and seminars.
- Annual stakeholder surveys.
- Engagement with grower representative bodies.

Market Intelligence

AWI works to foster the international competitiveness of the Australian wool industry by identifying threats and opportunities, enabling access to world markets, and developing strong relationships with relevant stakeholders.

- To create, enhance and protect the industry's trade and market access opportunities.
- To work with domestic and foreign Governments and welfare stakeholders in key markets to minimise the obstacles to commercial trade.
- To manage sensitive issues in order to protect the industry from external threats.

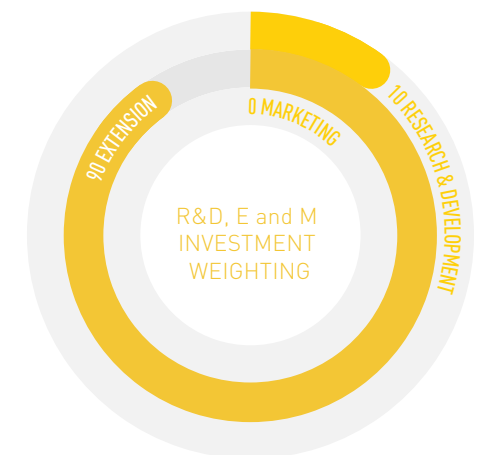
Government

AWI aims to work productively with Government stakeholders to ensure a sufficient understanding of the wool industry, AWI priorities, and outcomes of AWI's investments.

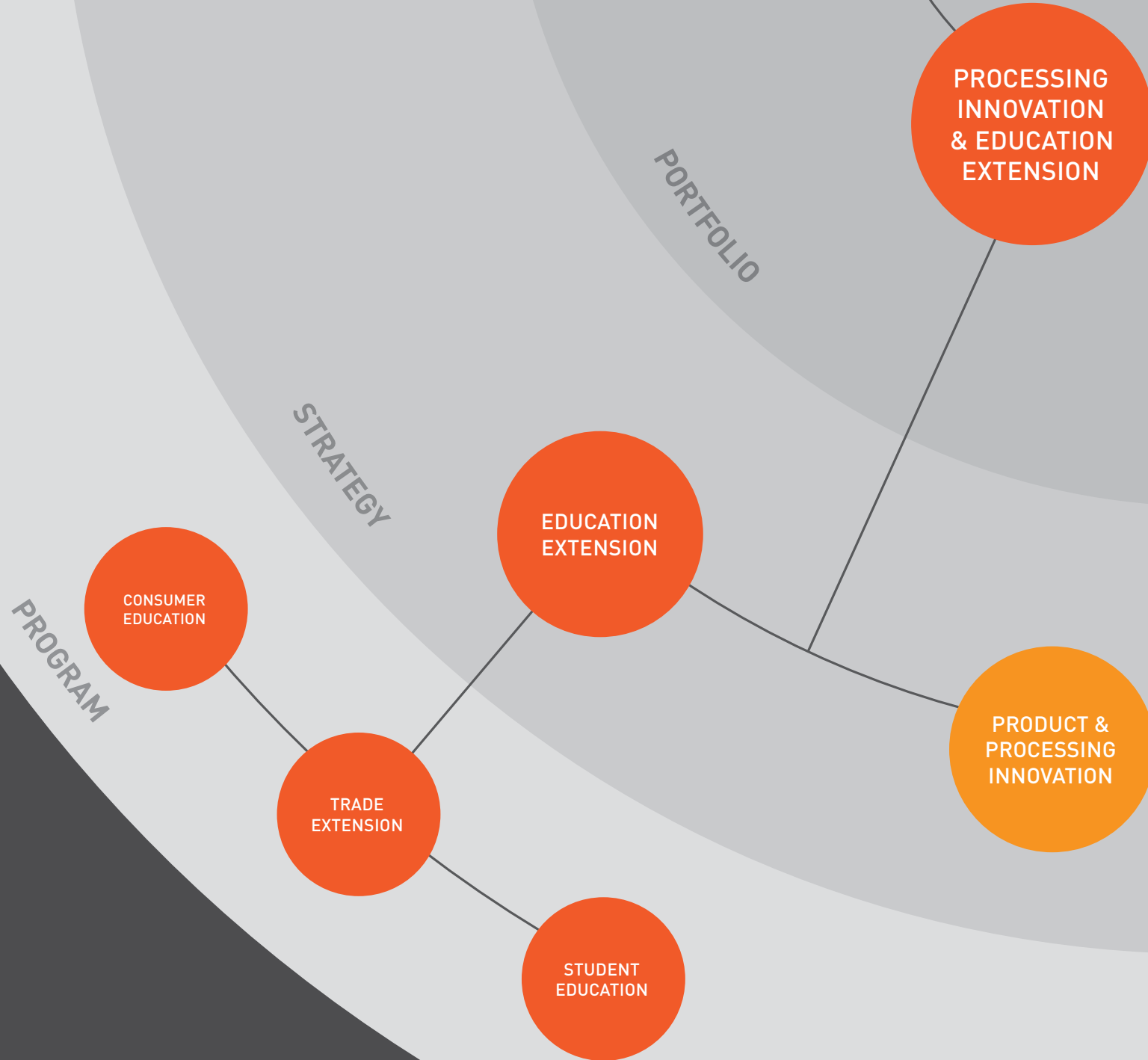
- To ensure statutory compliance.
- Expand Government engagement to develop a wider pool of industry supporters by nurturing productive relationships with Government stakeholders.

TARGETS

1. AWI reports on and meets its statutory requirements every six months.
2. Measure positive change in stakeholder awareness of AWI's activities and outcomes (evidenced through annual stakeholder surveys).







4.6. Processing Innovation & Education Extension

OBJECTIVE

Increase the profitability and sustainability of wool processing.

OUTCOMES

- Develop new innovative manufacturing processes.
- Develop new product ranges based on newly developed processes launched globally in collaboration with the marketing team.
- Manufacturers mainly in emerging countries, new to wool, using established wool technologies.
- Improved links with logistics companies that facilitate imports of Australian wool into new markets.

Processing Innovation & Education Extension Strategies



PROCESSING INNOVATION

By assisting (through transfer of innovations) manufacturers to adopt innovative technologies which add significant value, either functionally (e.g. moisture management properties) or aesthetically (new textures) so their products will attract higher premiums. This in turn will lead them to become more profitable, and thus more likely to stay in wool and willing to pay a higher price for it.



EDUCATION EXTENSION

Education and training of supply chain participants ensures wool remains a competitive processing sector against other fibres and inspires designers, brands and retailers to use wool in their product ranges, and ideally, to leverage the intrinsic properties of wool to grow profitable demand for their products.

Introduction

Product development opportunities will be pursued, especially to help wool take advantage of the global trend towards casual-style dressing.

As well as developing new technologies, AWI will work with supply chain partners to help transfer wool processing technologies to apparel brands and others along the wool pipeline, eg top-makers, spinners, dyeing and finishers, knitters, weavers and making-up companies.

To achieve this cost effectively our human and dollar resources must be adjacent to our partners in Asia and the buying houses of the world's major retailers.

Transferring wool processing technologies to partners along the manufacturing supply chain will be aimed at increasing their profitability, thereby making them more likely to invest or stay in wool. This will in turn make them willing to pay a higher price for the fibre.

The Run, Outdoor and Athleisure sectors will be a major target for our efforts and mimic our Marketing focus to ensure that product is not only developed but is sold successfully. We will help them adopt innovative processing technologies which add significant value, either functionally (for example, moisture management properties) or aesthetically (new textures).

Strategy: Processing Innovation

By assisting (through transfer of innovations) manufacturers to adopt innovative technologies which add significant value, either functionally (e.g. moisture management properties) or aesthetically (new textures) so their products will attract higher premiums. This in turn will lead them to become more profitable, and thus more likely to stay in wool and willing to pay a higher price for it.

Product development opportunities will also be pursued. Whilst trends in style and colour are fleeting and difficult to influence there are longer term trends that represent both a threat and opportunity for Merino wool. In particular as fashion becomes more influenced by sports and the addition of functional attributes there is a potential for wool to be perceived as old-fashioned when in fact it can offer many of the most desirable functional benefits such as easy care, moisture management and water repellency.

INVESTMENT FOCUS

Develop and commercialise new manufacturing processes, either machinery or chemical based, which lead to new novel products in wool and opens opportunities in new market segments for wool.

Develop new product 'fit for purpose' ranges aimed at Outdoor (focus on protection), Running (focus on moisture management and temperature control) and Athleisure (focus on odour, moisture management, stretch & recovery for comfort).

Working in partnership along the supply chain, innovations will focus on a combination of wool's natural inherent properties, and engineering the wool fibre, yarns, fabrics and garments to enhance these properties or add new ones.

Development of new product marketing tools for each autumn/winter retail selling season with the focus on separates, and functional finishes.

Identify a group of retailers and brands best placed to understand and adopt new innovations.

TARGETS

1. Develop and commercialise six new processes and transfer to 15 manufacturers, yielding an average mill profit increase exceeding \$20,000 by 2019.
2. Develop four innovations and transfer to 33 manufacturers, yielding an average mill profit increase exceeding \$20,000 by 2019.



Introduction

Education and training of supply chain participants ensures wool remains a competitive processing sector against other fibres; and inspires designers, brands and retailers to use wool in their product ranges. Activities are aimed at leveraging the intrinsic properties of wool to grow profitable demand for wool products. Education at trade, student and retail levels is key.

International trade shows are vital to showcase and promote the fibre, new product developments and The Wool Lab. The target audience at trade shows is retail buying teams, designers and manufacturers. Following trade shows, workshops are also

held individually with retailers and brands. Training of retail decision makers, such as the company's buyers, merchandisers, designers and technologists, is also undertaken to both stimulate interest and build their confidence to invest in wool product lines.

Textile and fashion students are the industry's future designers and decision makers, so it is essential to inspire and educate them, in the early stage of their careers, about the properties and benefits of Merino wool. This will help ensure they will continue to promote the fibre in their future professional endeavours. We will therefore

educate these students in both domestic and international markets through a variety of channels (eg digital, seminars etc).

Informed retail staff can influence the customers' purchasing decisions; it is often shop assistants who steer customers towards a purchase. Consequently, we will work with retail partners to help educate their sales staff about the natural benefits and properties of wool so they can advise consumers more appropriately. Training retail staff to become wool 'product ambassadors' is a cost-effective way for AWI to market wool.

Strategy: Education Extension

PROGRAM: Student Education

Education of primary, secondary and tertiary students to ensure their understanding of the wool industry and the possibilities of the fibre as well as an understanding of careers within the industry is a key focus of our business. This strategy targets students in both domestic and international markets, with the aim of increasing their participation in the wool supply chain (growing through processing to garment make up, design, and ultimately retail as careers mature).

This strategy will have a strong focus on producing materials for

face-to-face delivery and in a digital format with mobility devices as a key conduit allowing improved distribution to a scale unachievable with print.

Investment in this area is not designed to deliver an immediate return to woolgrowers, but rather, to continue to build a foundation for the future and the next generation of industry personnel and consumers. However, as a service to industry AWI will ensure that student education is carried out on a cost effective basis.

INVESTMENT FOCUS

AWI will continue to develop and make available educational resources such as "Learn About Wool" and "Sam the Lamb" for primary and secondary students.

Support will be provided to teachers, including online lesson plans, videos and other materials in line with National curriculums.

AWI will develop and run competitions to engage secondary and tertiary students to learn about the benefits and versatility of wool.

Seminars for tertiary students will be held globally to educate, inspire and connect the future generation, giving them an understanding of processing, the supply chain and the many possibilities for careers within the wool industry.

AWI will continue to develop a series of education modules covering the entire supply chain to support the education of students (and trade) to ensure they have access to the most up to date information and resources. These modules will be available for face-to-face delivery as well as accessible through an online Woolmark Learning Centre.

TARGETS

AWI will seek to deliver student education on a cost effective basis. We will implement appropriate measurement processes to track progress against a preliminary target, which will be reviewed in the coming year.

1. Directly engage participants at an average cost per effective participant of \$10.



Strategy: Education Extension

PROGRAM: Trade Extension

Education of supply chain participants remains a key element of our business.

In order to grow demand, AWI must inspire designers, brands and retailers to use Australian wool in their products and, ideally, to leverage the intrinsic properties of wool to grow profitable demand for their products. This suite of activities delivers base level education, as well as refined, seasonal inspirations through The Wool Lab and its associated connection to sourcing; and direct interaction with brands, retailers, designers and students via targeted trade show presence.

This strategy will have a strong focus on producing and delivering materials face-to-face and in digital format with mobility devices as a key conduit allowing improved distribution to a scale unachievable with print.

INVESTMENT FOCUS

Trade Events

AWI will continue to exhibit at the most influential trade shows that will support investment across our Off-Farm and Marketing areas. AWI's presence at trade shows provides an important source of leads for continual business development as well as the opportunity to support our trade partners.

We will use these fairs to affirm The Woolmark Company's role as a leading authority in the fashion and textile industry, through seminars, media coverage and partner feedback (including post-trade fair follow up).

The Wool Lab

AWI will continue to develop and make available to industry The Wool Lab (TWL). We will continue to increase the extension of TWL by face to face presentations and digital means to maximise the value it delivers to clients. TWL is a key avenue for AWI to engage with supply chain partners targeting the premium end of the apparel and interior markets to stimulate the demand for wool. We are able to provide a sourcing service for key brands and retailers for innovative design and fashion trends that utilise wool as the main fibre.

Technology Transfer

A key element of our investment in this area will be the activation of the Wool Resource Centre in Hong Kong and engagement with trade to support and connect participants of the wool industry throughout the supply chain.

By identifying and working with new manufacturing partners in emerging countries, our aim is to support the shift of processing operations out of China, whilst at the same time creating new business opportunities and new demand for Australian wool.

During this strategic period the focus will be on the establishment of early and midstream processing i.e. raw wool scouring, top-making and spinning etc., with the overall objective of establishing entire manufacturing supply chains in Vietnam, so Australian wool in greasy form can be exported directly there. We will also focus on identifying and working with Russian logistics companies to make it easier for Australian exporters to export, and Russian manufacturers to import wool.

TARGETS

1. Operating under a fixed budget AWI will seek to generate leads at a cost (project and staff) of \$1 per lead.
2. For our technology transfer investment we will seek to work with 45 new manufacturers by 2019, with the average profit increase per manufacturer exceeding \$20,000 annually.
3. TWL will seek to deliver a minimum of 350 client meetings and to determine the extent to which our clients use TWL in their products.



Strategy: Education Extension

PROGRAM: Consumer Education

The primary interface with current and potential consumers are the retailers – whether physically or virtually. Our consumer research continues to indicate there is a great ignorance of wool and its benefits. This occurs at the consumer and also, and perhaps more importantly, at retail level.

This program will deliver a set of materials that can be adapted for use by brands and by retailers to train floor staff and those interacting with consumers, on wool. As our global Key Account staff create relationships with targeted brands and retailers, AWI will have ready to deliver (i.e. “White Label”) educational programs that can be utilised by our target Key Accounts and AWI management. As an example, if we note that there is an opportunity to teach retail staff how to more effectively upsell consumers from a blend to a 100% wool product, this will increase new demand.

INVESTMENT FOCUS

Retail Training Packages

Development of retail training programs across a diversity of brands with a specific focus on womenswear, menswear and sportswear brands for global delivery.

Development of train-the-trainer programs for greater and more efficient execution.

Consumer engagement via App development.

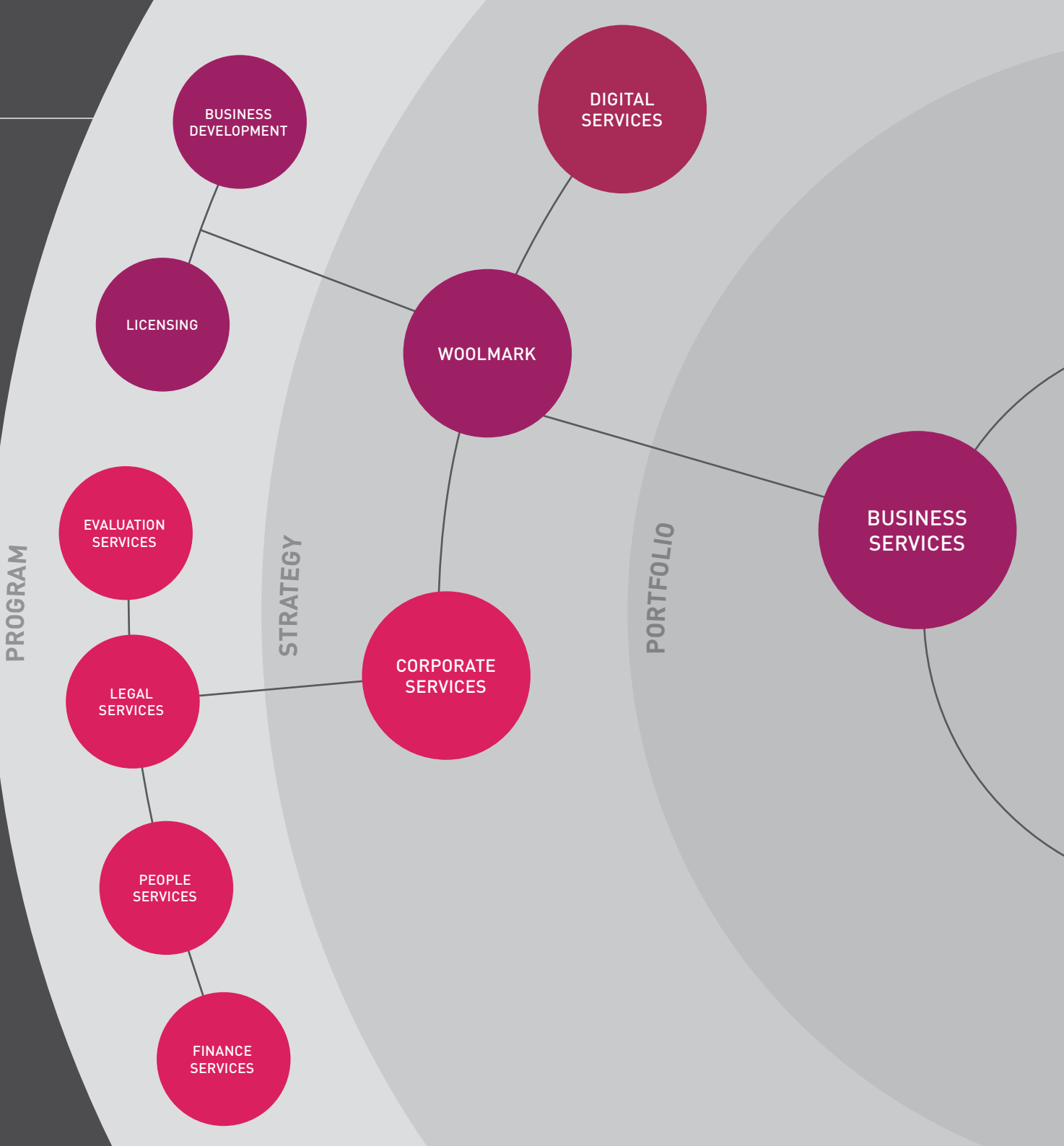
TARGETS

Operating under a fixed budget, maximise opportunities for retail stores and consumers more broadly to access educational material on wool and its benefits.





4.7. Business Services



OBJECTIVE

To enable AWI to operate cost effectively through the efficient provision of a range of cross-company support services.

OUTCOMES

- Maintain the strength of the Woolmark brand globally.
- AWI's internal and external stakeholders will be provided with a range of efficiently delivered support services, relevant to business needs.
- AWI to be recognised as a leader in the development and delivery of Digital Services for the Australian wool Industry.

Business Services Strategies



CORPORATE SERVICES

Provision of high quality support services globally including people services, financial management, legal advice, strategic commercial advice, IP portfolio management, company secretary and compliance oversight, for all of the business divisions of AWI.



WOOLMARK

The Woolmark brand underpins many of AWI's other programs by providing a central point of focus to link initiatives across the entire wool supply chain. The Woolmark product specifications and quality control and testing policy support The Woolmark Company's (TWC) consumer marketing efforts to change perceptions about wool.



DIGITAL SERVICES

The ongoing evolution of the business requires the continual balancing of the need for stability and security in information technology with a flexible and accessible 'ecosystem' that accounts for increased workforce mobility and cloud based solutions.

Introduction

Corporate services are important in order to provide high quality support globally for all business divisions of AWI.

Our Financial Management services include but are not limited to compliance, recording financial information and reporting to meet the business requirements. Over the next three years, there will be a focus on continual enhancements to the progress already made in providing reliable and flexible financial service tools.

People Services navigate the complexities of managing a global workforce across 14

employment jurisdictions. Over the next three years, there will be a focus to maximise the performance, engagement and productivity of our people to ensure we achieve our current business goals and grow our leadership and succession pipeline.

AWI employs lawyers who support the AWI group of companies, one as the AWI Company Secretary and the remainder in the Legal and IP Services Team. This team is an integral support service, providing legal advice, strategic commercial advice as well as compliance oversight, for all of the business divisions of AWI.

AWI has embedded measurement and evaluation (M&E) into routine investment planning and reporting activities. Over the next three years, M&E processes will continue to be developed and fully internalised across all AWI programs and offices. This will ensure that benefits from AWI investment to Australian woolgrowers can be objectively determined and reported on a regular basis.

Strategy: Corporate Services

PROGRAM: Finance Services

Provide financial management and support services including but not limited to compliance, recording financial information and reporting to meet the business requirements, ensuring continued compliance, and to the highest level of domestic and international governance requirements.

Focusing on continual enhancements to the progress already made in providing reliable and flexible financial service tools.

INVESTMENT FOCUS

Compliance - Continue to monitor and manage corporate financial compliance and reporting requirements globally, acknowledging the complexity and changing requirements across the company's global footprint.

Risk - Manage the company's global investment and foreign currency exposure within the approved guidelines to safeguard corporate funds and minimise risk exposure.

Process/Reporting - Provide the business with timely, accurate and useful reporting to enable effective decision making. Develop and implement systems/tools to improve interaction with core business systems and support highly effective business planning.

Manage external relationships with advisors, financial institutions and service providers.

TARGETS

1. Compliance – no default notices for financial reporting including annual accounts and tax filings across the group portfolio.
2. Risk – Manage the group reserves policy ensuring the following reserves are maintained.
 - Forward Contracts Reserve is sufficient to cover global contractual commitments on an annual basis.
 - Operating Reserves should be set each year end as the equivalent of 75% of operating cost for the next financial year.
 - Maintain emergency Reserve of \$5 million to meet EADRA obligations on behalf of WoolProducers Australia, as the wool industry signatory.
3. Process/Reporting – monthly financial reporting to be provided to the Board/management. Group Annual financial statements to be audited and provided to the Board at the August meeting annually.

Strategy: Corporate Services

PROGRAM: People Services

Navigating the complexities of managing a global workforce across 14 employment jurisdictions, People Services offers capability and support to the business in the areas of talent acquisition, talent management, employee engagement, people analytics and workplace culture.

Our focus is to maximise the performance, engagement and productivity of our people to ensure we achieve our current business goals and grow our leadership and succession pipeline.

INVESTMENT FOCUS

Talent Acquisition – identifying needed skills and competencies and looking at alternative ways to source talent.

Talent Management – building leadership/workforce capability to ensure the skill sets of our people are relevant and will feed succession plans.

Engagement – understanding what is important to our people.

People Analytics – identify trends in the workforce to make better decisions.

Workplace Culture – manage compliance with local and global employment and legal requirements and the Company's codified standards of behaviour.

TARGETS

1. Talent Acquisition – talent recruited matches business needs.
2. Talent Management – Executive supported succession plan in place.
3. Engagement – Year on year improvement in employee engagement measure.
4. People Analytics – people analytic tools developed to improve decision making in talent acquisition.
5. Workplace Culture – Compliance with local and international employment legal requirements and key HR policies globally.

Strategy: Corporate Services

PROGRAM: Legal Services

AWI employs four lawyers who support the AWI group of companies, one as the AWI Company Secretary and the remainder in the Legal and IP Services Team. This team is an integral support service, providing legal advice, strategic commercial advice as well as compliance oversight, for all of the business divisions of AWI.

INVESTMENT FOCUS

Legal & IP Services – the team supports the business by providing commercially sound legal advice and support to all the AWI group of companies as well as early stage strategic commercial advice. The team are resourced to provide advice and support in all legal practice areas and are able to lead legal and commercial negotiations with third parties.

In addition the team manages AWI's intellectual property portfolio including all trademark registrations to support the Woolmark licensing program and to maintain and protect the integrity, consistency and value of the intellectual property portfolio.

The team also manages all domestic and overseas company secretarial matters for AWI's subsidiaries, branches and representative offices.

AWI Company Secretary – the Company Secretary for AWI has a primary responsibility to ensure application of relevant standards of best practice in corporate governance for AWI, support the effectiveness of the Board, and provide assistance and support to the Chair.

This is achieved by monitoring and regularly reviewing business policies and procedures of the Board to ensure they continue to

be appropriate and deliver the desired outcomes; ensuring compliance systems are maintained and AWI and the Board adhere to these systems and ensuring a good flow of information between the Board, Board Committees and Senior Management.

TARGETS

1. Provide legal and commercial advice and support to the company in order to reflect its strategic and commercial needs as well as mitigating risks.
2. Manage the company's intellectual property assets to ensure that they are protected and their value enhanced and provide assistance with their commercialisation.
3. Administer the affairs and corporate governance for AWI's subsidiaries, branches and representative offices to ensure their observance of legal requirements.
4. AWI Company Secretary – Manage the Board's adherence to the Board and Board Committee charters, the AWI Constitution, the Statutory Funding Agreement and other guiding documents.

Strategy: Corporate Services

PROGRAM: Evaluation Services

AWI has embedded measurement and evaluation (M&E) into routine investment planning and reporting activities. M&E processes developed to date are based around obtaining direct feedback on AWI impacts from program partners, consumers and shareholders in a timely and cost effective manner.

Over 2016-19 M&E processes will continue to be developed and fully internalised across all AWI programs. This will ensure that benefits from AWI investment to Australian woolgrowers can be objectively determined and reported on a regular basis.

More important, fully internalised M&E processes will enable the organisation to monitor progress against Strategic Plan targets as part of required quarterly reporting to the AWI Board and to shareholders annually. This will better place the organisation to adjust investment activities in response to any external change in our operating environment or the success or otherwise of any specific investment. As a result, AWI will continue to operate cost effectively and maximise benefits for Australian woolgrowers.

INVESTMENT FOCUS

- Provide internal support to Program Managers in terms of survey hardware (such as iPads and stands), software development and survey design and analysis.
- On behalf of Senior AWI Managers engage external expertise as required (either on a consultancy basis or short term contracts), to support the internalisation of M&E activities across all regions of AWI operation.
- Engage an independent agent to periodically audit Program level M&E methods and analytical frameworks as well as completed evaluations.

TARGETS

All AWI Programs will be evaluated on a routine basis.

Introduction

The Woolmark brand is owned by The Woolmark Company, which is a subsidiary of AWI. The brand is therefore owned by Australian woolgrowers.

The Woolmark logo is one of the world's most recognised and respected brands, providing assurance of the highest quality, and representing pioneering excellence and innovation from farm through to finished product.

Woolmark licensees are permitted to use one of the brand's logos if their product fulfils stringent specifications. The Woolmark logo is a certification mark and products that carry it must be tested at independent Authorised Laboratories and approved by The Woolmark Company.

Revenue from the sale of Woolmark licenses provides AWI with about 15% of its revenue, which the company invests

in R&D and marketing for the benefit of Australian woolgrowers.

The brand also underpins many of AWI's other programs by providing a central point of focus to link initiatives across the entire wool supply chain.

Strategy: Woolmark

PROGRAM: Licensing

The Woolmark brand is owned by The Woolmark Company (TWC), a subsidiary of AWI. It is one of the world's most recognised textile fibre brands and provides consumers with guaranteed fibre content and an assurance of quality. Companies that become Woolmark licensees can use the Woolmark logo on their products as an independent quality endorsement thereby providing licensees with differentiation in the market place. The Woolmark licensing program operates globally and allows for the logo to be applied to a range of qualifying products across apparel, interior textiles, bedding, floor coverings, laundry appliances and consumables, and sheepskins. It can also be used through the supply chain for yarns and fabrics.

Companies that become licensees are given access to a range of

services from TWC including marketing collateral, tickets and labels, product innovations, supply chain sourcing, technical and retail training, Woolmark specifications and interpretation of test results. TWC staff are also available to provide advice and assistance to licencees across the breadth of the wool supply chain from woolgrowers to marketing promotions including digital and social media.

The Woolmark brand underpins many of AWI's other programs by providing a central point of focus to link initiatives across the entire wool supply chain. The Woolmark product specifications support TWC's consumer marketing efforts to change consumers' perception about wool – that it is suitable for all seasons and easy to take care of.

INVESTMENT FOCUS

- Simpler Woolmark licensing process, that enables new applicants and existing licensees to "self service" via woolmark.com while continuing to ensure confidence that the Woolmark brands are on quality wool products.
- Deliver licensees with a range of products and/or services that provide a clear value add to their business, such as the digital sourcing tool Wool Search on woolmark.com and improved satisfaction in their relationship with The Woolmark Company.
- Respond appropriately to changing commercial drivers to ensure the ongoing relevance and applicability of the Woolmark brands.

TARGET

Maintain License numbers at the same number as 2015.

Strategy: Woolmark

PROGRAM: Business Development

AWI ensures it has in place an international network of offices and staff that develops and maintains effective relationships with our partners across the supply chain from wool processing through to brands, retailers and designers.

Staff in the international network have the capability to identify and execute business development opportunities to increase use and knowledge of Australian wool – whether this is collaborating via product innovation, training and education or marketing collaborations.

The program will also focus on two specific market segments – apparel care and interiors. AWI will identify opportunities that promote the use of AWI's premium brands in the apparel care sector and demonstrate the many benefits of wool in interior products.

INVESTMENT FOCUS

- Robust global Account Management processes with TWC staff focussing on key partners (from an agreed list of key accounts, development accounts and maintenance accounts). AWI's key accounts will deliver measurable outcomes in wool product awareness and/or sales volume during the strategic period.
- AWI will educate high level interior designers, architects and retailers about the benefits of wool for use in interiors by demonstrating how using wool can address particular problems e.g. fire safety, climate control, acoustics, insulation etc.
- AWI will implement a communications strategy using its digital channels (social media, newsletter, e-learning) to support the use of Australian wool in interiors and promote the use of AWI's premium apparel care brands through the easy to care story for wool products.

TARGET

75% of Key Accounts report a measurable increase in wool production or sales over the strategic period.

Introduction

The ongoing evolution of the business requires the continual balancing of the need for stability and security in information technology with a flexible and accessible 'ecosystem' that accounts for increased workforce mobility and cloud based solutions.

With AWI offices located in countries across the world, the advent of a continuous stream of new technologies, plus the evolution of our

marketing to a 'digital first' basis, the need for a full availability of service and effective internal support is imperative.

Our Software and Hardware team will continue to pursue operational efficiencies through the development of internal and external software for use on mobility (smartphones and tablets) and traditional devices (laptop and desktop computers).

The use of software in a rural environment will continue to become more profound and the farm of the future will be automated to a high degree. The company is determined to stay a step ahead of this inevitable wave of technology and offer woolgrowers a first opportunity in this arena.

Strategy: Digital Services

The ongoing evolution of the business requires the continual balancing of the need for stability and security in information technology with a flexible and accessible 'ecosystem' that accounts for increased workforce mobility and cloud based solutions.

The overall digital strategy is designed to provide targeted, effective communication with our customers and suppliers while also supporting and promoting all aspects of the business across all touch-points.

INVESTMENT FOCUS

Our digital platforms enable us to provide people with the information most relevant to them when they need it and in the format they prefer. It also allows us to gather information on how people are engaging with the programs and material we are producing as a business and provide real time feedback as to the effectiveness of these programs which can be used to improve overall business performance.

In order to better communicate both the properties of wool and the work of AWI and The Woolmark Company we need to take ownership of the majority of the content being produced about/for the company as well as the platforms on which this content is distributed.

Infrastructure

Provide an infrastructure environment that meets and continues to evolve with the business by continuing to reduce levels of hardware investment, simplifying infrastructure (hybrid cloud based solutions), whilst reducing complexity in integrations and removing legacy systems.

We will work to create a robust and supportive customer relationship management (CRM) system that will underpin our wider digital infrastructure, including web and social platforms, email systems and communication methodology. This software will link with our content management system to improve efficiency across the business and allow us to ensure that we log customer interactions, regardless of on which platform they occur, helping us to create a more detailed profile of who our customers are which we can then use to improve communications.

Software and hardware development

Provide increasing levels of accessibility to business systems via web services and enhanced BYOD (bring your own device) capabilities. Evaluate and adopt agile, cloud services as appropriate to the business from a holistic perspective, ensuring applicability and scalability. Adopting a service-orientated IT business offering.

TARGETS

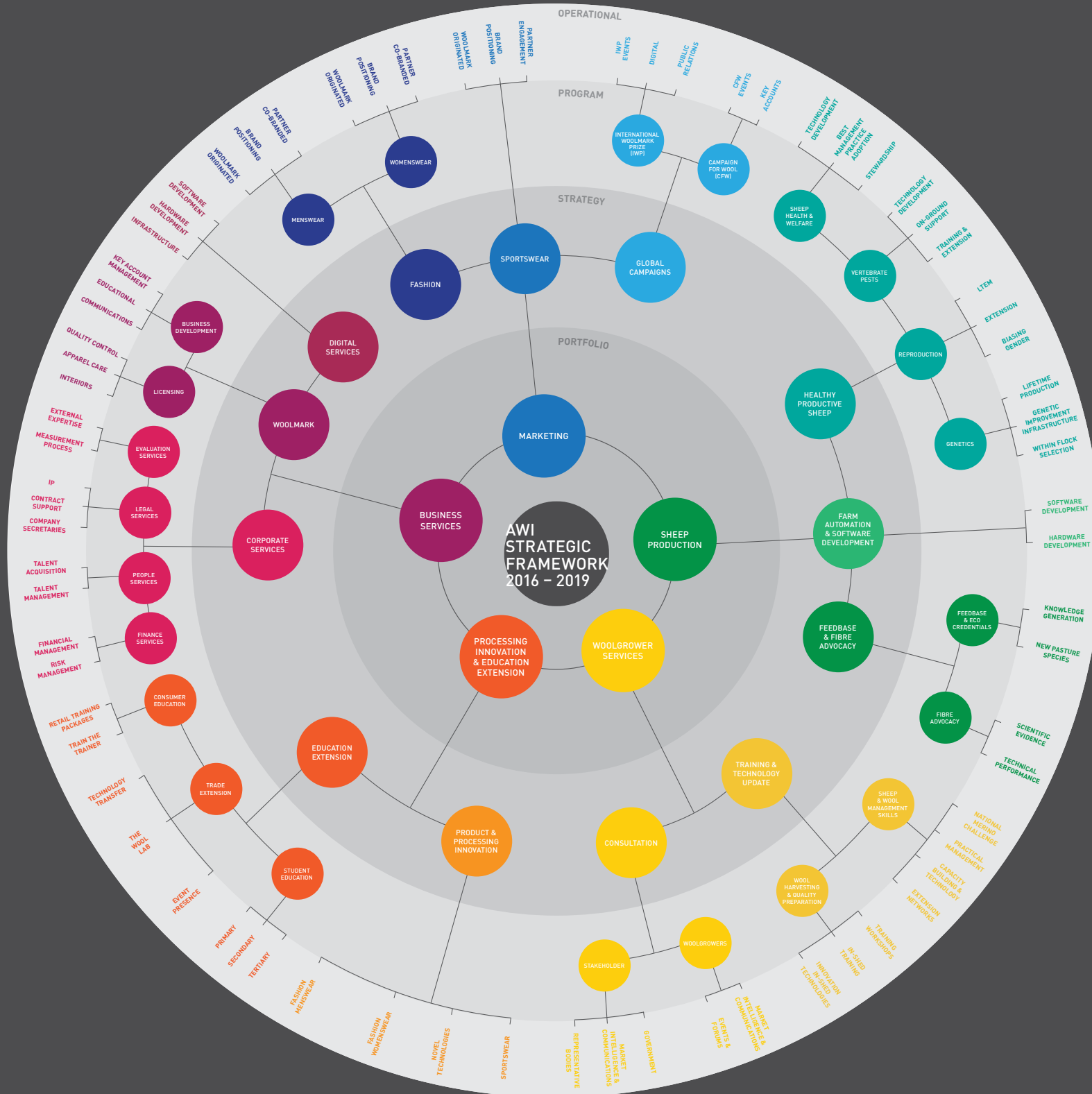
1. By 2019, increase the amount of new customers entering the AWI/WM digital ecosystem by 20%.
2. Integrate CRM across the entire business to improve communication.
3. Ensure all offices and projects are fully supported digitally and increase overall staff awareness of these services.
4. Provide leadership and guidance to ensure digital future proofing of the business.



5. IMPLEMENTATION

While the 2016/17 to 2018/19 Strategic Plan lays out our blueprint for future investment and target benefits, the organisation will need to develop implementation strategies to ensure we succeed in achieving these targets. As previously noted, we are strengthening the link between implementation and strategic intent, and this is reflected in the operational activities in our Strategic Framework at the program level.

Operational activities involve the investment of funds in a range of projects and allocating AWI staff to ensure these activities are completed in a cost effective manner. Historically, AWI has undertaken operational activities across the whole wool supply chain and examples of these are presented in the following sections.



5.1. AWI Working for Woolgrowers in Australia

AWI PROGRAMS

- EXTENSION
- AWI REGIONAL EVENTS
- ◆ WILD DOGS CONTROL GROUPS
- ⬠ LIFETIME EWE MANAGEMENT COURSES (LTEM)
- ▲ SHEARING AND WOOL HANDLING IN-SHED TRAINING



COMMERCIALISATION
TAMMIN, WA
Woolgrower Tony York has been involved in the development of an elite line of old man saltbush, Anameka, now available to woolgrowers across the country.



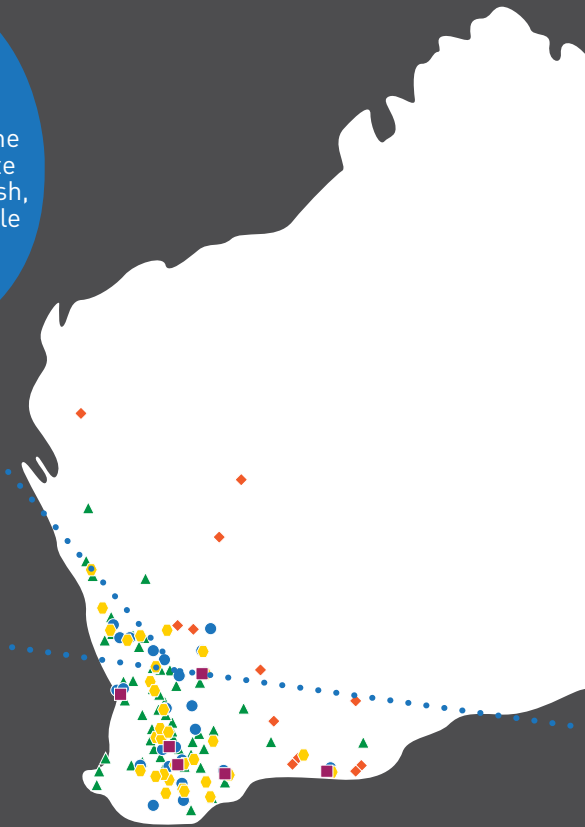
EXTENSION
POOCHERA, SA
AWI's extension networks are benefiting woolgrowers across Australia, such as Damien and Eileen Lynch from the Eyre Peninsula via SheepConnect South Australia.

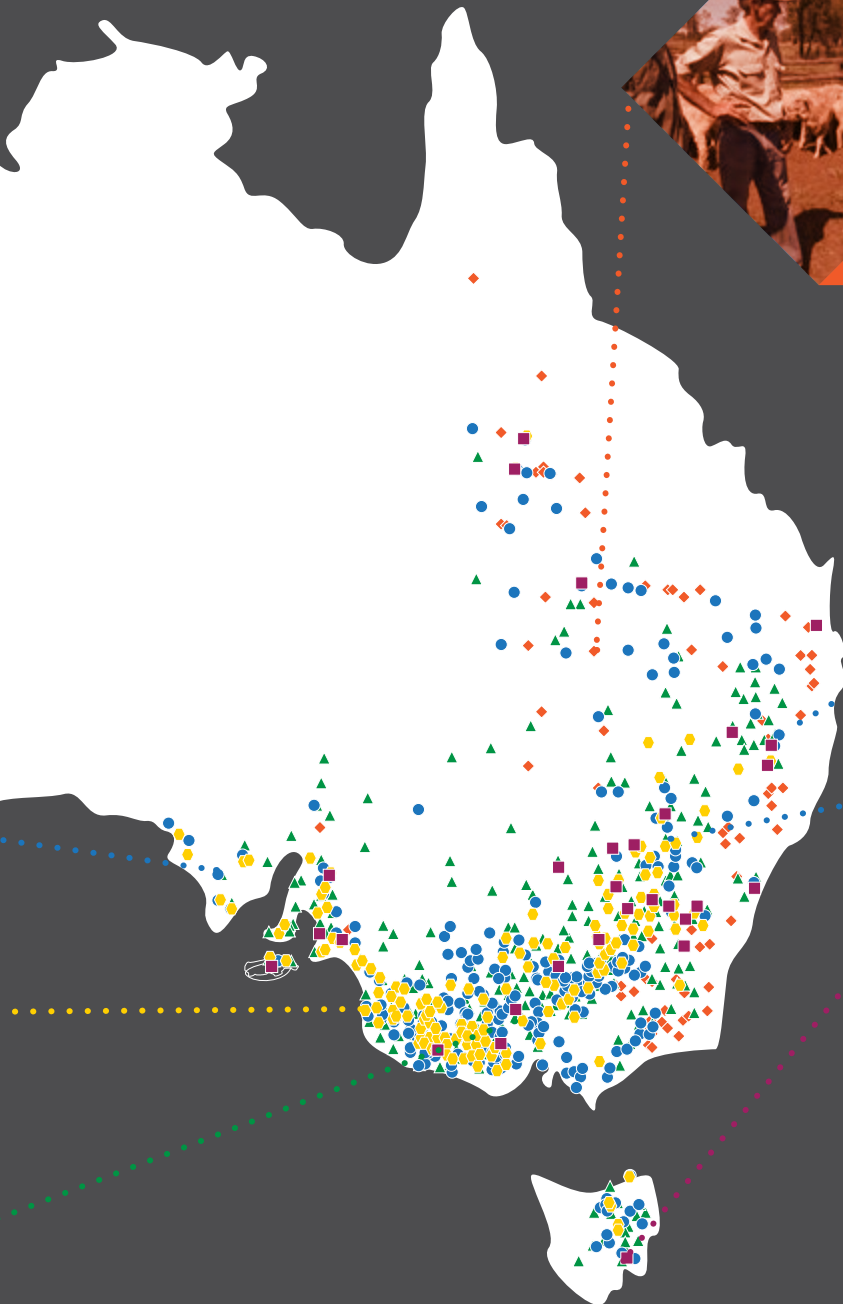


LIFETIME EWE MANAGEMENT
NEUARPURR, VIC
Fourth generation farmer Tara Hawkins says the practical side of Lifetime Ewe Management (LTEM) is a real strength of the course.



HARVESTING
BENDIGO, VIC
The Northern Shears shearing and wool handling competition in Bendigo is one of many local competitions supported each year by AWI to promote excellence.






WILD DOGS
TALWOOD, QLD
 Bill Oliver of 'Binnerwell' near Talwood: "Funding provided by AWI has helped enable our group to keep on with the wild dog program in the Talwood and surrounding area."



MARKETING
URALLA, NSW
 With the support of AWI, the global directors of Italian luxury weaver Reda headed an international media tour to Australia showcasing superfine Merino wool.



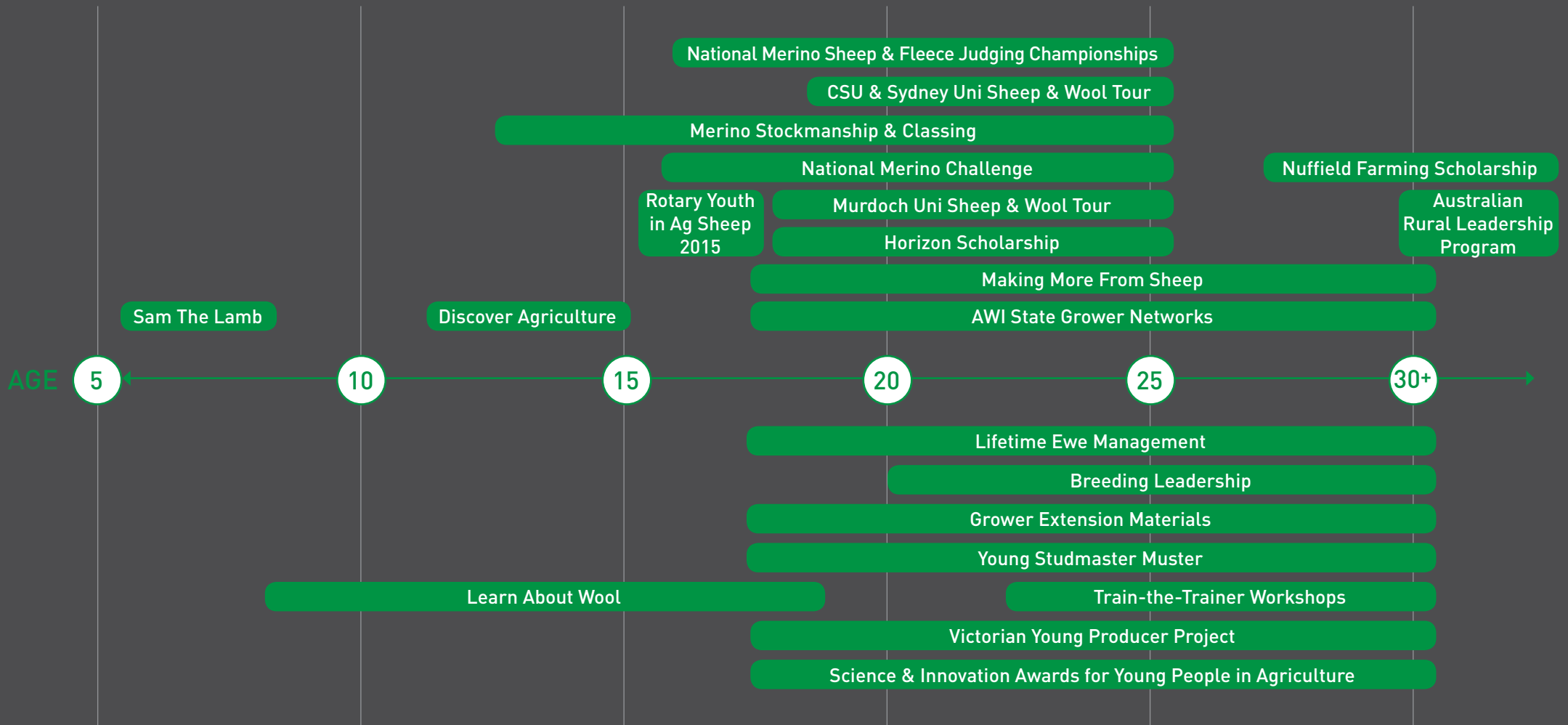
NEXT GENERATION
DUBBO, NSW
 Yanco Agricultural High School student Jessica Johnston is one of many students who have taken part in AWI's National Merino Challenge education initiative.



MARKETING
SORELL, TAS
 The Prince of Wales, here inspecting Merino sheep, is Patron of the Campaign for Wool which is educating consumers about the fibre's unique natural benefits.

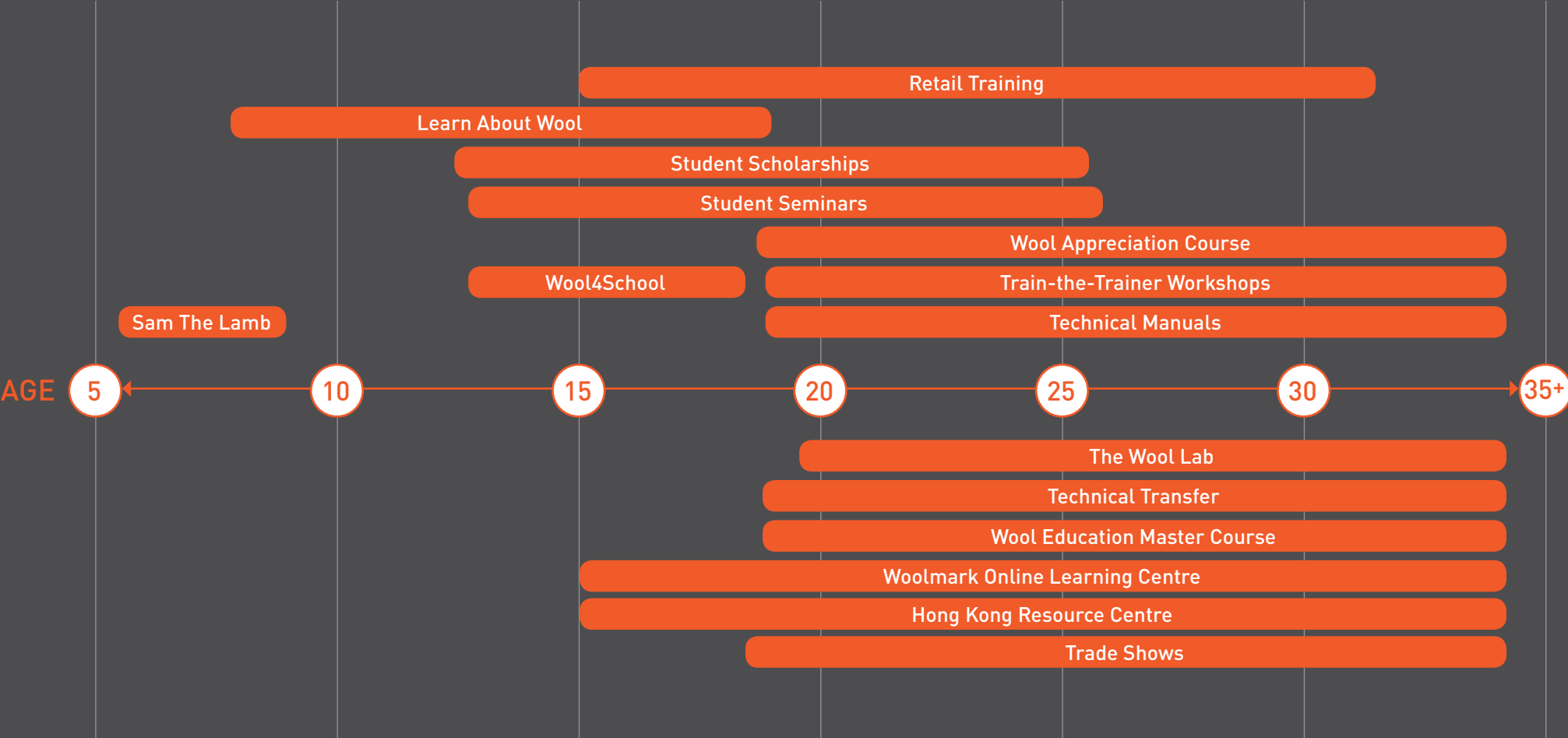
5.2. Delivering Training and Extension Across the Supply Chain

SHEEP PRODUCTION



5.2. Delivering Training and Extension Across the Supply Chain

PROCESSING INNOVATION & EDUCATION EXTENSION



5.3. AWI Working for Woolgrowers Internationally



FASHION

LONDON / UK

As a valued partner AWI is able to support M&S on product development, sourcing and marketing to help raise awareness amongst its customers of what wool can offer in terms of natural benefits and value. In the UK, the company has a 9.0% share of the womenswear market and 10.8% of the menswear market, with a significant amount of the apparel being made from wool.

THE WOOL LAB

ITALY

Globally recognised The Wool Lab is created out of our Italian office and available world-wide. The Wool Lab is created twice a year by The Woolmark Company to inspire and inform the textile industry, fashion professionals and retailers about the vast potential of Merino wool.

INTERNATIONAL WOOLMARK PRIZE

NEW YORK / USA

IWP is a global competition across 38 countries where regional nominees compete for the coveted Woolmark prize. Connecting the world's leading fashion designers with Australian Merino wool is extremely important due to the enormous influence these designers have in setting global textile trends for mainstream retail brands. Last year's winner, US designer Marcia Patmos has launched her award-winning woollen range from where it begins: on a woolgrowing property.



CAMPAIGN FOR WOOL

PARIS / FRANCE

Wool Weeks are run in many countries each year. They involve a series of events, including the campaign's retail partners helping to educate consumers about the natural benefits of wool and increase sales of wool product. Retail supporters created beautiful in-store installations and window displays to help sell more wool.

TRADE EVENTS

MUNICH / GERMANY

At the ISPO trade fair in Germany enquiries about Merino wool were significantly higher than in previous years. Merino wool is in demand as the ultimate base-layer, mid-layer and outer-layer garment for the sports/outdoor sector and the increasing athleisure market.

FASHION

CHINA

A week after the finalisation of the China-Australia Free Trade Agreement, the Australian wool industry's R&D and marketing entity, Australian Wool Innovation Limited, which owns The Woolmark Company, signed a Marketing Collaboration Agreement with China's leading purveyor of luxury menswear, The Eve Group.

WOOLMARK

KOREA

One of Korea's largest retailers, GS Home Shopping, has boosted its sales of Australian wool products thanks to a traceability marketing campaign that takes consumers on a farm to fashion journey. A marketing collaboration started in 2012 and in 2015 the retail giant sold more than 240,000 Woolmark and Woolmark Blend certified apparel items.

TECHNOLOGY TRANSFER

HONG KONG

The Woolmark Company's new Wool Resource Centre in Hong Kong is a multi-functional space dedicated to product and process innovation to be used by all our partners throughout the supply chain to discover the wonders and versatility of Australian Merino wool. It will serve to coordinate our efforts across Asia in particular and globally more broadly.

6. APPENDICES

6.1. Strategic Plan Budget

		BUDGET 2016/17 (AUD '000)	BUDGET 2017/18 (AUD '000)	BUDGET 2018/19 (AUD '000)
REVENUE	Levy Funds	50,174	TBC	TBC
	Government	12,000		
	Woolmark	9,263		
	Investment & Other	1,957		
	TOTAL REVENUE	73,394		
PROGRAM SUPPORT COSTS	Sheep Production	12,174		
	Woolgrower Services	9,031		
	Processing Innovation & Education Extension	8,266		
	Marketing	35,367		
	Digital Services	3,475		
	TOTAL PROGRAM COSTS	68,313		
SUPPORT & ADMINISTRATION COSTS		10,081		
TOTAL EXPENDITURE		78,394		
NET RESULT		(5,000)		

6.2. Reserves Policy

RESERVE	\$M	DESCRIPTION
Forward contracts reserve	Variable	To cover forward commitments – reviewed at the end of each financial year
Operating reserve	Variable	9 months of AWI Operating costs to cover unexpected cessation of levy and grant revenue
Emergency reserve	5.0 fixed	To cover any contingent expenditure arising from obligations under the Emergency Animal Disease Response Agreement

6.3. Acronyms

AWI	Australian Wool Innovation Limited	HRH PoW	His Royal Highness the Prince of Wales	PR	Public Relations
B2C	Business to Consumer	ICC	Industry Consultative Committee	PV	Première Vision
B2B2C	Business to Business to Consumer	IP	Intellectual Property	R&D	Research and Development
BYOD	Bring Your Own Device	IT	Information Technology	RDC	Rural Development Corporation
CEO	Chief Executive Officer	IWP	International Woolmark Prize	RHDV	Rabbit Haemorrhagic Disease Virus
CFW	Campaign for Wool	IWTO	International Wool Textile Organisation	ROP	Review of Performance
DSE	Dry Sheep Equivalent	LAM	Local Area Marketing	RTW	Ready to Wear
EADRA	Emergency Animal Disease Response Agreement	LCA	Life Cycle Assessment	SAP	Enterprise software to manage business operations and customer relations
FAC	Finance and Audit Committee (of the AWI Board)	LTEM	Lifetime Ewe Management	SFA	Statutory Funding Agreement
FFS	Falkiner Field Station	M&E	Measurement and Evaluation	SISP	Sheep Industry Strategic Plan
GVP	Gross Value of Production	MISP	Meat Industry Strategic Plan	TWC	The Woolmark Company
		NMC	National Merino Challenge		



The Strategic Plan is available at

WOOL.COM