



awi Australian Wool
Innovation Limited

ANNUAL REPORT

2020/21



AWI WORKING TO SUPPORT WOOLGROWERS' PROFITABILITY



CONTENTS

UP FRONT

- 4 About your company
- 6 Highlights of 2020/21
- 8 Chairman's report
- 9 CEO's report
- 10 AWI Board of Directors
- 12 Wool market summary
- 13 AWI financial summary
- 14 Collaboration
- 16 AWI strategic priorities

OPERATIONAL HIGHLIGHTS

- 17 Sheep Production, Science & Technology**
 - 18 Sheep, Health & Welfare
 - 20 Vertebrate Pests
 - 22 Reproduction & Nutrition
 - 24 Genetics
 - 26 Hardware & Software Development
 - 26 Novel Applications
 - 27 Mechatronics
 - 28 Wool Harvesting & Quality Preparation
 - 30 Sheep & Wool Management Skills
- 31 Consultation**
 - 32 Extension Networks
 - 32 Events & Forums
 - 33 Market Intelligence & Communication
 - 34 Woolgrower Representative Bodies
- 35 Processing Innovation & Education Extension**
 - 36 Textile & Retailing Technologies
 - 37 Partnered Innovation
 - 38 Retail Education
 - 39 Trade Education
 - 40 Student Education
 - 42 Quality Control
 - 42 Licensing
- 43 Marketing**
 - 44 International Woolmark Prize
 - 46 Woolmark Performance Challenge
 - 46 Fibre Advocacy
 - 49 Brand Partnership
- 53 Traceability**
 - 54 WoolQ
 - 56 Fibre Identification & Tracing
 - 57 Health & Wellness
 - 58 Eco Credentials
- 59 Good Business**
 - 60 Corporate governance
 - 65 Measurement & Evaluation
 - 65 Government R&D priorities
 - 66 Performance
 - 67 Strategic alignment
 - 69 Intellectual property
 - 70 CRRDC - RDC System Performance Indicators

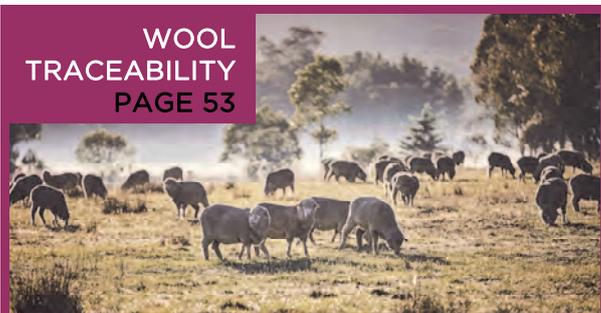
FINANCIAL REPORT

- 72 Directors' report
- 75 Auditor's independence declaration
- 77 Consolidated statement of comprehensive income
- 78 Consolidated statement of financial position
- 79 Consolidated statement of changes in equity
- 80 Consolidated statement of cash flows
- 81 Notes to the consolidated financial statements
- 100 Directors' declaration
- 101 Independent auditor's report

APPENDICES

- 104 A - Report on compliance with the SFA
- 106 B - Project list 2020/21
- 109 C - Performance against Annual Operating Plan targets

SHEEP PRODUCTION PAGE 17



FRONT COVER: Harry and Heidi Taylor check on their sheep on the family farm outside Coonabarabran, NSW, in October 2020. The property went without substantial rain for nearly three years, before drought breaking rains began to fall in 2020. The main photo contrasts with the smaller photo shot in 2018 showing Harry with a lamb to which he is trying to feed cotton seed. PHOTOS: Brook Mitchell / Stringer

PAGE 2: Michael Taylor of 'Taylors Run' at Kentucky in the Northern Tablelands of NSW, which was one of the properties that took part in an AWI-funded Natural Capital Accounting project.

ABOUT YOUR COMPANY

WHAT AWI DOES

Established by the Australian Government in 2001, AWI is the research, development (R&D) and marketing organisation for the Australian wool industry.

The company invests along the global supply chain for Australian wool – from woolgrowers through to retailers.

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.

AWI works with the Australian Government through legislation (the *Wool Services Privatisation Act 2000*), regulations and an agreement between AWI and the Australian Government called the Statutory Funding Agreement. The Statutory Funding Agreement defines the conditions under which AWI may invest wool levies and Government-matched funds.

HOW AWI IS FUNDED

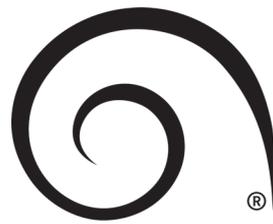
AWI investments are funded primarily through a wool levy paid by Australian woolgrowers and a matching contribution from the Australian Government for eligible R&D activities, capped at 0.5 per cent of the gross national value of wool production. The sale of Woolmark licences is one of the other sources of income for AWI.

Woolgrowers vote every three years on the percentage of the sale price received for their shorn greasy wool that they would like to invest in industry R&D and marketing activities. In WoolPoll 2018, woolgrowers voted in favour of a 1.5 per cent levy. The next WoolPoll vote (WoolPoll 2021) runs from 13 September 2021 to 5 November 2021, with the chosen levy rate effective from 1 July 2022.

HOW AWI HAS EVOLVED

On 1 January 2001, Australian Wool Services (AWS) replaced the Australian Wool Research and Promotion Organisation (AWRAP), which had been operating since 1993. AWS was established with two subsidiaries: AWI and The Woolmark Company Pty Ltd. On 30 April 2002 AWI separated from AWS to become a fully independent public company limited by shares.

AWI's role was to manage woolgrowers' collective investment in R&D for the benefit of the industry. In October 2007, AWI acquired The Woolmark Company Pty Ltd from AWS on behalf of woolgrowers.



awi

Australian Wool Innovation Limited

AWI is the **R&D and marketing** organisation for the Australian wool industry.



THE WOOLMARK COMPANY

The Woolmark Company is a subsidiary of AWI. It undertakes R&D and marketing to increase the global demand for Australian wool.

When AWI acquired The Woolmark Company in 2007, AWI became the owner of the Woolmark brand, the world's best-known textile fibre brand. Notably, it was then that marketing activities re-commenced.

The Woolmark Company has staff in 15 offices strategically located in key markets across Asia, Europe and the Americas (see opposite page) to develop direct business relationships with global brands, retailers, textile manufacturers and fashion designers.

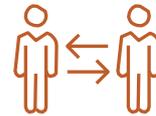
AWI'S MISSION



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.

AWI'S VISION



AWI's vision is for it to be a highly valued contributor to a vibrant, profitable and sustainable Australian wool industry.

AWI'S GOAL



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

AWI'S CORE VALUES

Innovative



Collaborative



Accountable



Transparent



Respect



Integrity



AWI OFFICES AND STAFF

AWI and The Woolmark Company offices and staff are strategically located in lucrative key markets across the Americas, Asia and Europe.

	30 June 2019	30 June 2020	30 June 2021
AWI staff numbers	192	174	141



AWI SHAREHOLDERS

AWI had **21,480 shareholders at 30 June 2021**, an increase of 430 shareholders during the past 12 months.

AWI shareholders are able to shape the decision-making process of the company via their access to information and right to vote at AGMs. AWI shareholders are entitled to one vote for every \$100 of wool levy paid in the three financial years before any vote.

At 30 June 2021, there were 19,284 AWI shareholders that had paid \$100 or more in wool levies in the past three financial years and were eligible to vote. This was a decrease of 812 eligible shareholders during the past 12 months.

A share in AWI is not tradeable and is of no capital value.

There were **76,031 wool levy payers at 30 June 2021**, an increase of 5,510 during the past 12 months.

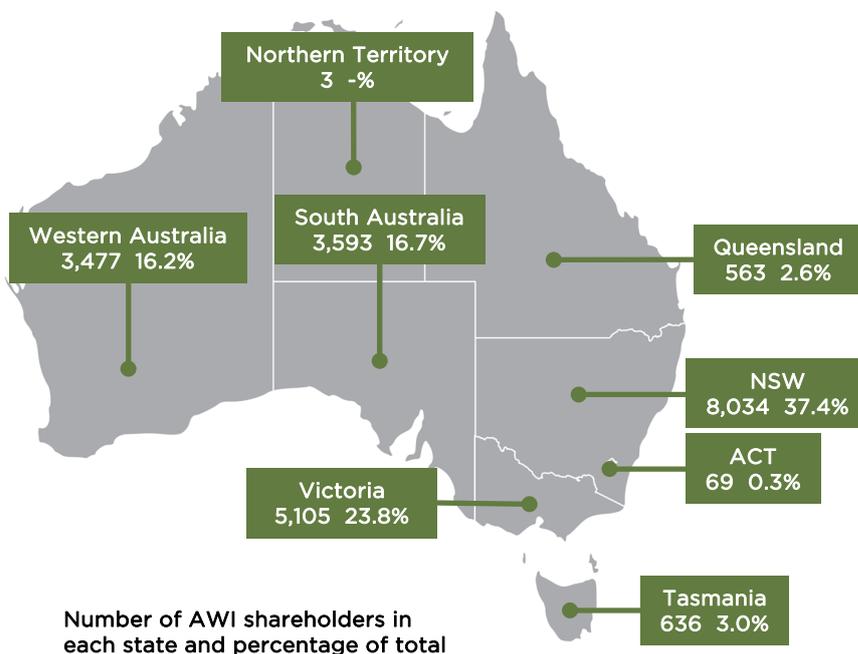
Paying wool levies does not make the levy payer automatically a shareholder of AWI. Levy payers who are not already an AWI shareholder can contact the AWI share registry at Link Market Services on 1800 113 373 (free call) to enquire about becoming a shareholder.

There were 50,933 wool levy payers that had paid \$100 or more in levies in the past three years and so were eligible to become an AWI shareholder.

	30 June 2020	30 June 2021
Total AWI shareholders	21,050	21,480
Eligible AWI shareholders*	20,096	19,284
Total wool levy payers	70,521	76,031
Eligible levy wool payers†	52,156	50,933

*AWI shareholders that have paid \geq \$100 levy in previous three financial years.

†Wool levy payers that have paid \geq \$100 levy in previous three financial years.



HIGHLIGHTS OF 2020/21

2020 Wool Industry Profile stated that 44.7% of producers used genetic tools in their breeding program



11% increase in industry adoption of welfare improved practices

Reduced predation on assisted groups' flocks by **80%+**

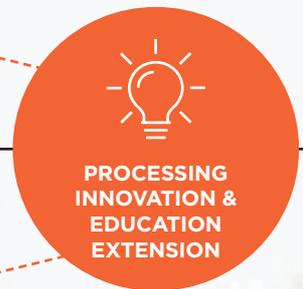


In 2021, AWI launched its **AWI Grower App**



80% of woolgrowers value AWI's Market Intelligence and analysis

Random sample testing of Woolmark labelled clothing was conducted **to ensure the continued integrity of the Mark**



Launch of a **new digital licensing portal**

Benefit-cost ratio (BCR) for the China Campaign was **3.2**



Cradle-to-grave analysis of closed-loop recycling in the wool system **completed**



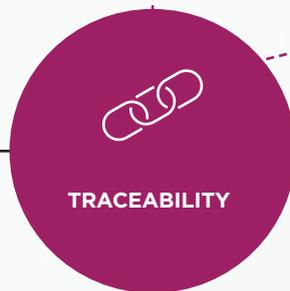
The Luna Rossa Prada Pirelli partnership garnered **\$31.3m** in earned media value



The China Treasure Wool A/W21 campaign achieved **a 60% increase** in purchase intent for Merino wool and **\$87m in sales** on Tmall



11 case studies completed on environmental and economic impact of woolgrowers using regenerative farming practices



1.1 million units of Merino wool apparel sold through the China Campaign



Feel Merino campaign had **10 million** video views and **277k** Merino wool units sold



Partnered with **Everledger** to run block chain traceability trials



CHAIRMAN'S REPORT



Being as I was appointed Chairman of the AWI Board on 30 June 2021, I would first like to thank the immediate past Chairman Ms Colette Garnsey for

her contribution to the wool industry through her role as AWI Chairman during the previous 2½ years and as a director of AWI for nearly 10 years.

This past year has been particularly challenging for the Australian wool industry, largely due to the social and economic disruption caused globally by the COVID pandemic. Twelve months ago, the situation looked quite bleak for the industry, with lockdowns having been imposed on many of our international markets, a falling EMI, the financial and emotional toll of the drought still being felt, and a great deal of uncertainty about the future.

However, despite all this disorder, the industry has once again shown its resilience, aided by a relaxing of lockdowns and a resurgent EMI. From the first week of September 2020, which was a low point of 858c, the EMI increased by 565c, 66%, to end the 2020/21 season at 1423c.

Good rains over much of Australia have enabled increased production and added to the renewed optimism. The nation's wool clip in the 2020/21 season was 7.6% higher than the previous year, reaching 318.2 million kgs.

So, the industry ended the 2020/21 year in better shape than it started. But there are still plenty of challenges – and many opportunities.

CHALLENGES AND OPPORTUNITIES

COVID is not going away any time soon and its repercussions in overseas markets, and increasingly in regional Australia, are something that we as an industry will have to continue to deal with.

Given that it usually takes more than 12 months for brands to develop and roll out their apparel collections, COVID has already disrupted the 2021/22 northern hemisphere autumn/winter retail season. But due to the relaxing of lockdowns in these markets, we are hopeful that the level of wool buying by processors will be somewhat back to normal during the second half of this calendar year, for the autumn/winter 2022/23 collections.

Although AWI's marketing teams have not rolled out as many brand collaborations as usual this past year, they have still been very active in promoting the performance and environmental benefits of Australian wool, so that the fibre is foremost in the thoughts of the textile trade and consumers now that a more normal level of consumption is resuming.

People's desire for health and wellness products, which has intensified due to COVID, is one of two macro trends that play in wool's favour. The second macro trend is of course the shift towards products that are environmentally friendly. Consumers' interest in the source, production and eco-credentials of their clothing, bedding and home furnishings is increasing – and wool has a great story to tell.

However, a particularly concerning issue is the European Union's proposed mandatory environmental labelling for apparel. Despite wool's natural origin and its renewable and biodegradable features, the European Union has been preparing to rate the environmental impact of wool poorly in comparison to synthetic fibres. This would be detrimental to demand for wool so AWI is putting a lot of effort into ensuring that wool is considered by the authorities there correctly and appropriately.

In the on-farm area, the main way that COVID has this year directly affected our farming enterprises is by the reduced availability of shearers, especially from overseas. AWI already funds significant amounts of shearer and wool handler training to attract young people into the industry, but we must all do more to ensure that those youngsters and those already in the industry remain in it and prosper. Some of the R&D we are undertaking to reduce injuries to shearers should help in this regard.

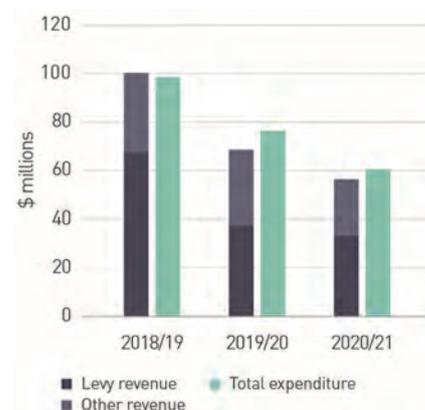
Flystrike management is the other big matter of concern in the on-farm area, especially right now for those woolgrowers that have benefitted from recent higher than average rainfall. As the industry's R&D and marketing body, AWI continues to fund research and provide tools, options and market information to Australian woolgrowers so they can choose how best to manage flystrike on their properties.

AWI RESOURCING

It is important that AWI has the financial and human resources to, firstly, help defend the industry against these and other threats and, secondly, make the most of the opportunities that we discover and develop.

There are so many areas that need support, amongst them: defending our key markets such as formal wear and suiting; exploiting the potential of expanding markets such as sports and athleisure; building the capacity for different countries to process our wool; helping woolgrowers adapt their farms to climate change; investing in new technologies to make wool-growing easier and more productive; and funding initiatives to encourage young people into the industry.

AWI's ability to invest enough in all these areas has been restricted in the past couple of years by a reduced revenue that has led to cuts in expenditure (projects and staff).



AWI already operates in a lean, efficient and transparent manner, and I assure you that I will work to ensure that AWI gets the best possible results for woolgrowers, depending on its available resources.

I was pleased to see that the latest independent review of AWI showed a notable improvement in AWI's performance. The review by international professional services firm Accenture found AWI is meeting its requirements for governance, collaboration and research, development and extension.

I recognise and value the importance of consulting with, and working on behalf of, the nation's woolgrowers and, if given the opportunity, look forward to continuing to fulfil AWI's mission of increasing the profitability and sustainability of the Australian wool industry.

Jock Laurie
Chairman, Australian Wool Innovation
27 August 2021

CEO'S REPORT



AWI faced two immensely challenging situations during 2020/21. Firstly, the global COVID pandemic and the associated lockdowns which resulted

in weak demand for clothing across the world. Secondly, the fall in AWI's annual revenue to the lowest level in the company's entire 20-year history.

However, despite this difficult backdrop, I am pleased to report that AWI still managed to either fully achieve or is partly/on track to achieve 67 of the 76 targets (88%) in the company's Operating Plan for the year.

ON-FARM R&D AND EXTENSION

Fortunately, our on-farm R&D projects, being all based in Australia, were generally able to operate with minimal COVID-related disruption, and good progress has been made in many areas.

AWI has made a commitment to increasing its support of woolgrowers to adopt best practice management of flystrike. The support began this year with the release of the It's Fly Time! resources - a webinar, videos and fact sheets - that provide flystrike advice to woolgrowers managing under high-risk fly conditions. This was very timely given that the rains across many of Australia's sheep regions, although very welcome, meant that many woolgrowers experienced a tougher than usual fly season. In the R&D area, research into the development of a flystrike vaccine has recently been boosted by an extra \$650,000 in funding to fast-track further investigations into its development.

AWI's funding of hands-on practical in- shed training for shearers and wool handlers remains critical, even more so given the COVID-related restrictions on foreign shearers entering the country. The training aims to attract and retain new entrants into the wool harvesting industry, build the capacity and longevity of existing staff, and increase returns to woolgrowers through improved clip preparation practices. Due to the current shortage of and demand for shearers, we have made a concerted effort to run extra novice and improver schools and workshops. In addition to this training, AWI-funded R&D continues into technological initiatives to make shearing easier.

The Lifetime Ewe Management (LTEM) training course continues to be a standout program, with a recent independent assessment concluding that of all the industry's sheep reproduction extension activities, it was the LTEM program that had the most influence on sheep reproduction efficiency.

Other on-farm highlights include the AWI-funded wild dog coordinators who continue to demonstrate the importance of their roles and the value in wild dog control; the 10-year Merino Lifetime Productivity project that is progressing well with more than 1.3 million data points collected across its five sites; and the important initiatives we support that improve the engagement and motivation of young people in the wool industry.

MARKETING AUSTRALIAN WOOL

The lockdowns and social distancing measures in many parts of the world meant that people simply haven't been able to go out and buy as many clothes. Our restrained approach to marketing expenditure this past financial year has therefore continued where it left off the previous year, with marketing expenditure reduced by more than a third over the past two years.

However, once we see that people are opening their wallets again, we will release funds. It is vital that wool is front of mind of consumers when they return to buying clothes. An example of this is China where domestic consumption of apparel products quickly bounced back after the suppression of the virus in that country. In response, we rolled out a major online marketing campaign during China's autumn which was very successful, followed by another campaign in the spring.

The success of vaccination rollouts in other markets, such as the UK, Europe and USA, have seen lockdowns ease and we are now looking to spend more marketing funds in these markets.

Despite some of our traditional markets, such as suiting, suffering quite badly, we have seen a growth in demand for more casual wear and sports/outdoor apparel. Australian Merino wool is a high-performance fibre and very well suited for these markets and we see a lot more potential for our fibre there. Some notable and very effective marketing campaigns we ran this year in these markets were our Feel Merino campaign in the USA, and our high-profile brand partnership campaigns with Prada at the America's Cup and

with Andy Murray at Wimbledon that both showcased wool in elite sporting environments to drive increased sales of wool products.

An ever-present theme in all our marketing is the fact that wool is a natural, biodegradable and renewable fibre. As consumers focus more and more on the environmental credentials of products, these aspects of our fibre are incredibly important.

I am particularly proud this year of how AWI responded operationally to the COVID pandemic, demonstrating that AWI is an agile, digital and forward-looking company. An example is how we very easily switched the delivery of our tertiary education programs to online learning experiences, ensuring the continued global engagement of students. More than 8,000 tertiary students participated in wool educational activities during 2020/21.

REVENUE & EXPENDITURE

AWI's total expenditure of \$61 million in 2020/21 was 21% lower compared to last year; this reduction follows on from a 22% fall the previous year. We have also reduced the number of staff during the 2020/21 year by 33 to 141.

These reductions were in response to the company's deteriorating revenue which fell by 18% compared to 2019/20, to \$56.9 million, on top of the large 32% fall the previous year.

Despite the significant fall in revenue, we still have healthy reserves which the company diligently built up for tough times like right now, although we can't continue to dip into them indefinitely.

FUTURE PROSPECTS

The past year has been tough and many old and new challenges, as well as opportunities, lie ahead.

However, with global markets opening up again, an EMI that has recovered from its low of 858c 12 months ago, and some good rain across many parts of Australia, I am confident for Australian woolgrowers' prospects during the next 12 months and, of course, long into the future.

I hope you have all been safe and well during the past year and remain so.



Stuart McCullough
CEO, Australian Wool Innovation
27 August 2021

AWI BOARD OF DIRECTORS

The Directors of Australian Wool Innovation Limited, their qualifications, experience and special responsibilities as at 30 June 2021 are listed below. The AWI Board sets the Company's strategic direction and delegates responsibility for day-to-day management to the Chief Executive Officer (CEO).

MR JOCK LAURIE – AWI CHAIRMAN

Mr Laurie was elected to the Board in November 2015. He was elected as Chair in June 2021.



Mr Laurie and his family operate a farming business that consists of wool, lamb, beef and grain on properties at Walcha, Bendemeer and Gunnedah.

Mr Laurie has also been actively involved in agricultural policy and lobbying since 2000. He spent four years as President of the NSW Farmers Association and two and a half years as President of the National Farmers Federation. During this period, he gained experience and training in both corporate governance and as a director. Through his role at the National Farmers Federation, he was exposed to international trade negotiations that are very important to the profitability of Australian agriculture.

Mr Laurie has long term experience in the agriculture industry, and also ten years of board and agricultural policy experience. He aims to direct his skills at driving profitability in the wool industry.

Responsibilities:

Audit & Risk Committee member.

People & Culture Committee member.

Research Development Education & Extension Committee member.

MS COLETTE GARNSEY OAM

Ms Garnsey was elected to the Board in November 2011. She was appointed as Chairman of the AWI Board in 2018, and resigned as Chairman in June 2021.



Ms Garnsey has 38 years of retail, wholesale, distribution and marketing experience with Australia's top brands in multiple geographies.

Currently she is a Non Executive Director of Flight Centre Travel Group Ltd, Seven West Media Ltd, Magellan Financial Group Ltd and Laser Clinics Australia. Previously Ms Garnsey was executive director at Premier Investments' The Just Group, and in senior executive positions at David Jones and Pacific Brands. She has had over 30 years' experience in department stores and has dealt with globally successful brands and designers bringing many to Australia.

Ms Garnsey has also been Advisory Board member of CSIRO 1997-2001; Advisory

Board member Australian Government Innovation Council 2010-2012; Director Australian Fashion Week 1998-2009; Judge Veuve Clicquot Business Women of the Year 2008-2014 and TTIPAC advisor to Ministers Robb and Ciobo.

Responsibilities:

Audit & Risk Committee member

People & Culture Committee member.

MR NOEL HENDERSON

Mr Henderson was elected to the AWI Board in November 2019.



Mr Henderson is a first-generation farmer and together with his wife started Avington Merino in 1996. He has developed a strong understanding of wool production

and the challenges and opportunities faced by the industry. Avington is renowned for its innovative, ethical and technologically enabled approach to wool production as well as its commitment to sustainable management of the property. He was a Vice President of the Australian Superfine Wool Growers Association and has been the Chairman of the Macedon Ranges Agribusiness Forum since 2016.

Mr Henderson had an extensive career in the construction industry in Australia, and internationally, having been a long serving Director of Multiplex as well as a Director of other private and public companies. The experiences in these companies included finance and business management, legal and compliance, marketing and trade, people and culture management, technology development and implementation as well as quality assurance.

Responsibilities:

Audit & Risk Committee member.

DR MICHELLE HUMPHRIES

Dr Humphries BVSc MAICD was elected to the AWI Board in November 2019.



Dr Humphries is a highly respected sheep veterinarian with more than 35 years' experience in the Merino industry. She sits on a range of expert advisory committees and

boards and operates a commercial Merino enterprise in the Riverina region of NSW.

Dr Humphries owns and operates Livestock Breeding Services Pty Ltd, a sheep artificial breeding company with

centres at Jerilderie and Yass, NSW.

Dr Humphries is a non-executive director of Murray Local Land Services and MerinoLink Limited. She serves on the Executive Committee of the AVA Sheep, Camelid and Goat Veterinarians (SCGV), the Australian Veterinary Association (AVA) Policy Advisory Council, and is a wool industry representative on Animal Health Australia's Consultative Committee on Emergency Animal Diseases. She is also a member of the AVA Live Export Policy Working Group, the AVA Sustainable Future Policy Working Group and the Environmental Trust River Connections Program Steering Committee.

She has completed further education in Finance, Corporate Governance, Corporate Strategy & Risk, Emergency Animal Diseases, and Wool Science & Processing..

Responsibilities:

Research Development Education & Extension Committee member.

MR DON MACDONALD

Mr Macdonald was elected to the Board in November 2017.



Mr Macdonald has been involved in the wool industry since 1975 as a wool classer, shearer, wool broker and grower. He has extensive knowledge and

experience in all aspects of wool production, harvesting, marketing and logistics. As Managing Director of Macdonald & Co Woolbrokers in Dubbo, NSW and a director of Carmichael & Co Woolbrokers, he has developed strong business skills and enduring relationships with the grower sector and the downstream exporting and processing sector. He has farming interests at Brewarrina, where he also operates a CRT outlet, and at Molong in NSW. Mr Macdonald has served as a Director on AWEX, Chairman of the Inland Wool Brokers Association, member of Industry Service Advisory Committee and as a member of NSW Farmers Wool Committee.

Mr Macdonald has sound business skills and has developed long standing and enduring relationships within the woolgrower sector and the exporting and early stage processing sectors, both domestically and internationally.

Responsibilities:

Chair, People & Culture Committee.

MR JAMES MORGAN

Mr Morgan was elected to the Board in November 2013.



Mr Morgan is a pastoralist and long term wool grower with experience in both high and low rainfall regions. After graduating from Glenormiston

Agricultural College, he continued his education on-property.

James Morgan is currently Managing Director of the Mutooroo Pastoral Company, which operates an extensive pastoral Merino and Beef Cattle enterprise in the North East region of South Australia. Additionally, operates Outalpa Station with his wife and children, and administrates a large livestock enterprise in the Hunter Valley region of NSW. Mr Morgan has over 30 years of experience in pastoral and high rainfall wool production, and on-shore marketing. Being a committed commercial woolgrower, Mr Morgan has a strong faith in the industry and in wool's natural ability to offer the world's textile and industrial producers a raw material which is both cost effective and eco-friendly.

Responsibilities:

Chair, Research Development Education & Extension Committee

People & Culture Committee member.

MR DAVID WEBSTER

Mr Webster was first elected to the Board in November 2008, and most recently re-elected in 2019.



Mr Webster has over 30 years' experience as a Company Director on the Boards of agribusiness and mining entities. He is a director of Australian Wool

Testing Authority Ltd.

Mr Webster's work experience in numerous spheres of Agri-business and involvement on company boards has informed him not only about the operational side of those entities but about the administrative and governance structures that have shaped them. He has extensive experience in the development and management of relationships with the stakeholder groups and, in particular, in working with the various governments at the political and agency levels for the achievement of mutual objectives.

Mr Webster has wide experience in overseeing and directing public companies but also helping shape those organisations and the cultures needed for success.

Responsibilities:

Chair, Audit & Risk Committee

Research Development Education & Extension Committee member.

CORPORATE GOVERNANCE

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.

A report on corporate governance is on page 60.

COMMITTEES OF THE AWI BOARD

The Board has several committees that monitor and guide specific activities. These committees assist the Board to effectively implement, monitor and enforce appropriate corporate governance throughout the Company.

Audit & Risk Committee

Chaired by David Webster

Directors appointed by the Board provide guidance and recommendations to the Board and the CEO to assist in fulfilling their responsibilities relating to risk, accounting, reporting and compliance practices of the Company.

People & Culture Committee

Chaired by Don Macdonald

This committee provides guidance and recommendations to the Board and the CEO in matters pertaining to recruitment and retention of employees and policies governing remuneration for current and potential employees.

Research Development Education & Extension Committee

Chaired by James Morgan

This Committee was established to provide guidance and recommendations to the Board and CEO regarding the scientific and research policies of the Company and on the conduct of programs relating to activities undertaken by the Company that utilise science or impact animal welfare activities. The committee's responsibilities also include oversight of the Education & Extension portfolio.

Board Nomination Committee

Established to assess the skills of those seeking election to the Board of AWI, the five-member Committee was introduced in 2011 in accordance with AWI's Statutory Funding Agreement with the Federal Government.

The Board Nomination Committee (BNC) for 2021 comprises five members. These are outlined in the BNC Charter as follows:

- A Chair independent of the wool industry and independent from AWI, initially appointed by the Secretary of the Department of Agriculture (DAWE).
- Two independent non-executive Directors of the Company (other than the Chair of the Company). These are AWI directors Noel Henderson and James Morgan.
- One representative of the wool industry independent from the Company, nominated by the WICP. This is Simon Cameron, a woolgrower from Tasmania.
- One representative from an international executive search firm, nominated by the CEO of the Company. This is Heidrick & Struggles.

There is a change in composition on this occasion with the Chair initially appointed by DAWE having been replaced by a new Chair chosen by the BNC itself after an executive search. That search was undertaken by the international executive search firm member of the BNC, Heidrick & Struggles. The BNC subsequently selected Samantha Hogg as the new Chair of the BNC.

The objectives and responsibilities of the Board sub-committees are set out in the 'Charter of the Committees of the Board' and the objectives and responsibilities of the BNC are set out in the 'Board Nomination Committee Charter'. Both of these documents are available on the AWI website www.wool.com.

COMPANY SECRETARY

The Company Secretary is Mr Jim Story BA, LLB, FGIA.

Jim Story was appointed as company secretary in 2012. Jim is a company secretary and corporate lawyer with more than 40 years of experience. He has extensive public company experience, having held senior in-house positions, mostly as legal counsel and company secretary, with a range of publicly listed industrial, mining and mining exploration companies.

WOOL MARKET SUMMARY

AUSTRALIAN WOOL PRODUCTION HISTORY AND FORECAST

AWI's revenue is largely dependent on wool levy income. Wool production and prices are used to calculate wool levy income using the following formula: Eastern Market Indicator (EMI) price in cents per kg clean *multiplied* by shorn greasy wool production adjusted to kilogram clean *multiplied* by the levy percentage (two per cent up to and including 2018/19; 1.5 per cent for 2019/20 - 2021/22).

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Forecast 2021/22
Market price EMI* (c per kg clean)	1254	1409	1739	1939	1448	1199	1300 (f)
Sheep numbers shorn** (millions)	73.4	74.3	76.8	72.5	68.6	66.8	69.0 (f)
Wool production** (shorn greasy wool*** in millions of kg)	325	340	341	300	284	294	310 (f)

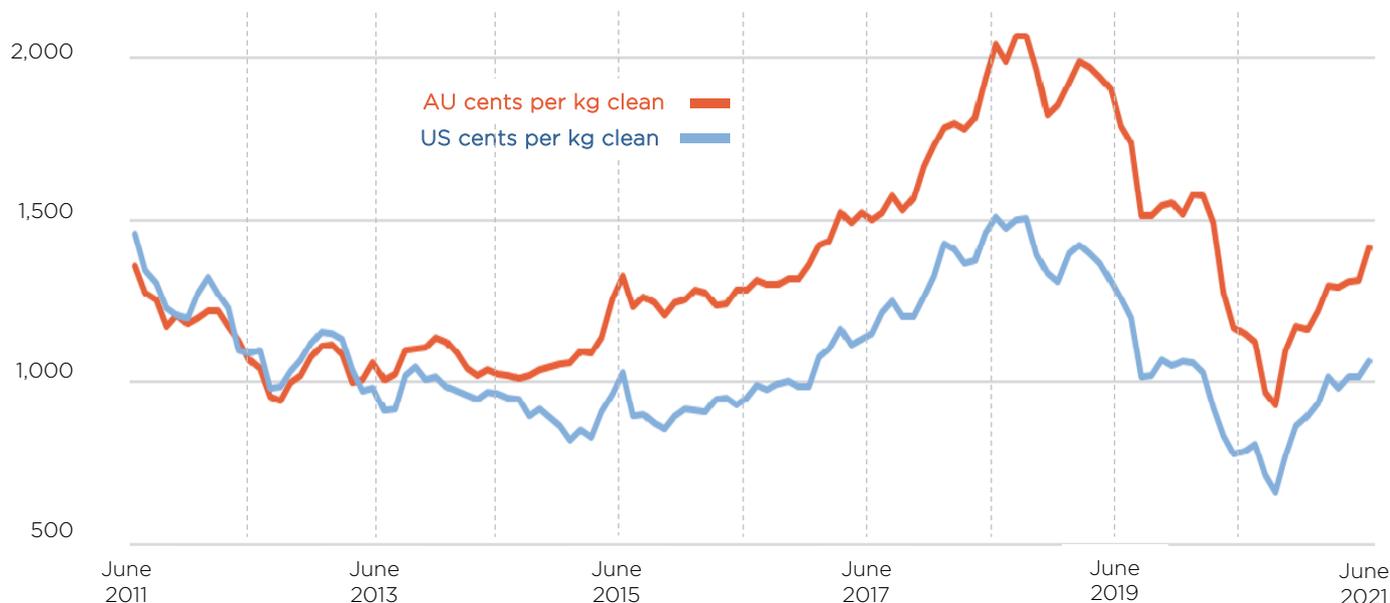
* Figures derived from AWEX data, week end averaged. Forecast figure from ABARES (June 2021 Agricultural Commodities).

** Figures from the Australian Wool Innovation Production Forecasting Committee (August 2021 report).

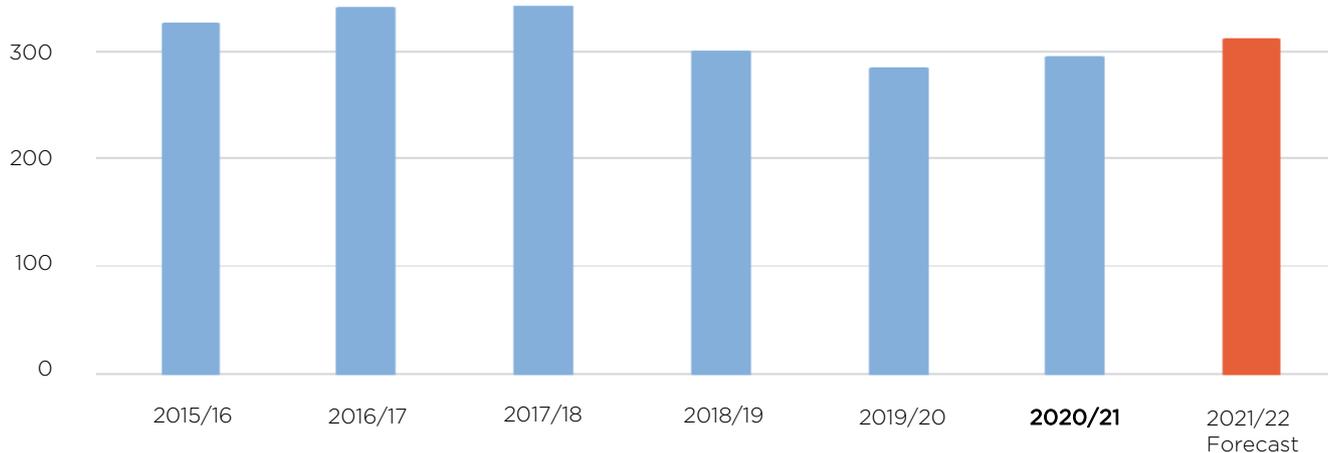
*** Clean wool under this model is assumed to represent approximately 65% of the weight of greasy wool.

(f) Forecast

EMI DURING THE PAST TEN YEARS (MONTHLY AVERAGE)



WOOL PRODUCTION DURING THE PAST SIX YEARS (SHORN GREASY WOOL IN MILLION KG GREASY)



AWI FINANCIAL SUMMARY

AWI REVENUE FOR 2020/21

Total revenue for 2020/21 was \$56,891,000 compared with \$69,169,000 in 2019/20. Sources of revenue are shown in the table below.

	2019/20 \$'000	2020/21 \$'000
Wool levy	37,773	33,634
Government contributions	19,971	16,584
Licence fees	6,583	2,881
Interest	2,181	824
Royalties	1,707	1,953
Other income	954	1,015
Total revenue	69,169	56,891

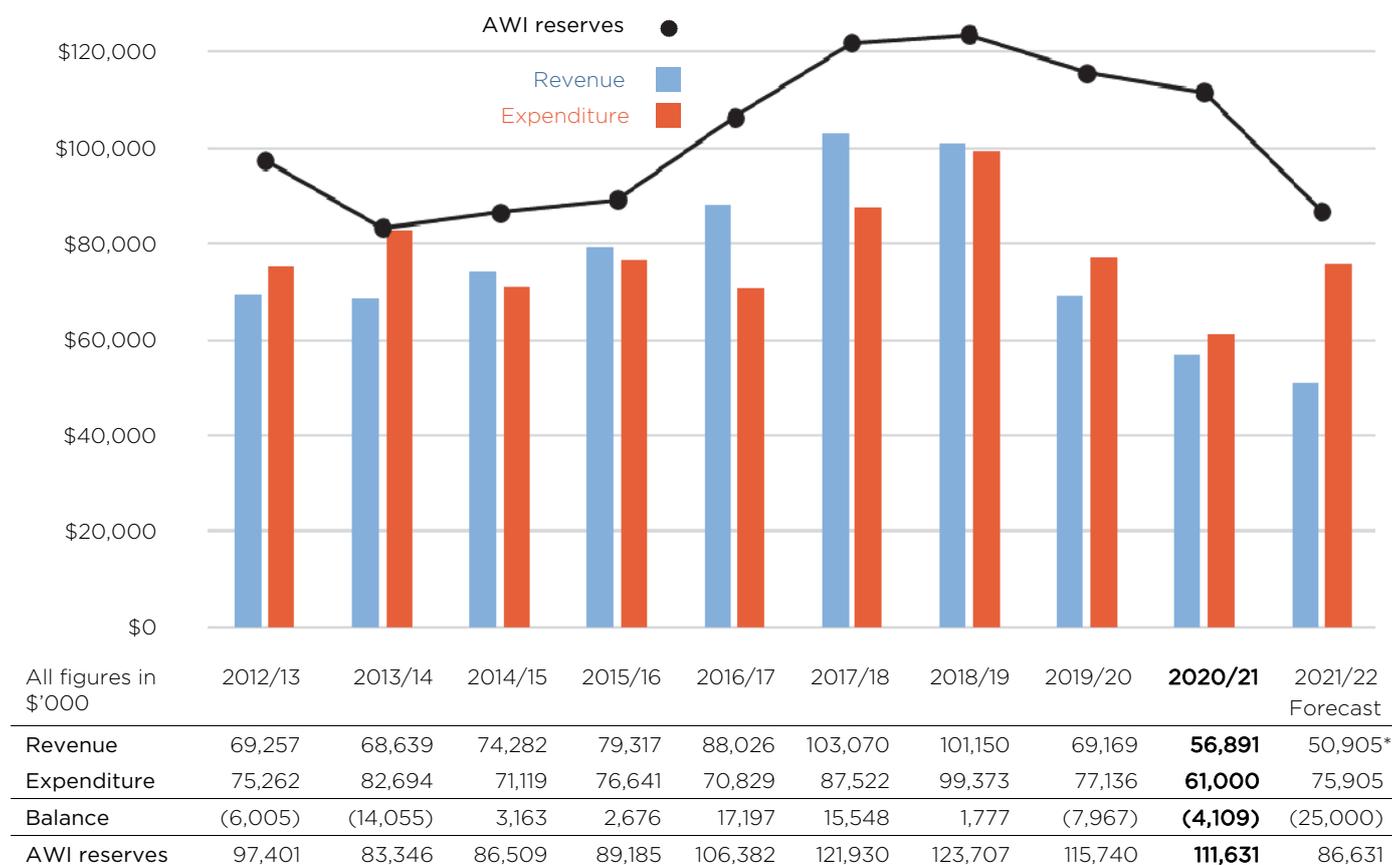
AWI EXPENDITURE FOR 2020/21

Total expenditure in 2020/21 was \$61,000,000 compared with \$77,136,000 in 2019/20. Expenditure is shown in the table below.

	2019/20 \$'000	2020/21 \$'000
Sheep Production	14,264	11,655
Consultation	4,377	4,159
Processing Innovation & Education Extension	7,861	4,818
Marketing	35,802	29,297
Traceability	3,347	2,763
Support & Administration	11,485	8,308
Total expenditure	77,136	61,000

AWI FINANCIAL HISTORY AND FORECAST

The chart below details Revenue, Expenditure and AWI reserves for the past nine years, plus the forecast for 2021/22. AWI will invest future funds in line with its 2019/20–2021/22 Strategic Plan, drawing on some of its reserves when appropriate.



* This forecast revenue includes levy income forecast based on an EMI of 1,200/kg clean. This forecast figure was determined in July 2021 and is continually monitored and reviewed by AWI throughout the year. This figure differs from the 1300/kg clean forecast by ABARES (see table at top of opposite page).

COLLABORATION

AWI maximises the investment of Australian woolgrowers and the Australian Government's funds through pursuit of collaborative opportunities with industry participants on-farm and throughout the supply chain. This enables effective sharing of knowledge, efficient investment of funds and a greater scope of activities. Through collaboration with Research & Development Corporations, public and private research organisations,

brand partners, manufacturers, producers and retailers, AWI leverages greater funds to invest in activities that deliver value to Australian woolgrowers.

Where possible, AWI pursues collaborators in projects for both cash and in-kind (goods, time and knowledge) contributions to deliver greater benefits to Australian woolgrowers and broader stakeholders.

In 2020/21 AWI collaborated with **254 industry partners** from farm to fashion



ON-FARM RESEARCH

TYPES OF COLLABORATORS

- RDCs
- Government
- Universities
- Private sector

LEAD RESEARCH COLLABORATORS

- MLA
- Murdoch University
- AgriFutures
- University of New England
- CSIRO
- Dairy Australia

Collaboration in on-farm research helped deliver innovative, efficient research. Partners' knowledge and experience were leveraged to minimise duplication and maximise returns to stakeholders.

Collaborated with all **14 other RDCs**

EXTENSION

TYPES OF COLLABORATORS

- RDCs
- Government
- Universities
- Schools
- Private sector

LEAD EXTENSION COLLABORATORS

- MLA
- WASIA
- Department of Primary Industries and Regional Development
- TAFE NSW

Collaborating with partners to deliver extension and education opportunities to Australian woolgrowers ensures that messages are tailored to the needs of local woolgrowers. Providing multiple channels of communication expands AWI's reach and helps promote best practice across the industry.

Extension delivered to meet diverse needs in varied conditions

Collaborated with
**key partners to
 provide tools to the
 wool supply chain**
 to meet retail market calls for
 supply chain transparency
 and provenance stories



SCOURING TOPMAKING SPINNING KNITTING/WEAVING GARMENT MAKING

TRACEABILITY



TYPES OF COLLABORATORS

- RMIT
- Oritain
- AgriFutures
- Everledger
- University of Sydney



LEAD PARTNERS

- Universities
- RDCs
- Private sector
- Retailers

Collaborating with partners to provide tools to ease the flow of information about Australian wool up and down the supply chain to all parties. Provide scientific information to retailers and consumers to demonstrate that wool is a planet friendly fibre of choice.



RETAILERS/BRANDS CONSUMERS

SUPPLY CHAIN RESEARCH, DEVELOPMENT



TYPES OF COLLABORATORS

- RDCs
- Government
- Universities
- Manufacturers
- Retailers
- Brands
- Private sector



LEAD INNOVATION & DEVELOPMENT PARTNERS

- Süedwolle
- Stoll
- Shima Seiki Italy
- Santoni
- Chemtax, Hong Kong
- Yantai-Nanshan University
- Dong Hua University

AWI collaborated with manufacturing partners and textile organisations globally to explore unique applications of Australian wool. Leveraging the skills, knowledge and experience of global partners, wool's natural properties can be fully realised. Linking brands with supply chain partners and transferring technology ensures wool is seen by the widest audience possible.

Collaborated with
**49 unique
 processing and
 manufacturing partners**

MARKETING & FIBRE PROMOTION



TYPES OF COLLABORATORS

- Retailers
- Brands
- Other fibre organisations



LEAD MARKETING PARTNERS

- Amazon Canada
- Tmall (Chinese online retailer)
- BYBORRE
- Strava
- NET-A-PORTER China
- Tracksmith
- Country Road

AWI collaborated with brands, designers, retailers (online and brick-and-mortar) and media partners to promote Australian wool. Through careful selection of partners, AWI leverages their market position and popularity to influence consumer perception of wool and drive purchase intent. Commercialising new developments in manufacturing helps to ensure wool is a premium fibre worth paying more for.

**40 collaborative
 marketing partners
 from high fashion
 to sports**

AWI STRATEGIC PRIORITIES

The 2020/21 financial year was the second year that AWI operated under its three-year Strategic Plan for 2019/20 to 2021/22.

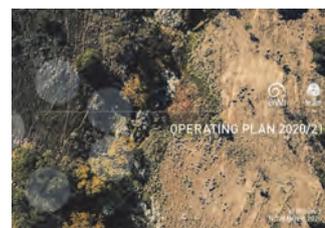
The Strategic Plan was developed after AWI consulted widely with woolgrowers and their representatives to ensure industry views and priorities were incorporated into the plan.

However, the economic effects of COVID-19 and the fall in the EMI, coupled with the drought induced wool decline, led to a reduction in AWI's budget that prompted the company during the year to change some program targets. A document containing the revised targets was issued by AWI in November 2020.

AWI's Operating Plan for 2020/21 outlines AWI's main investment activities consistent with the strategic intent of the organisation as set out in the Strategic Plan. A revised version of the Operating Plan for 2020/21 was issued in November 2020 to reflect the new program targets.

Both plans and their updates are available to view and download on the AWI website www.wool.com.

The strategies for each of AWI's five portfolios are summarised below.



SHEEP PRODUCTION, SCIENCE & TECHNOLOGY (PAGE 17)

Strategies:

- **Healthy Productive Sheep** – achieve lifetime sheep health and welfare, timely pasture growth and more lambs.
- **Agri Technology** – improve labour use efficiency to increase farm profitability.
- **Training & Technology Uptake** – provide grower-facing communication, engagement and training initiatives.

CONSULTATION (PAGE 31)

Strategies:

- **Woolgrower** – undertake extension networks, events and forums, market intelligence and communication.
- **Industry** – develop more effective, respectful and meaningful consultation with woolgrower representative bodies.

PROCESSING INNOVATION & EDUCATION EXTENSION (PAGE 35)

Strategies:

- **Processing Innovation** – assist manufacturers to adopt innovative technologies that add value to wool products.
- **Education Extension** – educate, train and inspire supply chain participants to use wool.
- **Woolmark** – maintain the position of the Woolmark licensing program as a quality assurance.

MARKETING (PAGE 43)

Strategies:

- **Trade** – build the reputation for Australian wool amongst the global apparel industry.
- **Business & Talent Development** – increase business development and an alumnus of Australian wool advocates.
- **Consumer** – develop and implement marketing campaigns with key designers, brands and partners.

TRACEABILITY (PAGE 53)

Strategies:

- **Supply Chain Initiatives** – develop supply chain initiatives to identify Australian wool through the supply chain.
- **Fibre Science** – provide evidence so that wool can be promoted as the planet friendly fibre of choice.

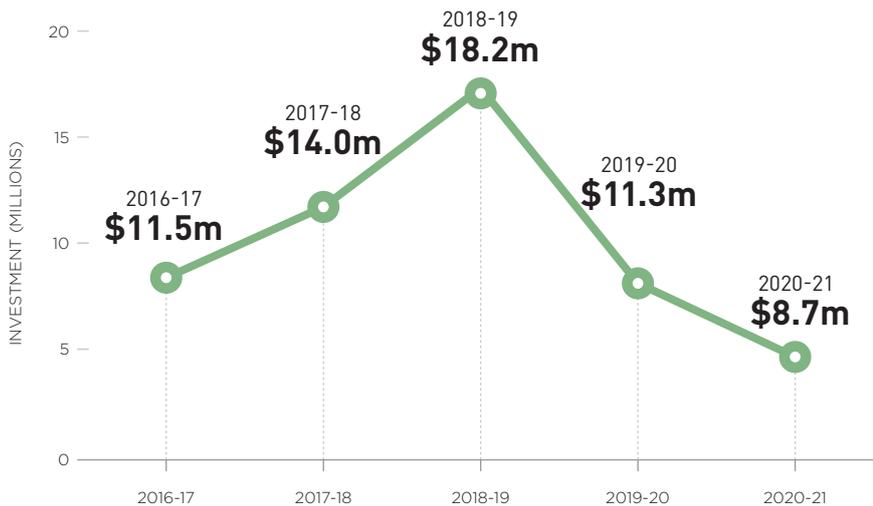
The following pages provide highlights during 2020/21 for each of the programs under these strategies, and the amount invested in each of the programs in 2020/2021.

The performance against each of the program targets in the Annual Operating Plan is provided in Appendix C, beginning on page 109.

SHEEP PRODUCTION, SCIENCE & TECHNOLOGY

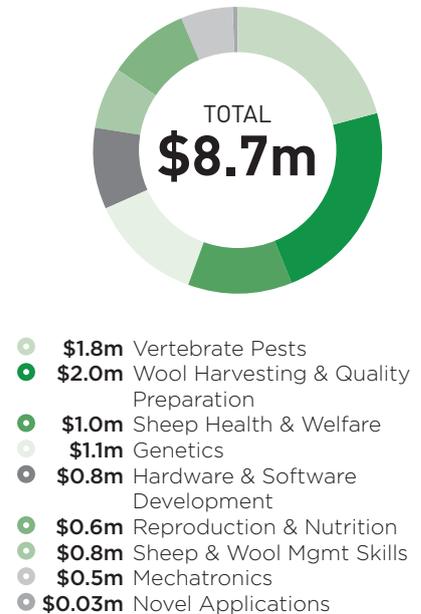
Portfolio objective: Lower the cost of production of wool on-farm by increasing the productivity of sheep and land, and increasing the efficiency of use of inputs and resources while maintaining Australia's reputation for sustainability.

INVESTMENT OVER TIME



Information provided before 2019-20 fell under AWI's previous strategic period. Numbers included for comparison are indicative only.

2020-21 INVESTMENT BY PROGRAM



ANNUAL PLAN TARGETS

22 TARGETS



See Appendix C for complete list of performance against Annual Plan targets.

EXAMPLES OF KEY PARTNERS

Meat & Livestock Australia
 University of Melbourne
 Animal and Health Council
 NSW DPI
 University of Sydney
 Department of Agriculture, Water and the Environment
 Shearing Contractors Association of Australia (SCAA)
 WA Shearing Industry Association

See page 14 for further information on Collaboration.

PROJECTS COMPLETED



SHEEP PRODUCTION, SCIENCE & TECHNOLOGY HIGHLIGHTS



41.6 % of producers used at least one of the following tools Merino Sire Evaluation, Ram Select, MERINOSELECT ASBVs, Genomic DNA Tests and a further 2.9% used wether trials.



The grower training **'It's Fly Time!'** was developed and launched in the summer of 2020/21.



Over 4,000 shearers and wool handlers upskilled and trained in collaboration with local organisations across Australia



AWI's support of **Lifetime Ewe Management (LTEM)** has continued, with 349 woolgrowers currently enrolled in 57 groups across Australia.

SHEEP HEALTH & WELFARE

The priority of this program is to improve the lifetime welfare of woolgrowers' sheep, particularly reducing the risk and incidence of flystrike, whatever the sheep type, environment or enterprise mix.

FLYSTRIKE VACCINE RESEARCH

AWI-funded research by the University of Melbourne and the CSIRO to tackle flystrike is progressing well and is revealing important information. CSIRO is leading a major project to investigate the potential development of a vaccine to reduce the impact of flystrike on sheep.

More than 45 trials in the lab have been conducted during the past two years, using serum from sheep which had been challenged with CSIRO candidate vaccines (antigens) to measure the impact of the sheep response on larval growth in vitro.

Early CSIRO findings show that some of these candidate vaccines are having effects on the blowfly by stunting maggot growth, with some dying. Whilst it is early days and there is much work to be done, a successful vaccine would form part of a wider integrated pest management approach for growers to effectively manage flystrike.



Flystrike prototype vaccines being injected into sheep by Flystrike Vaccine project leader Tony Vuocolo of CSIRO.

GENE RESEARCH

A three-year project by the University of Melbourne to sample the DNA of field strains of blowflies from across the country, involved the collection of more than 2,000 samples from 210 locations.

The blowfly sampling recently concluded, and analysis of the results of the DNA testing is currently under way.

The researchers have already identified significant differences in the blowfly populations of Tas and WA to those in Vic/NSW/SA and are expecting to confirm how distinct the blowfly populations around sheep properties in southern Qld are from other regions.

Their use of whole genome sequencing data from selected blowfly populations is informing the development of the flystrike vaccine (see above) and also aiding in building a detailed understanding of Australian blowfly populations which can be used to help manage and control the spread of insecticide resistance.

Thanks to the many maggot samples sent in by growers, the researchers are also developing a significant dataset to examine whether there are particular genetic variants in blowfly populations that are more likely to strike sheep in comparison to the wider blowfly population.

INFORMATION RESOURCES FOR FLYSTRIKE MANAGEMENT

In 2020, AWI made a significant commitment to increasing its investment in supporting growers to adopt best practice management of flystrike.

The first stage of this project, called "It's Fly Time!", was developed and launched in the summer of 2020/21. It's Fly Time! targets growers looking for tactical, just in time information looking to assist them in managing flystrike in the lead up to, and during, high-risk flystrike periods.

The resources were launched by webinar and include two new fact sheets on (1) the prevention and treatment of flystrike, and (2) recognising and monitoring flystrike, plus a PowerPoint presentation and videos. These resources and the recorded webinar are available at www.wool.com/flystrikeresources.

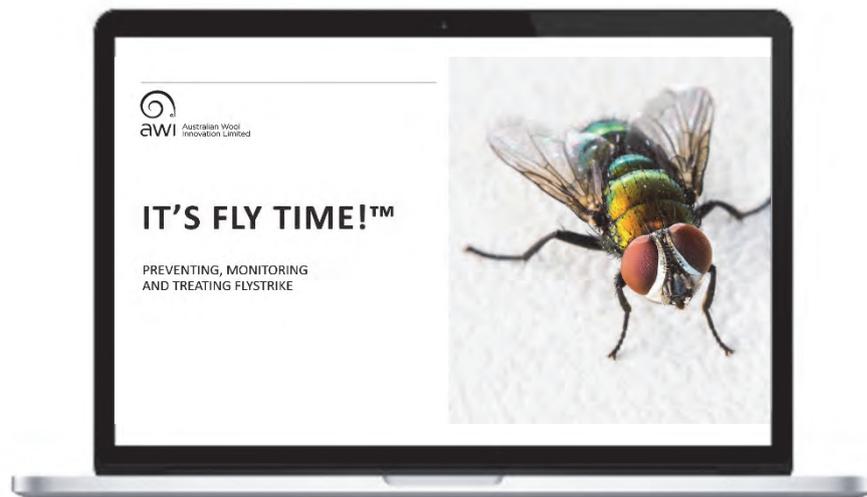
Direct communication on best practice flystrike management, via the AWI grower newsletter, *Beyond the Bale* magazine, AWI website, project newsletters and grower extension networks and workshops (www.wool.com/flystrikelatest), remain important.

Working with influencers of growers, such as their ram breeders, brokers, consultants, animal health companies and veterinarians, is also vital in ensuring growers are supported in their drive to improve the lifetime welfare of their animals.

FLYSTRIKE MANAGEMENT WORKSHOPS

'SimpliFly', which AWI commenced development of in early 2021, includes a one-day workshop for growers looking for assistance in implementing strategic flystrike control on their property. At the workshop, growers will be led through the development of their own flystrike management plan and calendar, relevant to their specific environment and conditions.

As well, planning for the development of Breeding for Breech Flystrike Resistance Workshops has commenced.



If you missed AWI's It's Fly Time! webinar in January, you can watch a free recording on the AWI website at www.wool.com/flystrikeresources.

BREEDING AND SELECTION FOR FLYSTRIKE RESISTANCE

Australian Sheep Breeding Values (ASBVs) are an estimate of an animal's breeding value based on its own recorded data and that of its relations. They allow growers to make a projection of how an animal's progeny will perform over a range of traits ranked against other animals.

Breech Wrinkle is a key indicator trait for flystrike resistance, and growers have been actively selecting to decrease the amount of wrinkle in the breech area of their sheep. Data supplied by MLA's MERINOSELECT indicates that the average Breech Wrinkle ASBV for the Merino breed has decreased by 36% between the 2014 drop (-0.14) and 2019 drop (-0.19), while yearling and adult fleece weight has increased.

In high wrinkle country, target ASBVs for Breech Wrinkle are -0.8 to -1.0,

moderate wrinkle country -0.7 and low wrinkle country around -0.3, indicating industry still has a way to go in breeding for breech flystrike resistance, but results suggest significant steps in the right direction continue to be made by individual breeders.

In an environment where the trait is expressed well, a reduction of -1 ASBV score equates to a reduction of one score on the AWI/MLA Visual Sheep Scores Guide.

Likewise, growers have also been breeding for reduced Dag, another key indicator trait for flystrike resistance, and the average Merino breed ASBV has decreased from -0.03 (2014 drop) to -0.06 (2019 drop), a small change in flystrike risk terms.

From a national trial across 200 sites, on average, mulesing reduced wrinkle by 1 full score and at the same time reduced dag by -0.4 score.



CHEMICAL RESISTANCE

An investigation into the levels of blowfly resistance to the available chemical treatments informed the development of information for growers on the judicious use of parasiticides through an integrated pest management approach to maximise flystrike control and maintain the efficacy of available insecticides. The report was published in November 2020.

NATIONAL WOOL DECLARATION

AWI is investing strongly in enhanced supply chain transparency and integrity. Communication and engagement with both domestic and international supply chain stakeholders has been steadily increasing each year.

A critical component is the National Wool Declaration (NWD) program, ensuring transparency in the supply chain, by enabling informed wool purchasing decisions between the grower and buyer. The proportion of growers declaring their wool through the NWD continues to increase. The declaration by growers of their use of Analgesics and/or Anaesthetics (AA, previously Pain Relief) for mulesing is increasing, as is the proportion of Non Mulesed (NM) declarations (see Table 1 below).

TABLE 1: NATIONAL WOOL DECLARATION RATES (SOURCE AWEX)

%	2008	2011	2017	2021*
Non Mulesed	3%	6%	12%	15%
Ceased Mulesed	3%	2%	3%	4%
Analgesic and/or Anaesthetic	3%	12%	32%	41%

Figures based on % sum of bales, all breeds and wool types, first-hand offered, P & D Certificates
* Year to date as at 30 June 2021

NEW PARTNERS FOR PARABOSS

ParaBoss, funded by AWI and MLA, continues to regularly promote best practice advice on parasite management, including worms, flies and lice – see box to the right. In 2021, ParaBoss was updated, on behalf of MLA, to include information on parasite management for cattle.

Animal Health Australia has also come on board as a major new ParaBoss partner, contributing funding to the program and also managing the website, and delivering communication and engagement activities for growers. UNE will continue to offer advisor training and support.

41%
of wool bales were
declared in 2021 as
**Analgesic and/or
Anaesthetic**

paraboss

**BEST PRACTICE ADVICE
FOR MANAGING SHEEP
PARASITES**

Collectively, the three Boss websites – WormBoss, FlyBoss and LiceBoss – promote best practice for the management of sheep parasites at the farm level. It has been developed by a community of veterinary experts and parasitologists from across Australia and supported by the sheep industry.



The collective ParaBoss tools are accompanied by a free, **twice-monthly newsletter** which discusses the current state of sheep parasites nationally, explores issues most pressing on-farm, and provides an update on timely and effective management strategies. Sign up to receive newsletters and tap into the expertise of the ParaBoss network at paraboss.com.au/subscriptions.

Also, join ParaBoss on Facebook at www.facebook.com/paraboss.com.au to see regular posts on flystrike, lice and worm control.

VERTEBRATE PESTS

AWI works with woolgrowers and other stakeholders to help achieve sustained control of wild dogs and other vertebrate pests.

WILD DOG CONTROL COORDINATION

AWI funds wild dog coordinators to help landholders and communities work together to combat wild dog attacks. They also help coordinate on-ground wild dog control activities.

During 2020/21, the coordinators have continued to demonstrate the importance of their roles and the value in wild dog and pest animal control nationally.

Queensland

Since she took up the position in April 2018, South West Queensland coordinator Skyela Kruger has made significant gains in both re-activating and initiating wild dog control activity. Skyela took maternity leave in the spring of 2020, returning in April 2021. Despite this absence and due to keeping her finger on the pulse in the South West region, Skyela has managed to maintain all the gains she made prior to her break.

The Central West position remains vacant and is unlikely to be restored due to the recommendation of the local Project Advisory Group that further coordination services are not needed at this time due to the advancement of exclusion fencing in the region.

This has enabled AgForce Qld to make savings which have in turn been invested into the extension of the South West coordinator position to November 2021 (which was originally due for completion in Dec 2020).

Prior to considering any further coordination requests in Queensland, a full review of woolgrower needs will be conducted by AgForce and AWI.

Victoria

In January 2020, the AWI Board approved the management proposal for Stage IV of the 'Vic Community Vertebrate Pest Management Coordinators Project'. In this stage, Vic DELWP will provide 43% and AWI 57% of the \$1,454,490 for this project over three years.

Now well under way, the slight 'broadening' of the (former) 'Wild Dog Baiting Coordinator(s)' role to include other species, but still with a main focus on wild dogs, has resulted in a renewal of energy and participation by producers in the North East and Gippsland regions of Victoria.

Severely challenged by the 2019/20 summer bushfires, the Victorian coordinators played key roles in providing management support during



Wild dog looking for prey after bushfires. PHOTO: Brendan Maunder

and, most importantly, immediately following these fires. Vic DELWP and the coordinators were major participants in the AWI-funded 'Bushfire Recovery Wild Dog Baiting Program' with the post-fire baiting covering some 100,000 hectares.

NSW – North East

The North East NSW Wild Dog Coordinator Project Stage II was completed in February 2021. Following bridging finance provided by AWI, a new agreement with the Centre for Invasive Species Solutions (CISS) to host Stage III was reached, which commenced at the end of March 2021.

This new agreement is collaboratively funded between Northern Tablelands Local Lands Services (LLS) (40%), AWI (35%) and Hunter LLS (25%) for 2½ years concluding in July 2023.

The Federally-funded NE NSW Wild Dog Exclusion Fence Project, which was successfully supported by NE NSW coordinator Dave Worsley, is progressing well having overcome some early management issues and is both on time and under budget. A useful further extension to the northern end of the linear exclusion fence is increasingly possible.

Dave Worsley continues to play a key role in supporting the extensive and steadily expanding aerial wild dog baiting program in the north-east of NSW. The formal extension of this role into the Hunter LLS will be a challenge, but Dave is well experienced and highly regarded in north-east NSW.

NSW – Western

Although this coordinator position was established by AWI in 2014, AWI was unable to continue funding at the conclusion of Stage II in 2019. However,

host organisation NSW Farmers Association gained support from the NSW Government for the position, which has been extended for the 2021/22 financial year. The position continues to provide service(s) largely in line with the former AWI-funded role, with the addition of the 'Western Tracks' project which is aiming to determine wild dog movements in western NSW using satellite tracking collars for greater accuracy, to improve the efficiency of control actions.

Exclusion fencing – privately funded and largely without government support – continues to make slow but steady progress in western NSW.

Western Australia

The AWI-supported coordinator position ceased in September 2019, when WA DPIRD established three regional Recognised Biosecurity Groups (RBGs) project officer positions, some of whose duties were/are identical to those established and developed over the previous five years for the AWI-supported coordinator position.

AWI has re-invested the funds remaining from this project at the time – \$270,000 – into a project which supports training in pest animal control for WA wool and sheep producers. This is administered by the DPIRD RBG project officers for the WA agricultural zone. It is delivered through the seven RBGs that elected to utilise these funds, for training which they identified as being most relevant and needed, subject to guidelines provided by AWI. This project terminates in December 2022, as would have the former WA coordinator project.

South Australia

The coordinator role has evolved significantly to that envisaged 2½ years previously. AWI has stepped up and provided financial support for the additional services of a separate position to supplement the current coordinator role. Heather Miller continues as (part time) coordinator and is joined by Annette Scanlon as the supplementary coordinator.

The new/additional role revolves around support for the SA Wild Dog Fence rebuild and the early-stage planning by PIRSA for an eradication program for wild dogs south of the fence in SA. This development will, at least partially, be dependent on NSW completing the extension of the 'NSW Fence' southwards from its current end north of Cockburn (on the Barrier Hwy) to the Murray River between Renmark (SA) and Wentworth (NSW).

ON-GROUND SUPPORT

The Community Wild Dog Control Initiative remains suspended due to budget constraints. However, a small number (six) of existing agreements are ongoing. The current status of on-ground support is:

	Total groups	Past groups	Current groups
Qld	61	60	1
NSW	76	76	0
Vic	33	30	3
SA	9	8	1
WA	22	21	1
ACT	1	1	0
Total	202	196	6

EXCLUSION FENCE CONSTRUCTION UNITS

South Australia

Work continues on the 1600km replacement of the Wild Dog Fence, with a shift to the beginning of the 'central' section planned for the near future.

201km of the rebuild have been completed with a further 155km under way. 257km is about to commence and procurement for a further 131km is under way.

Western Australia

Work continues on the Esperance Extension and repairs and replacements to the WA State Barrier Fence.

At the time of writing, issues with indigenous land titles are delaying construction of the Esperance Extension and the status of a resumption is unknown.

RESEARCH & DEVELOPMENT

Wild Dog Alert

This project delivered four separate products to meet the needs identified: Wild Dog Alert (3G system), Wild Dog Alert (Buck-eye system), Wild Dog Alert Node (Satellite system) and ClassifyMe® software package.

Commercialisation has suffered a setback with the initial commercial partner recently withdrawing after nearly a year of development. The NSW DPI commercialisation manager is examining options for the next steps and will advise the R&D partners in the near future. No obligations to the initial commercial partner remain.

Trap Alert

The COVID delayed commercialisation of this technology will be addressed by establishing a pilot project in either northern South Australia or western NSW, with an organisation (eg LLS, PIRSA, wild dog fence board etc) whose objectives are complementary to this technology, and a selected and willing wild dog controller (trapper).



Wild rabbits are Australia's most widespread and destructive agricultural and environmental vertebrate pest. PHOTO: John Schilling

DEVELOPMENT OF NEW RABBIT BIOCONTROLS

AWI invests in both trying to get an RHDV2 biocontrol agent registered (however progress is suffering from naturally derived immunity within the rabbit population) and also investing in a vaccine for RHDV2 (so the commercial and pet rabbits are protected when the biocontrol agent is released).

Capture and experimental virus infection of wild rabbits is complete. This included 199 rabbits across seven separate experimental trials.

Box trial serology is complete. This included more than 4,000 serological assays.

Box trials produced unexpected results, whereby only 25/199 (12.5%) experimentally infected wild rabbits died. Based on preliminary data analysis only, experimental infection with RHDV2 resulted in only 18.6% (11/59 rabbits died) mortality. This raises concerns/questions regarding the registration of RHDV2 as a biocontrol/biocide product which will need to be continually re-assessed as more data becomes available and is properly analysed.

A series of experiments have been undertaken that contribute data to understanding the interactions between the different genotypes of RHDV. These investigations have involved studying the 'protection' afforded by both natural infection and maternal antibodies. Studies involving immunity induced by vaccination have also contributed knowledge to this issue. This data confirms that (a) the challenge viruses cause extremely high mortality rates (approaching 100%) in naïve rabbits, (b) RHDV2 has a very variable capacity to overcome immunity (active or maternally derived) to other genotypes and that immunity to an 'homologous' strain of RHDV cannot be overcome with a massive virus challenge (approximately 150,000 RID50), and (c) the K5 strain of RHDV1a has the capacity to overcome immunity

to RHDV2 strains in a moderate proportion of rabbits.

Although APVMA registration of an RHDV2-specific vaccine is still pending, excellent progress has been made with the development of the multivalent vaccine which gives good protection against viruses from genotypes 1, 1A and 2 in experimental challenge studies. Evaluation of the efficacy of a pilot batch of multivalent vaccine after 12 months' storage is currently under way.

Virulence of RHDV2 has been assessed in both adult and young laboratory rabbits. All infected animals died after virus challenge within 33-71 hours post-infection, with young rabbits succumbing slightly faster than adult rabbits and those infected with high virus doses succumbing faster than those infected with low virus doses. This data was summarised and presented to an expert panel for welfare assessment. This is now being prepared for publication.

Studies investigating the effects of maternal antibodies on RHDV2 infection in laboratory rabbits have been completed. Most young rabbits that had been passively immunised against RHDV2 were protected from disease; however, they still developed an immune response after virus challenge. This means that they would likely be immune to any reinfection/release.

Serological analyses investigating how the immune response to RHDV2 is impacted by pre-existing immunity with different virus variants are under way.



A rabbit eating oats laced with the RHDV1 K5 strain of rabbit calicivirus. PHOTO: Centre for Invasive Species Solutions

REPRODUCTION & NUTRITION

AWI undertakes research into the influences on reproductive efficiency of Merino ewes to inform best practice management for woolgrowers.

LIFETIME EWE MANAGEMENT

AWI's support of Lifetime Ewe Management (LTEM) has continued throughout 2020/21, with 349 woolgrowers currently enrolled in 57 groups across Australia.

COVID-19 continued to have a significant effect on the delivery of most face-to-face extension activities this year, and LTEM was no different. All states have been affected differently, but all have been able to utilise online platforms to catch up whilst face-to-face delivery was suspended. Groups are following the relevant requirements for their state, but all groups have now been able to resume training as normal whilst observing distancing requirements.

The LTEM course, delivered through Rural Industries Skill Training (RIST) in Hamilton, Victoria, aims to increase producers' understanding of the influence of ewe nutrition and management on overall reproduction rates and lamb and ewe survival. Producers develop the skills to manage their ewes to achieve condition score targets and explore the benefits of supplementary feeding and pasture management to review stocking rates.



Thomas Pengilly, with his parents Bruce and Trudy, at their property 100km north-west of Esperance in WA. Thomas and his father completed a Lifetime Ewe Management course in 2018 and have since seen productivity benefits in their family-run business, despite having to cope with several dry seasons.

8.5

benefit/cost ratio of the LTEM program

A recent independent assessment of all the Australian sheep industry's sheep reproduction extension activities concluded that the LTEM program was the one that has had the most influence on sheep reproduction efficiency. LTEM impacted the management of around six million ewes during the six years examined by the study.

The study estimated the annual net benefit of the LTEM program was \$0.66/ewe and the benefit/cost ratio of the program was 8.5.

AWI CHANGE MAKERS

In a new initiative, AWI this year began using online short videos (each about 3-5 minutes long) to communicate research findings on sheep reproduction topics to help woolgrowers implement best practice in their flocks.

Complementing the LTEM course and other AWI sheep reproduction workshops, the AWI Change Makers series of videos is produced in collaboration with leading livestock consultant Nathan Scott. It provides research outcomes to growers in a really quick and accessible format.

Available to woolgrowers at any time at www.wool.com/awichangemakers, episodes issued during the financial year were:

1. Lambing mob size
2. Weaning to manage
3. Ram performance management
4. Ewe condition scoring
5. Joining time and length
6. Lambing paddock planning

NUTRITIVE VALUE OF MODERN CROP STUBBLES

In many mixed farming areas of southern Australia, crop stubbles play an important part in feeding sheep flocks during summer. However, crop stubbles are notoriously variable in quality, with factors such as the improved efficiency of harvesting crops and new crop cultivars in past decades affecting the nutritional value of modern crop stubbles.

As well as filling the summer feed gap, grazing stubbles has advantages for the cropping side of a mixed business, including reducing summer weed numbers, grazing chaff lines or piles so they break down more quickly, and recycling nutrients to benefit the following crop.

Although sheep cause some compaction while grazing on stubbles, it is shallow and transient and usually disappears after the soil wets again. Reduced water infiltration and yield from grazing is due to the removal of cover rather than compaction; light grazing has no impact on subsequent grain yields.

Together with MLA, AWI engaged in a research project with CSIRO called 'The Nutritive Value of Modern Crop Stubbles' to deliver up to date information of the nutritive value of modern crop cultivars harvested with modern machinery and better understand the way sheep preferentially select the different components (eg spilt grain, leaves, stem, green pick) of stubbles when grazing. Sheep grazing stubbles are highly selective and prioritise eating the high feed-quality spilled grains and any green pick when these components are available. Leaves and fine stems are low



A new 'Grazing modern stubbles' guide is available on the AWI website. PHOTO: Posnov

quality but generally edible, while ripe wheat stems are poorly digestible.

The project has yielded a stubble grazing guide for woolgrowers called 'Grazing modern stubbles: A guide to the nutrition and management of sheep grazing stubbles in mixed farming areas' which was released in late 2020 and can be accessed by visiting www.wool.com/stubbles. Development of a tool for estimating grazing days for mature sheep on wheat stubble is currently being finalised and will be released in the coming months.

NO MORE GAPS WITH SUPERIOR SHRUB SYSTEMS

The ongoing research and development of quality forage shrubs now delivers a variety of options for woolgrowers to fill feed gaps and manage previously unusable or unproductive land on their property. In a wool production system, ensuring that feed gaps are filled to ensure consistency of fibre strength and quality is essential. Often, forage shrubs are co-planted with a range of other pastures, such as serradella, to

provide increased nutrition for grazing stock. Additionally, forage shrubs may provide shelter from wind and the elements, crucial for lambing flocks.

Long-term investment by AWI in the development of forage shrubs, such as Anameka saltbush (*Atriplex nummularia*, developed by AWI, CSIRO and industry partners), and an ever-increasing variety of fodder and forage shrubs and trees that have become available, means growers can now access a wide variety of species to meet their feed management, soil and landscape challenges.

AWI and MLA have co-funded an ongoing project, led by CSIRO, to deliver options for growers in shrub establishment (tube stock and seed) which will reduce establishment costs and increase establishment success, collect paddock-scale productivity and economic data to demonstrate the value of shrubs in improving conversion of crop residue, and the many ways that these shrubs can be incorporated in a mixed farming system, with a focus on the inclusion of annual legumes within the shrub planting sites.

LIFETIME EWE MANAGEMENT SETTING YOUR EWES UP FOR SUCCESS



Good conception and lamb marking rates are key to a successful sheep business.

FIND OUT HOW you can maximise lamb numbers by joining an LTEM group in your area.

More than 4,000 Australian producers have taken part in LTEM, representing 30% of the national flock.

On average, producers increase stocking rate by 9.3%, marking percentage by 7%, weaning percentage by 8% and reduce ewe mortality by 25%.

COURSE OVERVIEW

Being involved in a LTEM course gives you the skills and support to make feeding and managing your ewes easier.

Working with groups of 5-7 farmers who meet six times in 12 months, your trainer, an experienced sheep consultant, will work with you to:

- Learn how to condition score
- Prepare ewes for joining
- Manage singles and twin-bearing ewes at different stages of their reproductive cycle
- Assess pasture and calculate supplementary feeding rates
- Set up lambing paddocks
- Form weaning strategies to maximise weaner survival
- Set targets for condition score, conception, lamb survival, ewe mortality, lamb growth rate and feed on offer.

COURSE INVESTMENT

The cost of LTEM is \$2,400 plus GST per participant. AWI offers eligible woolgrowers a subsidy of \$1,000 bringing the course cost to \$1,400 plus GST per participant.

HOW DO I JOIN AN LTEM COURSE?

LTEM is delivered on farm and is ideally suited to a small group of 5-7 participants.

We encourage you to contact like-minded neighbours and farmers in your local area to form a group, and a trainer will come to you to deliver the LTEM course.

CONTACT

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GENETICS

AWI investment in this program aims to increase the use of genetic evaluation information (both visual and measured) to improve genetic gain and profitability of the Merino.

MERINO LIFETIME PRODUCTIVITY (MLP) PROJECT (2015-2024)

The AWI-funded MLP project is an \$8 million (plus \$5 million from partners), 10-year partnership between AWI, the Australian Merino Sire Evaluation Association (AMSEA), nominating stud Merino breeders and site hosts.

The MLP project runs at five sites where sire evaluation trials operate for the first two years and then continue tracking performance of ewe progeny from 134 sires as they proceed through four to five joinings and annual shearings.

Balmoral, Vic

Host: Tuloona Pastoral
Committee: Balmoral Breeders Association

Pingelly, WA

Host: Murdoch University / UWA
Committee: Federation of Performance Sheep Breeders (WA Branch)

MerinoLink, Temora NSW

Host: Moses & Son
Committee: MerinoLink Inc.

Macquarie, Trangie NSW

Host: NSW DPI
Committee: Macquarie Sire Evaluation Association

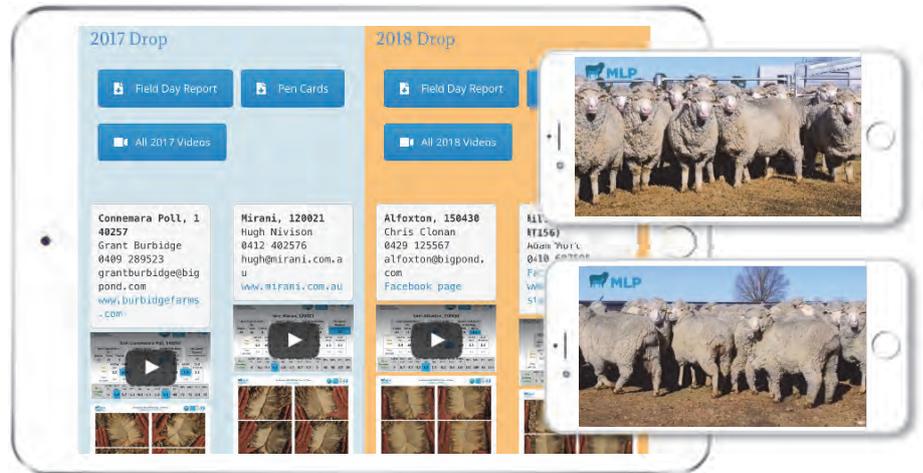
New England, NSW

Host: CSIRO
Committee: New England Merino Sire Evaluation Association

A full suite of assessments are being undertaken during the MLP project including visual trait scoring, the objective assessment of a range of key traits, classer gradings and index evaluations.

The 5,700 ewes in the MLP project will see each having the following individual assessments taken:

- Annual visual classing in full wool and off shears for a range of wool, breech and conformation traits including overall Classer's grades.
- Annual measured wool and fleece traits.
- Annual scans for pre-joining muscle and fat.
- Condition scored and body weighed at four key production times in the year.
- Annual reproduction results, ie joining data, ultrasound scanning for pregnancy status, lamb tagging, weaning rate and DNA pedigree testing.



The New England Field Day was converted from an in-person, on site experience to an online event featuring the 2018 drop and 2017 drop MLP ewes. The sire group inspection page (above) listed the sire group details, wools shots and videos of the ewes from all angles. For further details visit www.merinosuperiorsires.com.au/newenglandfieldday

- In addition, each ewe is being classed for a number of functional traits including teeth and udder performance.
- All ewes are monitored for worm egg count (WEC) and when the levels meet the thresholds, ewes are individually tested for WEC.

Individual site reports are updated for each of the five sites and can be found at www.merinosuperiorsires.com.au/mlp-project-reports along with the MLP Newsletters.

The five sites started over a three-year time period from 2015 to 2018. Subsequently, the final data collection at each site is staggered from February 2022 at Balmoral to July 2024 at New England.

Final site and overall MLP project results will form an extensive dataset which will be analysed for lifetime productivity, along with breeding and selection options that will enhance and fine tune the selection for lifetime productivity and profitability at young ages, relative to a range of environments, markets and genotypes.

1.3 million datapoints have been collected, with 0.6 million datapoints remaining

To date the MLP project has collected 1,376,078 data points across the five sites. While the 1.3 million records already collected seems a substantial dataset, the remaining 0.6 million (approx. 30%) are critical for measuring later age and then lifetime performance.

Most sites hold annual field days although COVID 19 restrictions impacted such activities throughout 2020-21. Several site webinars were held and can be viewed at www.merinosuperiorsires.com.au/mlp-project-reports.

MLP Newsletters, Site Reports and *Beyond the Bale* articles can also be found on the AWI website at www.wool.com/MLP.

There are a series of MLP 'Add On' projects using the F1 ewes and wethers. They include:

- 'Improving Foetal Aging' (AWI and CSIRO)
- 'Assessing Resilience and Ewe Survival' (AWI and CSIRO)
- 'Genetic Evaluation of Productivity, Efficiency and Profit' (AWI and Murdoch University)
- 'Evaluation of Anti Mullerian Hormone' in young ewes to predict Lifetime Fertility (AWI and Adelaide University)
- 'Comparison of Classing Within and Across Sire Progeny Groups' (AWI)
- 'Comparing Wool Sampling Site for Fleece Yield Estimates' (AWI)
- 'Wether Meat Carcass and Eating Quality' (Funded by MLA/NSW DPI and CSIRO)
- 'Foot rot ASBVs' for 650 MLP Pingelly wethers (Funded by Animal Health Australia and Murdoch University).

In January 2021 the AWI Board approved a five year \$1 million project to engage the Animal Genetics Breeding Unit (AGBU) to conduct (a) MLP research and development, and (b) Merino genetic evaluation research and development for MERINOSELECT, Sire Evaluation, wether trials and likely alternatives as well as flystrike genomics.

PROGRESS WITH INDUSTRY RECORDING KEY BREECH STRIKE RESISTANCE TRAITS

The number of records of the key breech traits in MERINOSELECT are increasing, particularly in recent years. The breed averages show favourable increases in fleece weights and in decreasing breech scores. See Table 1 below.

There are considerable differences between the three main Merino types for the breech trait ASBVs that add up to the Merino Breed average result. For the 2019 drop animals, the Medium Wool Merino average wrinkle ASBV is -0.44, the Fine Wool Merinos -0.10 and Super Fine Wool +0.17.

In high wrinkle country, target ASBVs for Breech Wrinkle are -0.8 to -1.0, moderate wrinkle country -0.7 and low wrinkle country around -0.3. The increasing number of records and breed average is masking the more rapid gains that some individual ram breeders are making in increasing fleece weight and decreasing wrinkle, cover and dags.

For further information visit wool.com/genetic-tools.

SIRE EVALUATION

Seven sites joined in 2021 across Australia for the sire evaluation

program. This includes four new site hosts, three new site committees and an additional site in conjunction with Dohne Australia.

The 2021 joinings are as follows:

Balmoral: Coleraine, Vic
20 sires. New site host.

Dohne Australia: Urana, NSW
15 sires. New site, host and committee.

MerinoLink: Bathurst, NSW
16 sires. New site host and committee.

Muresk: Muresk, WA
12 sires.

South Australia: Meningie, SA
15 sires. New site host.

South West Slopes: Boorowa, NSW
15 sires. New site committee.

Yardstick: Katanning, WA
12 sires.

A total of 105 sires were joined across the seven sites, with a predicted 2021 progeny group of more than 5,000.

The following sites did not join in 2021 either due to drought recovery or lack of suitable host properties:

- New England (planning to join in 2022)
- Macquarie (planning to join in 2022)
- North East Victoria.

1,964 sires have been entered in Sire Evaluation between 1989 and 2019. Including the progeny in sire evaluation, these sire evaluation sires are the sires or grandsires of 33.5% (938,130) of the animals in MERINOSELECT Sheep Genetics database.

The annual Merino Superior Sires No. 26 publication of Sire Evaluation results was released in September 2020 and

the full report has been downloaded more than 400 times from the Merino Superior Sires website. Subsections of the report (including previous editions) have been downloaded more than 1,400 times. A hard copy was also sent to 1,900 ram breeders and their advisers.

A new Top 25 High Use sire list was published for the first times this year which denotes the top 25 most used rams who have been trialled in Sire Evaluation between 2015 and 2019 alongside their ASBVs and Sire Evaluation classing results. It can be found downloaded and viewed at www.merinosuperiorsires.com.au/mss-reports.

WETHER TRIALS

Drought has impacted on the number of current wether trials with the last NSW DPI wether trial analysis published in September 2018 and available on the AWI and NSW DPI websites.

The relative performance of 73 commonly used Merino bloodlines come from 25 wether trials conducted in NSW (24) and Tasmania (1) between 2007 and 2018. Bloodlines have been assessed for clean fleece weight, fibre diameter, liveweight, staple length and staple strength along with wool quality traits (style and colour). Simulation modelling using Grassgro™ generated two measures of financial performance of the bloodlines, expressed on a \$/head and \$/DSE basis. The previous 2006-2016 analysis reported data from 26 trials with 77 bloodlines.

The number of wether trial sites continues to fall, there are 5 remaining sites, all located in NSW. A review of 'Where to with Wether trials' is being conducted.

TABLE 1: ANNUAL GENETIC TREND OF KEY MERINOSELECT ASBVs AND RECORD NUMBERS FOR THREE BREECH TRAITS (MERINO BREED)

Year of birth	Ygfw% ASBV	Acfw% ASBV	Yfd ASBV	Awt kg ASBV	Ebwr ASBV	Ebwr Records	Ebcov ASBV	Ebcov Records	Ldag ASBV	Ldag Records	MPP Index
2005	1.77	3.37	-1.23	0.74	-0.14	1,110	-0.07	1,036	-0.05	2,347	121.7
2006	2.53	3.90	-1.19	1.11	-0.13	2,654	-0.05	3,223	-0.04	2,731	123.0
2007	3.30	4.40	-1.20	1.17	-0.08	3,398	-0.06	3,715	-0.03	6,214	124.8
2008	4.13	4.98	-1.20	1.36	-0.07	13,687	-0.04	16,621	-0.03	6,075	126.5
2009	4.27	5.07	-1.15	1.73	-0.12	19,813	-0.06	15,147	-0.04	6,390	127.4
2010	5.16	6.31	-1.13	1.96	-0.11	19,284	-0.06	15,270	-0.05	5,164	128.6
2011	5.30	6.42	-1.09	2.14	-0.15	24,059	-0.08	18,611	-0.04	6,511	128.6
2012	5.81	7.20	-1.12	2.32	-0.13	26,219	-0.07	20,884	-0.02	7,914	130.5
2013	6.98	8.24	-1.06	2.44	-0.12	19,845	-0.07	18,310	-0.05	10,806	132.1
2014	7.74	9.00	-1.06	2.63	-0.14	20,465	-0.10	15,314	-0.03	10,491	133.8
2015	8.95	10.14	-1.00	3.02	-0.11	19,203	-0.10	15,753	-0.04	11,420	136.2
2016	9.56	10.66	-1.00	3.18	-0.14	23,229	-0.09	21,502	-0.04	10,300	137.6
2017	11.04	12.00	-0.97	3.58	-0.16	28,708	-0.11	24,550	-0.06	11,359	140.4
2018	11.70	12.62	-0.96	3.75	-0.17	28,141	-0.09	23,323	-0.06	10,277	142.6
2019	13.28	14.10	-0.92	4.10	-0.19	41,059	-0.10	30,161	-0.06	20,926	146.3
2020	15.02	15.48	-0.87	4.71	-0.26	52,789	-0.12	36,897	-0.07	7,606	150.4

Source: Sheep Genetics June 2021. Note: there are still outstanding records for the 2020 drop.

HARDWARE & SOFTWARE DEVELOPMENT

Automated data collection and analysis systems, such as AWI Smart Tags, can provide woolgrowers with real time information regarding their flock and property operations.

AWI SMART TAGS

AWI's smart tags aim to enable woolgrowers to track, monitor and assess the status of their flock in real time – and make more informed decisions to increase their enterprise's profitability.

The development of the AWI smart tags this year has focused on improving the range and reducing the amount of hardware required in the paddock to collect data.

Research projects using AWI smart tags are progressing satisfactorily:

- Trials to validate the mounting algorithm have been carried out. Preliminary results show high precision and sensitivity of this algorithm which will allow woolgrowers to monitor ram performance and ewe oestrus.
- Results from the grazing trials suggest that there is potential for smart tags to predict feed intake and hence performance under different grazing scenarios.
- A new study using AWI smart tags has recently started. The objective is to determine the behavioural differences between sheep infected with Barber's Pole worm and sheep free of infection and how these behavioural changes correspond to the clinical stages of a Barber's Pole worm infection.



Putting AWI smart ear tags on sheep.

WOOL FOLLICLE DENSITY AND DIAMETER

Improving wool follicle density is key for improving both wool production (weight) and quality (diameter), as these traits are negatively correlated. New image analysis techniques to visualise and quantify wool follicle density on farm have been investigated in a project led by the University of Adelaide.

The project has established the feasibility of using non-invasive

scanning (Optical Coherence Tomography) to visualise both wool follicles and wool shafts in fresh biopsy samples measured in the field.

By demonstrating the feasibility of identifying both follicles and wool shafts, this technology also has the potential to provide an estimate of the number of secondary-derived follicles, where multiple shafts derive from a single follicle without having to send preserved samples away to a laboratory.

NOVEL APPLICATIONS

Technology is rapidly changing many areas of agriculture – and AWI aims to ensure Australian woolgrowers are on the front foot to take advantage of the latest opportunities.

FARMERS 2 FOUNDERS PROGRAM

The Farmers 2 Founders 2020/21 program has come to an end with more than 50 applicants (eight woolgrowers) for the Ideas Program 3 & 4 and more than 30 applicants for the Bootcamp Program.

The Ideas and Bootcamp Programs were designed to help producers create and/or scale new ventures across agtech and value-added products.

During this period, AWI contributed to:

- Foundational activities which included development and delivery of cross-sectoral virtual workshops and masterclasses; outreach to regional innovation hubs and industry bodies; and Farmers 2 Founders participation in face-to-face events to increase awareness amongst producers of opportunities.
- Support for two cross-sectoral teams in the Bootcamp Accelerator Program (Yacker and Knowby).

- Support for AWI sponsored participants in the Ideas Program (Scott Leslie and Samuel Thompson).
- Participation in two Industry Advisory Board meetings.



MECHATRONICS

AWI is investigating how mechatronics (a combination of mechanics and electronics) and especially robotics and automation can be applied to the wool harvesting industry.

SMART SHEARING HANDPIECE

AWI is working with a design company, 4c Design (pictured right), to develop and construct a smart shearing handpiece.

The new sensing handpiece, if successfully created and commercialised, has the potential to make shearing available to less experienced operators.

The aim is for the final design solution to be capable of feedback to the shearer, enabling them to track activity and improve technique.

The second phase of the development of the smart handpiece is almost complete.

4c Design researchers have been working on the drive system, battery, motor, and motor controller which delivers the same power as overhead motors. An aluminium handpiece was manufactured using a slimmer, smaller ergonomic design.

A comb tension sensor to help set the ideal force for the cutter to be tensioned has been integrated.

On-farm testing and validation are planned in coming months.

While ultimately, the project aims to improve the quality of the shearing process, the long-term strategy behind the project is to feed into complementary projects covering other aspects of shearing, including robotic/automated shearing and fleece management.

SEMI-AUTONOMOUS WOOL HANDLING SYSTEM

Wool handling is a highly manual and repetitive task. However, modern sensors, industrial controls and engineering developments over recent years are now being examined to potentially improve efficiency in the shearing shed.

A three-year project to design, build and test components of a semi-autonomous wool handling system is progressing satisfactorily. The project aims to cover the steps from the wool table through to baling (pictured right).

A wool classification system consisting of a prototype digital microscope system has been developed, employing image processing and edge detection algorithms for automated fibre recognition and mean fibre diameter extraction for untreated wool samples.



Director Will Mitchell with Product Design Engineer Katherine Moriarty from 4c Design, which is developing a smart shearing handpiece. 4c Design's prior work includes the development of the Numnuts® hand tool (pictured behind).



Researchers from UTS visited Jodie and Malcolm Healey's shearing shed at Turondale, NSW, to observe wool handlers' work.

Researchers have worked on mechanical separation of contaminated edge wool (skirting) from higher value wool with several techniques being assessed.

USING TECHNOLOGY TO HELP PREVENT SHEARING INJURIES

Attracting and retaining shearers is one of the biggest challenges facing woolgrowers and the industry. A major factor is that shearing can be a 'back-breaking' profession, with injuries to shearers being six times the all-industry average in Australia.

Back injuries are the most significant due to their long rehabilitation time and associated lost productivity contributing to 50% of shearing injury costs.

Pioneering high-tech research by the University of Melbourne (funded by AWI) into shearers' muscle fatigue has already identified several important features that could provide an early warning of lower back injuries.

The research project continues with new funding by AWI and an Innovation Connections grant from the Federal Government.

The project now aims to further develop a portable wearable sensing unit and software to enable data collection. The unit worn by shearers will alert them (via a display on a smartphone) when they are becoming vulnerable to potential injuries and can propose optimal resting cycles.

This simplified unit will be validated across a pool of shearers under different working conditions.

WOOL HARVESTING & QUALITY PREPARATION

AWI funding of shearer and wool handler training ultimately aims to improve returns to woolgrowers by increasing the value and quality of their wool clip.

SHEARER AND WOOL HANDLER TRAINING

In 2020/21, AWI funded training for shearers and wool handlers across a range of skill development activities. These included from learner to professional shearers and from novice to professional wool handlers.

The aim of the training is to attract and train new workers in the wool harvesting industry, and also build the capacity of existing staff through improved work practices (speed and quality) and longevity in the workforce.

4,143
coached/trained
in shearing and
wool handling



AWI-funded shearer training at 'Kellhaven', Walbundrie, NSW.

Due to the COVID-19 pandemic and the current shortage of and demand for shearers, there has been and continues to be a concerted effort to run extra novice and improver schools and workshops, funded by AWI and several state governments.

The total number of days trained and number of people trained increased compared to 2019/20 (which had only partly been affected by the pandemic).

More than 1,600 days training were delivered through AWI-funded programs across Australia (see table below), which was more than 200 more than the previous year. The delivery was a combination of in-shed training, novice schools and workshops.

Provided by Registered Training Organisations, and AWI's Independent

Coaching Program, the face-to-face training focused on shearers and wool handlers in the shed, particularly on increasing their productivity, skills development and professionalism.

1,614
shearer and wool
handler training days
delivered

To complement the face-to-face training, online training videos to promote best practice shearing and

wool handling techniques continued to be made available on the AWI website at www.wool.com/training-resources.

The videos are packed with tips, hints and practical advice on a range of topics, from setting up a grinder to improving clip preparation practices. The videos are a great way of reaching people in the industry who AWI couldn't train face to face due to the COVID-19 restrictions. However, the videos are suitable for anyone who works in shearing sheds who would like to brush up their own skills. Two new videos were produced on wool handling basics.

The Shearing and Woolhandling pages on the AWI website were viewed more than 11,000 times during the year.

2020/21 SHEARER AND WOOL HANDLER TRAINING ACTIVITIES		NSW	WA	VIC	SA	QLD	TAS	2020/21 TOTAL
In-shed shearer coaching	Days:	200	126	157	80.5	-	35	598.5
	Number trained:	468	437	440	268	-	102	1715
In-shed wool handler coaching	Days:	72	108	72.5	24	-	-	276.5
	Number trained:	207	256	171	41	-	-	675
Novice/workshops	Days:	380	185	24.5	50	26	74	739.5
	Number trained:	884	423	62	121	58	205	1753
TOTAL TRAINING DAYS PROVIDED		652	419	254	154.5	26	109	1614.5
TOTAL NUMBER COACHED/TRAINED		1559	1116	673	430	58	307	4143



'Innisfail', Darraweit Guim, Vic.



WA College of Agriculture Denmark.

COMPETITIONS

Restrictions due to the COVID-19 pandemic meant that many shearing and wool handling competitions were cancelled during 2020/21. As a result, AWI sponsorship of local competitions across the country, affiliated with Sports Shear Australia, fell from a total of 40 in 2019/20 to nine in 2020/21: WA 3, NSW 2, SA 2, Vic 1, Tas 1.

At those nine events, there were 371 competitors: 233 were shearers, 63 were wool handlers and 75 were novices. Part of AWI's support includes payment of a \$20 per head contribution towards entry fees for novice shearers and wool handlers.

The aims of providing support to shearing competitions are to promote excellence in the wool harvesting industry, encourage young people to join the industry, and encourage continued development of techniques in shearing and woolhandling.

AWI's financial support for competitions makes a significant impact on the viability of many competitions.

SHEARING SHED SAFETY PROGRAM



The launch in November 2020 of the Shearing Shed Safety Program, *SafeSheds*, at Don Boyle's 'Rina Dina' property at Broomehill, WA.

A new shearing shed safety program *SafeSheds*, which includes a best practice guide and checklists, was launched in November 2020 to improve safety in shearing sheds.

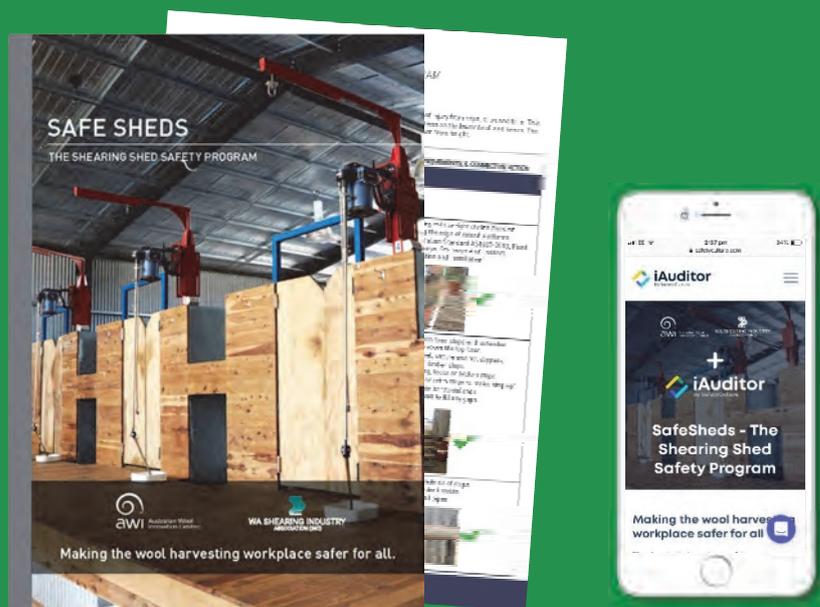
It is now being used across the country by many woolgrowers and shearing contractors to help them assess the safety of their shearing sheds, thereby enabling the woolgrower to create a program to rectify any safety hazards, improve working conditions and comply with modern workplace standards.

While safe shearing sheds help attract people into the industry, retain current staff and extend the longevity of their careers, they also improve industry productivity and profitability. By planning and documenting the improvements and steps to control risk, woolgrowers are able to provide direct evidence of efforts in managing safety as required by relevant State Workplace Health and Safety Legislation. *SafeSheds* is a self-assessment guide and not a formal audit.

Developed by AWI and WA Shearing Industry Association, *SafeSheds* harnesses the support of industry including WoolProducers Australia, Pastoralists & Graziers WA, WAFarmers and Shearing Contractors' Association of Australia.

While *SafeSheds* is available as an 80-page booklet (downloadable in PDF format from the AWI website or you can order a hard copy), the *SafeSheds* checklists are also available in a handy digital, interactive format.

The app version of *SafeSheds* tool allows you to add photos, create tasks and record actions based on improvements needed, record and document the assessment results with date and time stamps, share reports and track changes over time.



The 80-page *SafeSheds* booklet and the *SafeSheds* app, which are both available via the AWI website at www.wool.com/safe-sheds.

SHEEP & WOOL MANAGEMENT SKILLS

AWI aims to help improve the engagement and motivation of young people, thereby developing and retaining skills the wool industry needs to be innovative in response to new challenges.

SCHOOL MERINO WETHER CHALLENGES



Students at the 2021 NSW School Merino Wether Challenge training day in March at Dubbo. Nearly 500 students attended the training days with industry leaders at Dubbo, Jerilderie, Orange and Mudgee.

Merino wether competitions for school students are run in NSW, SA and WA with the aim to educate them about the commercial production of Merino sheep. The initiative provides the students with a memorable 'hands on' experience covering a broad range of sheep and wool production skills.

Initiated ten years ago in SA by the SA Stud Merino Sheepbreeders Association, similar competitions are now held in NSW by the NSW Stud Merino Breeders' Association and in WA by the Stud Merino Breeders Association of Western Australia. The competitions are supported by AWI, as well as individual studs, schools, teachers and students.

Each school team looks after several wethers (from studs in their state) for six months, with the students forming a close relationship with their wethers. This provides a unique and practical experience for the students, much different from classroom learning. Each school team then shows their wethers during a competition later in the year.

SA SHEEP EXPO

Nearly 100 students from across South Australia attended the AWI-supported SA Sheep Expo in April 2021 at the Adelaide Showground, during which the students developed a better understanding of the sheep industry and the opportunities it offers them.

The three-day SA Sheep Expo is an education initiative for young sheep enthusiasts aged 12 to 23 years, which included hands-on sessions, demonstrations and presentations from leading industry experts. It aims to build their knowledge of the sheep industry and provide them with exposure to the wide range of career pathways within the industry.

HAY INC RURAL EDUCATION PROGRAM

With the support of AWI, the Hay Inc Rural Education Program in the Hay district of NSW continues to help young people gain hands-on agricultural skills, training and experience.

Through the program, young people aged 18-25 years are given the opportunity to learn the practical agricultural skills needed for them to get jobs on rural properties. It focuses on wool and livestock production and takes place in a practical setting in partnership with local woolgrowers.

The program is delivered by trainers who have many years of experience on extensive rural properties, covering topics based around the production calendar for sheep, wool production and cattle.



The 16 young participants in the 2021 Hay Inc program learning Merino sheep classing. PHOTO: Mads Porter Photography

NUFFIELD FARMING SCHOLARSHIPS

Andrew Rolfe of Cooma in NSW was awarded AWI's 2021 Nuffield Farming Scholarship.

Andrew is part-owner of family farming business Kenilworth Grazing, a self-replacing Merino flock enterprise comprising 5,600 ewes across 4,100 hectares.

Having experienced the impacts of prolonged drought first-hand, Andrew is keen to research intensive management techniques and models for Merino sheep production, exploring how to develop a productive, sustainable and drought resilient farming system.

SCIENCE & INNOVATION AWARDS

A new project aims to fill a knowledge gap in the early development of lambs by focussing on colostrum, the first milk produced by ewes.

The University of Adelaide's Bianca Agenbag will undertake the 12-month project through the 2021 AWI-sponsored Science and Innovation Award for Young People in Agriculture.

Bianca will use the grant to look particularly at the impact of colostrum on the reproductive potential of rams. It follows other research showing quality colostrum can improve scrotal growth and semen characteristics in pigs.

One of the main outcomes of her project will be developing selection criteria to select ewes with better colostrum.

HORIZON SCHOLARSHIPS

Caitlin Morgan from the Mornington Peninsula of Victoria is the 2021 recipient of a Horizon Scholarship sponsored by AWI, in recognition of her leadership potential and commitment to Australian agriculture.

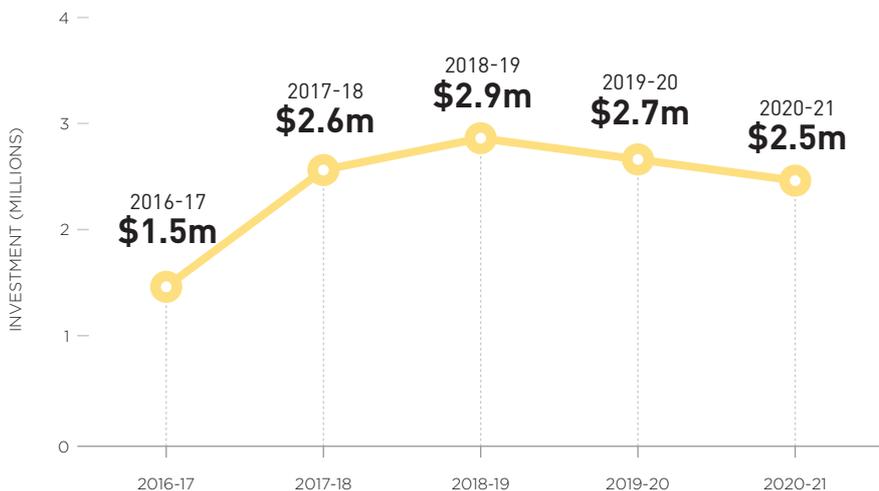
Under the scholarship, AWI is supporting Caitlin throughout her Bachelor of Agriculture course at the University of Melbourne. Caitlin aims to complete further studies in Veterinary Medicine.

Samarah Thrift from the New England region of NSW was the 2020 recipient of scholarship, studying the Bachelor of Rural Science course at the University of New England. Samarah has a passion for animal genetics and nutrition, specifically within the sheep industry.

CONSULTATION

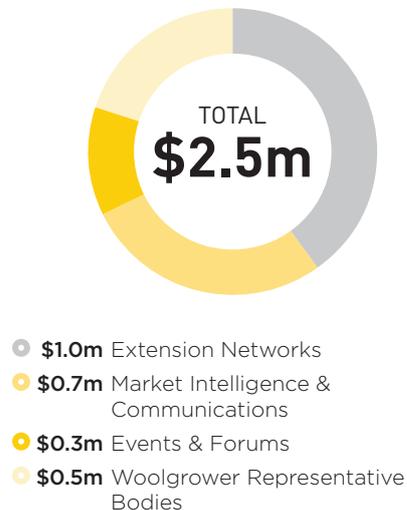
Portfolio objective: To build trust and transparency across the supply chain through an industry best-practice structured, targeted and measurable engagement model; and for this intelligence to influence, inform or contribute to AWI's business activities.

INVESTMENT OVER TIME



Information provided before 2019-20 fell under AWI's previous strategic period. Numbers included for comparison are indicative only.

2020-21 INVESTMENT BY PROGRAM



ANNUAL PLAN TARGETS

8 TARGETS



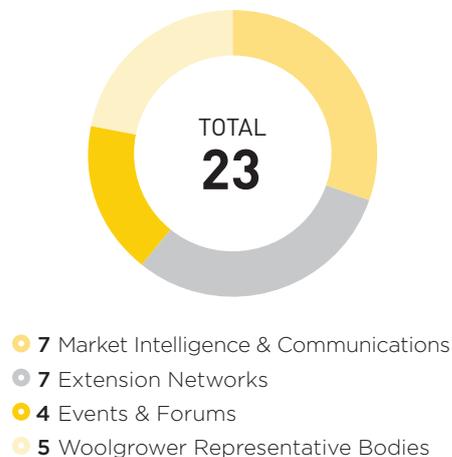
See Appendix C for complete list of performance against Annual Plan targets.

EXAMPLES OF KEY PARTNERS

TAFE
 AWEX
 Department of Agriculture, Water and the Environment (DAWE)
 AWTA
 Meat and Livestock Australia

See page 14 for further information on Collaboration.

PROJECTS COMPLETED



CONSULTATION HIGHLIGHTS



11,000+ Australian woolgrowers are active participants in AWI state-based extension networks



40,000 *Beyond the Bale* magazines, posted quarterly to Australian woolgrowers



900+ downloads of the AWI Grower App



280,457 views of AWI Network resources online.

EXTENSION NETWORKS

AWI extends its R&D and training to woolgrowers across Australia, delivering localised industry information and events, and ultimately achieving measurable adoption and practice change.

The six state-based woolgrower networks have continued to deliver valuable and timely on-farm information through workshops, webinars, podcasts, newsletters, field days, social media and conferences to a combined membership of almost 15,000 woolgrowers.

The COVID-19 pandemic has made face to face meetings hard at times, but the networks have adapted to changing circumstances while continuing to support their woolgrower membership to lift productivity and profitability.

All networks are guided by a Producer Advisory Panel of woolgrowers and stakeholders from across the state; in Victoria, South Australia and Queensland, the state government is that stakeholder. Meeting twice a year, once preferably in person, allows woolgrowers to be driving seasonally-relevant, valuable and timely information.

Highlights from the past 12 months include 31 popular webinars run by Sheep Connect NSW which were recorded and are available to view on-demand (plus related podcasts) on the Sheep Connect NSW website, the continued rollout of the 'Winning with Weaners' workshop across the nation, the creation of state-based podcasts for WA by The Sheep's Back, and Queensland through Leading Sheep, while in Victoria the facilitated group model allowed woolgrowers to keep meeting regularly online to keep in touch.

Whether it be different models of production such as grazing crops, the use of smart tags, variable times of shearing, sheep handlers, new woolshed designs or perennial issues such as lice, flies, worms or wild dogs, the AWI network in your state can help you through the issue.

While being able to adapt to changing conditions has been important, the best way to engage for meaningful and lasting improvement is through face-to-face contact. As the country recovers from the pandemic, the AWI state-based networks are well placed to assist all woolgrowers to improve their businesses, regardless of level of operation, age of farmers, size of expertise or where they live.

AWI grower networks are present in each wool-growing state - see the box right. All woolgrowers are encouraged to get involved.



A meeting at Dubbo in March of the Sheep Connect NSW Producer Advisory Panel, enabling Sheep Connect NSW to find out what is happening on the ground across NSW which helps it plan future direction.

**AWI-SUPPORTED
EXTENSION NETWORKS**

AWI-supported networks are present in each state and each is run under the guidance of a Producer Advisory Panel.

- Sheep Connect NSW
- Sheep Connect SA
- Sheep Connect Tasmania
- BESTWOOL/BESTLAMB (Vic)
- The Sheep's Back (WA)
- Leading Sheep (Qld).

The networks promote and deliver key AWI programs, including the AWI-developed workshops: Winning With Weaners, Ramping Up Repro and Picking Performer Ewes.

To find your state grower network head to www.wool.com/networks.



A room full of producers in October 2020 in Wickepin, WA, for The Sheep's Back Spring Optimiser workshop on the topic of water and livestock management through summer.

EVENTS & FORUMS

AWI has had a strong presence at, and contribution to, woolgrower and industry events and forums across Australia, providing AWI with opportunities to listen to and work with woolgrowers.

AWI ATTENDANCE AT EVENTS

AWI staff and/or Board members have attended and provided strong support to more than 125 wool industry events nationwide during the year, despite a number of other events having been cancelled due to restrictions related to COVID-19.

Those events attended during the year have included field days, sheep shows, conferences, ewe competitions, sheep

classing workshops, ram sales, extension network Producer Advisory Panel meetings, research organisation meetings, and other sheep and wool industry meetings

All these activities involved direct woolgrower engagement and often involved direct presentations to woolgrowers with opportunity for feedback and questions.

Attendance at events also enabled AWI to interview woolgrowers and

researchers for episodes of AWI's *The Yarn* podcast, which enabled many more woolgrowers right across Australia to benefit from the events.

Of note, field days and sheep shows attended by AWI this year included Wagin Woolorama, Narrogin Long Wool Day, Great Southern Livestock '20 (Albany), Williams Gateway Expo, Sydney Royal Easter Show, Rabobank National Merino Show and Sale (Dubbo), Armidale Merino Ram Show &

Sale, Hay Merino Sheep Show, Royal Adelaide Show, SA Stud Merino Expo 2021 (Burra), Queensland State Sheep Show (Longreach), Campbell Town Show, amongst many others.

125+ wool industry events attended by AWI

Ewe competitions attended by AWI included those at Mid Lachlan, Boorowa, Berridale, Walcha, Cumnock, Crookwell and Condobolin (Don Brown Memorial).

At the start of 2021, an AWI staff member from WA relocated from Sydney back to WA in the role of Industry Relations Officer which has increased the number of events that AWI attends in the state, boosting engagement with WA woolgrowers.

SHEEP CLASSING WORKSHOPS

Sheep classing workshops were held 16 times during the year in NSW (11), Victoria (2) and SA (3). They were attended by 338 mainly younger woolgrowers from all kinds of Merino wool-growing enterprises.

The workshops are a practical way for woolgrowers to learn about increasing the production of their Merino flocks.

Through a combination of theory and hands-on components, commercial producers are taught the process of classing sheep, including understanding the type of sheep that breeders are aiming for, comparing individual traits between sheep, and other sources of information.

The workshops also provide an opportunity for participants to hear about the role AWI plays in the promotion of the wool industry and ask questions on industry issues.



A practical sheep classing workshop, attended by 25 woolgrowers in April at Chris and Stephanie Croker's 'Brooklands' property near Crookwell in NSW.

PROGRAM HIGHLIGHTS

MARKET INTELLIGENCE & COMMUNICATION

AWI has enhanced its market intelligence service and communications to woolgrowers and other stakeholders to keep them informed about global markets and AWI's R&D and marketing activities.

MARKET INTELLIGENCE

During the year, AWI's Weekly Price Reports were provided during sale weeks. Distribution is via email, SMS and on the Wool.com website. The reports included weekly price movements, currency movements, and the number of bales sold and passed-in. Weekly commentary on the markets resumed in the first few weeks of the selling season and continued throughout the year. (AWI had suspended commentary in April 2020 as the global economic impact of the COVID-19 pandemic caused only imperfect information to be available.)

Market intelligence data was also disseminated at various woolgrower and trade events throughout the year. Trade data and market intelligence reports were provided on demand to trade participants, educational institutions, manufacturers and retailers. Ongoing market intelligence wool pricing updates and special interest reports were provided quarterly in *Beyond the Bale*.

AWI also continued to send wool prices and market intelligence direct to nearly 5,000 woolgrowers' mobile phones. Woolgrowers can subscribe for free at www.wool.com/sms.

AWI's Wool.com website continued to provide interactive market intelligence information for woolgrowers, including a graphical display of EMI, offering, currency movements and forecast of bales sold.

Three Australian Wool Production Forecasting Committee reports were released – in August 2020, December 2020 and April 2021. AWI and MLA's joint Wool and Sheepmeat surveys of producers were conducted in October 2020, February 2021 and June 2021.

AWI BUSINESS INTELLIGENCE UNIT

Given that there has been a lot of uncertainty during 2020/21 about the market outlook (due to the COVID-19 situation) and AWI didn't want to invest woolgrowers' funds if the company had imperfect information, AWI set up a special business intelligence unit dedicated to collecting information to help the company during this unique global situation.

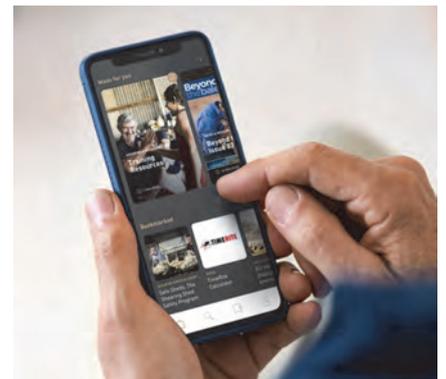
During the year, the unit reached out to AWI staff across the world to collect the best intelligence they could get on markets and businesses. This will enable AWI to begin releasing marketing funds again in the most effective manner – at the right time, in the right locations, with solvent business partners, in optimum retail sectors – but only when there has been a thorough evaluation of the merit.

AWI COMMUNICATIONS TO WOOLGROWERS

Direct communications to woolgrowers continued to be a major focus for AWI this year.

The aim primarily is to keep woolgrowers up-to-date on AWI activities, make them aware of marketing initiatives to increase the demand for Australian wool, and provide them with information on new R&D to improve on-farm productivity and profitability.

In April, AWI launched its **AWI Grower App** that provides via smartphone the latest AWI news and resources to woolgrowers to support their business. The App is available on iPhones and android phones. Through the App, woolgrowers are able to customise and prioritise the content and information they receive from AWI, allowing the information that is most relevant to them to be quickly and easily accessed at the forefront of the App. At 30 June 2021, the App had already been downloaded 952 times.



The AWI Woolgrower App, launched in May, provides woolgrowers with information at their fingertips.

AWI has a range of coordinated communications channels, allowing woolgrowers to choose which medium is the most appropriate for their needs.

Beyond the Bale magazine was posted quarterly direct to nearly 40,000 Australian woolgrowers and wool industry stakeholders, and the related *Beyond the Bale* e-newsletter was emailed to about 10,000 recipients.

The AWI woolgrowers' newsletter was emailed monthly to about 10,000 recipients.

The *Yarn* podcast averaged 914 downloads for each of the 52 episodes produced during the year, up from 40 episodes last year.

AWI social media channels include Twitter with 7,235 followers at 30 June 2021, the Facebook channel with 4,342 followers, Instagram with 4,143 followers and YouTube. The Woolmark Company also has a range of social media channels through which woolgrowers and other stakeholders can receive further up to date information on the company's marketing initiatives.

The Wool.com website received 232,723 visits during the year.

AWI also attended and/or presented at sheep and wool industry events across the country (see page 32) and extension networks (see page 32).

FEEDBACK FROM WOOLGROWERS TO AWI

Woolgrowers can provide feedback to AWI in person at the many industry events across the country attended by AWI staff and Board members.

Woolgrowers can also communicate with AWI via the free AWI Helpline telephone number 1800 070 099, AWI Sydney telephone number (02) 8295 3100, email address feedback@wool.com, the Wool.com 'Contact Us' online form, social media, and post (including the Feedback Postcard distributed with every edition of *Beyond the Bale*).

PROGRAM HIGHLIGHTS

WOOLGROWER REPRESENTATIVE BODIES

AWI regularly consults with woolgrower representative bodies to seek feedback on their members' priorities for R&D and marketing, and to support their knowledge of AWI activities and performance.

CONSULTATION WITH REPRESENTATIVE BODIES

AWI's consultation model, developed with industry endorsement, enables AWI to ascertain the key R&D and marketing priorities of woolgrowers and industry. It has two key forums through which AWI formally consults and engages with woolgrower representative groups.

Firstly, the AWI Woolgrower Industry Consultation Panel (WICP) which has seven members from national woolgrower representative organisations, is led by an independent chair, and also includes representatives from the Department of Agriculture, Water and the Environment (DAWE) and AWI. The independent chair during 2020/21 was Lyndsey Douglas. The purpose of this forum is to ensure a clear two-way consultation between AWI and organisational representatives through to woolgrowers. WICP meetings were held four times during 2020/21.

The second forum, the AWI Woolgrower Consultation Group (WCG) is a broader group comprising 28 representatives of state and regional production-based woolgrower groups, as well as the members of the WICP. The WCG was originally setup to meet once a year to coincide with key dates in AWI's planning cycle, enabling industry feedback to be considered in the company's decision-making. However, it has met more frequently (some online due to the current COVID-19 social distancing guidelines) because the WCG was the principal oversight body for delivering the 10-year strategic plan for woolgrowers (see next section).

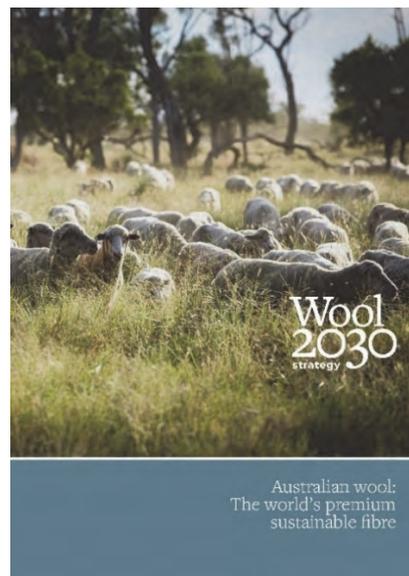
WOOL 2030

A 10-year strategy for Australian woolgrowers, *Wool 2030*, was developed following extensive consultation and launched in December – see www.wool.com/2030. The strategy's underlying principle is sustainability: in the careful management of woolgrowers' animals and the land they occupy, and the wellbeing of woolgrowers and their customers, all of which are essential for sustained profitability.

The development of a 10-year strategy for Australian woolgrowers was one of the recommendations of the 2018 Review of Performance of AWI by EY – see page 67. Its development was overseen by the WCG plus 'next generation' representatives.

There was wide consultation during the development of the plan. Initially, a series of five discussion papers on key topics were prepared to inform debate by the WCG and the next generation representatives. Following WCG webinars, small-group consultations were undertaken with brokers, buyers, processors, state farming organisations, AWEX and AWTA. An industry online survey was also run for five weeks which attracted more than 850 responses.

AWI will assist in the coordination and implementation of the plan; the *Wool 2030* plan will be a key reference point in the development of AWI's own three-year strategic plans. However, responsibility for the implementation for *Wool 2030* extends beyond AWI to many other organisations and individuals across the Australian wool industry.



The long-term strategy for Australian woolgrowers, *Wool 2030*, was launched in December.

GOVERNMENT STAKEHOLDERS

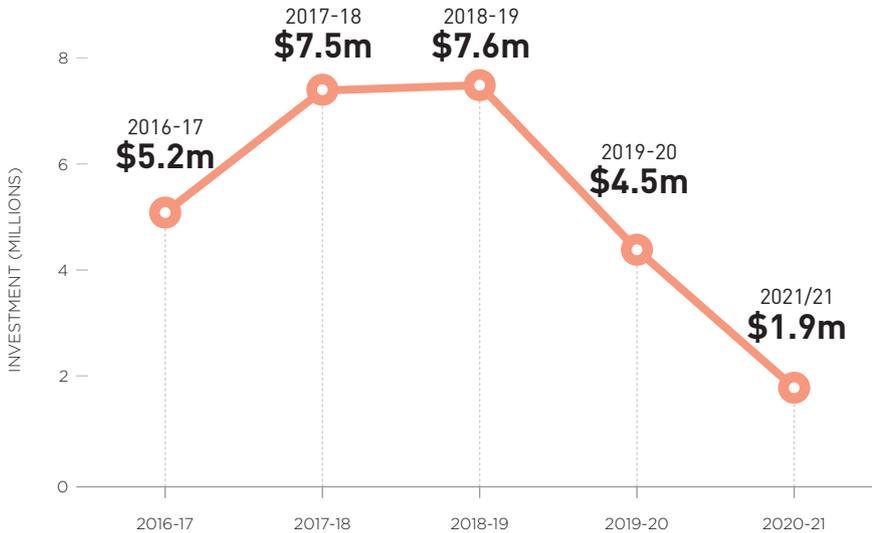
AWI has regular and informal discussions and meetings with government officials on a range of issues. AWI aims to work productively with Federal and state government stakeholders to ensure a sufficient understanding of the wool industry, AWI priorities, and outcomes of AWI's investments, and to ensure statutory compliance.

AWI also meets with DAWE on an annual basis to ensure AWI is compliant with the requirements of the Statutory Funding Agreement (SFA). A new ten-year SFA was agreed with the Commonwealth Government in October 2020.

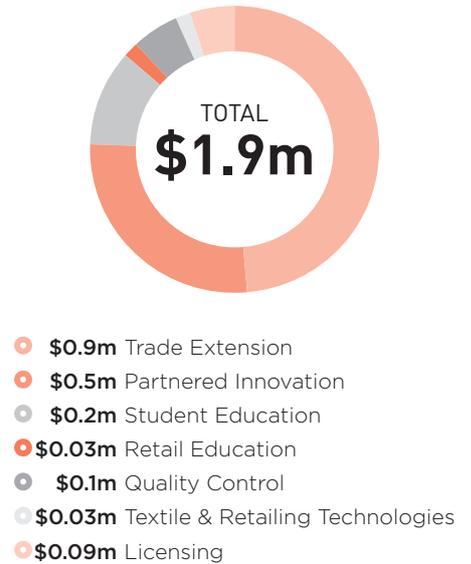
PROCESSING INNOVATION & EDUCATION EXTENSION

Portfolio objective: Increase the profitability and sustainability of the wool processing and manufacturing supply chain and educate students, trade and retailers about the benefits of wool.

INVESTMENT OVER TIME



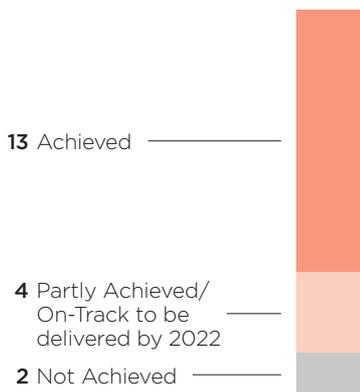
2020-21 INVESTMENT BY PROGRAM



Information provided before 2019-20 fell under AWI's previous strategic period. Numbers included for comparison are indicative only. Due to the impact of COVID-19 major trade engagement activities such as TWC participation at international trade shows and the implementation of The Wool Lab did not eventuate. Digital solutions have been explored and implemented where value could be gained.

ANNUAL PLAN TARGETS

19 TARGETS



See Appendix C for complete list of performance against Annual Plan targets.

EXAMPLES OF KEY PARTNERS

Süedwolle
Stoll
Shima Seiki Italy
Santoni
Chemtax, Hong Kong
Yantai-Nanshan University
Dong Hua University
Xiniao

See page 14 for further information on Collaboration.

PROJECTS COMPLETED



PROCESSING INNOVATION & EDUCATION EXTENSION HIGHLIGHTS



1900+ courses completed on the Australian wool and manufacturing industry through the Woolmark Learning Centre



The Wool Lab Vision received approximately **3,000 page views**



Achieved 92 product developments with partners



The Wool Lab digital acquired **191 registered users**

TEXTILE & RETAILING TECHNOLOGIES

With the rise of modern technology, the way people engage with and purchase garments has changed, which provides new opportunities for AWI to drive sales of wool products.

SMART TAGS ON GARMENTS

Smart tags on apparel increasingly provide an opportunity for AWI and The Woolmark Company to work with brands to educate consumers about the wool in their garments, enhancing the relationship with the customer – see box right.

Customers can now receive via smart tags more tailored information about a garment, without having to go away and spend time researching it themselves. This could be information such as care instructions, the supply chain or provenance of an item.

AWI this year rolled out guides about smart tags and the related technology from AWI partner Blue Bite. Both guides aim to increase awareness and adoption of the technology amongst Woolmark licensees.

Types of smart tags include:

1. Near Field Communication (NFC)

NFC is a method of wireless data transfer. Most commonly, we know it as the chip technology used in the tap & pay function of credit cards and smartphones/smartwatches.

NFC can be integrated into a garment by sew-in care label or embedded in other creative ways such as directly into the fabric. By integrating NFC into the garment, the owner can interact with the NFC for the garment's life.

2. Radio Frequency Identification (RFID)

RFID is a technology that allows almost any object to be wirelessly identified using data transmitted via radio waves. This requires a specific reader. While NFC can be used for consumer interaction, RFID is mainly used for inventory management, smart check-out and theft prevention.

3. Augmented Reality (AR)

AI is an interactive experience of a real-world environment where the objects are enhanced and illustrated by computer-generated information.

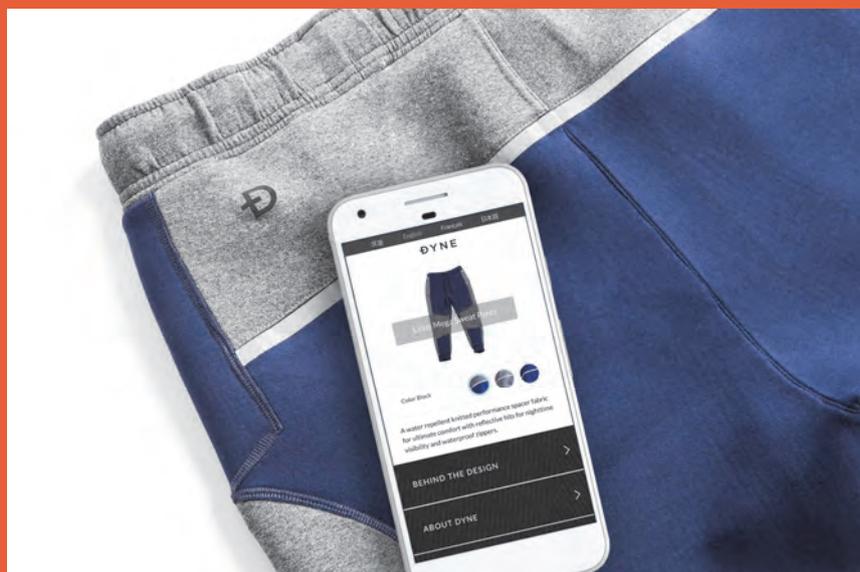
The Woolmark Company currently has the Woolmark AR app which can be downloaded via the Apple App Store or Google Play.

4. QR codes

QR is short for Quick Response, a code that can be read by most smartphone cameras. QR codes can store data including URL links, text, and geo-coordinates, and up to 4,000 characters.

QR codes are an economical alternative in comparison to NFC and RFID and is easy to generate.

NFC-EMBEDDED GARMENTS FROM INTERNATIONAL WOOLMARK PRIZE DESIGNERS



2018 International Woolmark Prize Innovation Award winner, DYNE, has integrated the NFC technology into its menswear athletic apparel.

All finalists in the 2021 International Woolmark Prize (see page 44) presented traceable collections using NFC technology from Innovation Academy partner Blue Bite, to integrate the garment's story into their collection.

By focusing on transparency and sharing key product information, each designer brings the supply chain to their customer in a way that is trustworthy and accessible. The collections will be rolled out in store from September.

2018 International Woolmark Prize Innovation Award winner, DYNE integrated the NFC technology into its menswear athletic apparel (see above). The NFC chips were embedded under the brand logo, and when tapped the brand communicates the material, fabrication techniques, garment capabilities, look book and brand's philosophy. Each garment also includes a curated Soundcloud playlist to enhance the experience of owning a DYNE item.

WECHAT CONSUMER AND TRADE ENGAGEMENT IN CHINA

WeChat is a Chinese messaging and social media app with more than one billion monthly active users. Given that the Chinese market prefers using WeChat rather than traditional email/SMS systems, AWI connects with customers and clients in China through the use of WeChat.

The Woolmark Mini Program on WeChat was launched in July 2020. The platform offers educational and interactive content with multiple functions, including a weekly update of wool auction, wool education, webinars, and wool care guides.

The Woolmark Mini Program is a mobile hub to connect with the partners across the supply chain. It provides the ability for users to scan QR codes to enable

the downloading of educational material such as fact sheets, while at the same time enabling AWI to follow up with potential clients. The program delivered AWI 128 new leads during the financial year.

With connection to Woolmark's customer relationship management (CRM) database, along with the ability to provide better connection with trade customers at trade shows, the Woolmark Mini Program is being broadly used in trade-facing activities to better inspire and educate the core users in the industry of wool, textile and fashion in Chinese market. The program also continues to deliver functionality for online tradeshow.

The first volume of a new online webinar series delivered through the Woolmark Mini Program on WeChat was filmed at Shanghai Donghua University.

PARTNERED INNOVATION

Through R&D and technology transfer, AWI assists manufacturers to adopt innovative technologies that add significant value to their wool products.

INNOVATION AND NEW OPPORTUNITIES

Throughout the COVID-19 pandemic, AWI has received interest by machinery companies to innovate with wool in existing markets such as menswear, womenswear, sports and outdoor. Interestingly, due to the pandemic, new market opportunities have been identified in commuter wear, workwear, health & safety and accessories. Leading machinery companies continue to show interest in collaborating and innovating directly with AWI's global technical team and push innovations directly to designers and brands. Sustainable processes and practices are a growing point of discussion.

Fashion outerwear knitting technologies in wool have been developed and are now commercially available (see below). In addition, as a result of global personal health safety concerns due to COVID-19, opportunities have accelerated for product development in commuter wear and protective wear such as face masks, cycle garments and accessories.

Lifestyle products have also become relevant such as for walking and hiking, yoga, loungewear and interiors. Supply chain manufacturing partners continue to show keenness to work directly with AWI's technical team to progress developments.

Footwear remains a key focus and growth area for wool with manufacturers and brands realising the potential for growth, as key consumer groups recognise the great benefits and comfort of wearing wool footwear.



Men's and women's prototype seamless cycling garments.

SEAMLESS MERINO CYCLING KIT

Two new innovative prototype collections of cycling garments, developed by AWI in collaboration with industry partners, illustrate the full potential of Merino wool used in technical seamless performance apparel.

The two collections, one comprising cycling garments for women and the other for men, were developed using Merino wool yarns from Südrolle Group and knitted on state-of-the-art knitting machines from Santoni.

The fabrics in both collections benefit from Merino wool's superior softness, breathability, moisture management, elasticity and odour resistance.

When combined with the latest technological advancements in yarn development and knitting technology, the Merino wool provides the garments with superior comfort, durability and performance for the modern cyclist.

The women's seamless cycling garments were developed by AWI in collaboration with innovative knitwear designer studio Studio Eva x Carola. The collection comprises a cycling bib, jersey, arm-warmers and socks.

The men's garments, which comprise a cycling jersey and short, were developed by AWI in collaboration with Hong Kong-based company Chemtax, pairing Merino yarn from Südrolle Group with Fulgar's bio-based EVO® yarn.

TAILORED MERINO WOOL KNITWEAR – FOR PEOPLE ON THE GO



With the aim to create new commercial opportunities for wool, AWI and industry partners have developed a modern new look for suiting, using knitwear technology rather than woven fabrics.

AWI has collaborated with knitting machine company Shima Seiki Italia and three Merino wool yarn manufacturers in Italy – Filati Loro Piana, Tollegno 1900, and Zegna Baruffa Lane Borgosesia – to create a 'first of its kind' capsule collection that offers a new interpretation of tailoring by using an innovative form of knitwear.

Titled 'Wool To Go - Tailored Knit', the collection comprises three outfits that provide a modern and urban take on the classic formal look using knitted fabrics, rather than traditionally used woven fabrics. The garments are a showcase of the latest knitting technology from Shima Seiki as well as Woolmark-certified Merino wool yarns.

The fabrics have a 'double face' structure comprising two layers of knits, the first made using Merino wool yarn which provides a beautiful texture and luxurious touch, and the second made using a TPU Evolution® yarn, from Italian company CoatYarn SRL, which provides a 'peach-like' touch. The result is a garment that is more rigid, yet elastic and soft to touch.

3D PRINTING ON MERINO WOOL

Three-dimensional (3D) printing is the latest big innovation in textile design and manufacturing, with the world of high-end fashion showing significant interest in 3D printing directly onto base fabrics.

The latest 3D printing technology is also very suitable for use on fabrics made from Merino wool and could open up new opportunities for the fibre.

Designers can combine the aesthetic freedom of 3D printing while maintaining the supreme comfort, wearability, and natural performance of Merino wool and wool blend fabrics.

3D printing directly onto a base material of Merino wool enables endless new visual possibilities, dynamism and movement.

Today's 3D printing technology produces microscopic accuracy. Designers have complete freedom to create as complex shapes and textures as they desire, with intricate details and

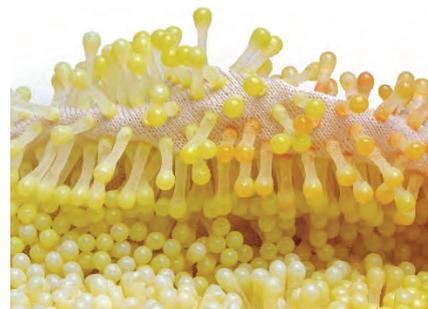
delicate decorative features, and the widest variety of colours.

D-house, urban laboratory by Dyloan, has been researching and applying 3D printing technology on Merino wool and wool blend knits.

To show the versatility of the possible applications, the company undertook a 'Knitting the future - 3D printing meets Merino wool' project in collaboration with AWI and manufacturer of 3D printers, Stratasys.

The project involved three international designers and four students from the Royal College of Art in London creating 3D printed designs on Merino wool knitwear that were produced at Dyloan's production facility Bond Factory.

The project was supported by yarn suppliers Manifattura Sesia, Tollegno 1900, Zegna Baruffa Lane Borgosesia, Südwolle Group, CoatYarn, Expotex and Fulgar; and knitters Alessandro Simoni, Artemaglia, Effebi, Mas, Miles and Ribknit.



3D printing by Royal College of Art student Katharina Dubbick (top) and London-based knitwear designer Laura Theiss (bottom).

PROGRAM HIGHLIGHTS

RETAIL EDUCATION

Education and training of retail brands, who are key to influencing and providing customers with confidence to purchase wool products, ultimately results in increased sales of wool products.

BRAND AND RETAILER TRAINING

The Retail Education program serves to educate designers, merchandisers, sourcing teams, marketing teams and floor staff about Australian wool.

It is often the knowledge and expertise of the customer-facing retail staff that gives consumers the confidence to make the purchase.

Consequently, AWI has been working with many of its retail partners to help educate their sales staff about the natural properties and benefits of wool, so they can advise the consumer more appropriately.



The online Wool Appreciation Course was delivered for brands and retailers across the world, including to 63 managers of the Benetton Group in Turkey in November 2020. Pictured is a Benetton store in Istanbul. PHOTO: Benetton Group

Sales staff of
21
global brands and
retailers educated

Despite the challenges of COVID-19, the delivery of retail training continued throughout 2020-21, with most of the training undertaken remotely (online).

Under the COVID-19 circumstances, especially across the challenging retail landscape, the retail training results were still positive and exceeded expectations, with 21 brands and retailers trained this year, exceeding the target of 10.

With consumers across the world spending more time online, they are becoming very well-informed and interested in the attributes and source of products they are considering to

purchase. As a result, there has been a stronger demand from retailers for more tailored training – learning on a deeper level about products and services.

The online Woolmark Learning Centre (see page 41) is also being promoted to and utilised by brands and retailers; it is proving to be very popular.

TRADE EDUCATION

With the COVID-19 pandemic drastically limiting face-to-face meetings along the supply chain during the year, we have explored and implemented new digital ways to promote Australian wool.

TRADE SHOWS

In a normal year, AWI's subsidiary The Woolmark Company would exhibit at about 20 international trade shows to showcase its new product developments and The Wool Lab to brands and retailers and educate them about the benefits of wool.

However, 2020/21 was not a normal year due to the global pandemic. Most trade shows across the world at which The Woolmark Company would have normally exhibited were either cancelled, held in a digital format, or held as a hybrid show (digital + physical). Some tradeshows that transitioned to digital platforms were more effective than others.

Despite the disruption, The Woolmark Company did 'attend' several trade shows during the year, most notably the Pitti Connect digital trade show (see box right). Although few, these events have provided an important source of leads for continual business development as well as the opportunity to support our trade partners.

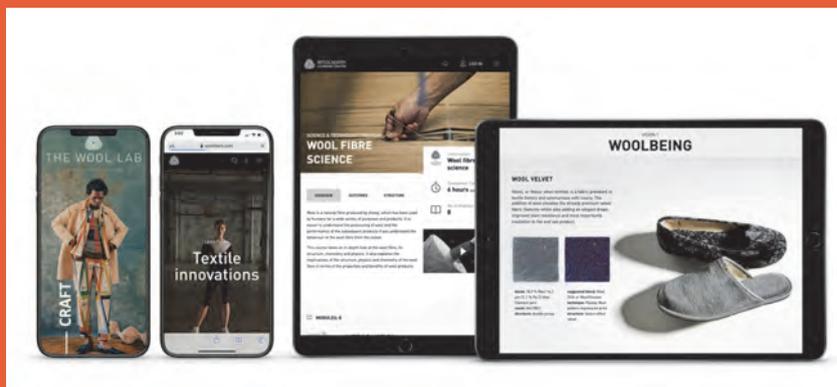
While some trade shows have now resumed as physical trade shows, restrictions on international travel have resulted in much lower attendances than normal. The Woolmark Company is continually monitoring the situation and will resume full presence at physical trade shows when appropriate.

The Woolmark Company is constantly reviewing its strategies and implementing new approaches to educate and support trade, such as hosting webinars with industry partners. The Changing Gears with Merino webinar which discussed the new seamless cycling development (see page 37) is an example.

In the meantime, and during 2020/21, The Woolmark Company has pursued the most relevant digital engagement opportunities and evolved its support framework to ensure supply chain partners had digital access to:

- Product development and innovation, via the company's technical team and the The Wool Lab Vision (see following section)
- Sourcing, via the company's technical team, global sourcing guides and the new digital format of The Wool Lab (see following section)
- Supply chain connections and partnerships
- Education, via the Woolmark Learning Centre (see page 41) and retail training (see page 38).

THE WOOLMARK COMPANY JOINS THE FIRST DIGITAL PITTI IMAGINE TRADE SHOW



For the first time, The Woolmark Company attended a digital trade show, Pitti Connect, to offer the textile industry its digitally available support, innovation offering and education. Launched in July 2020, Pitti Connect is the first digital trade show of textile trade show organiser Pitti Imagine.

The Woolmark Company provided digital presentations and private webinars for The Wool Lab Vision Autumn/Winter 2021/22. Through the Pitti Connect industry conversations series, the company also provided exclusive insights into the future of the wool textile industry and offered the supply chain first-hand knowledge from leaders in the textile and fashion industry.

The Woolmark Company's digital presence, through which it achieved more than a quarter million visitors, enabled it to connect with new brands and manufacturers who may not have had the opportunity in the past to visit the company's physical stand.

THE WOOL LAB GOES DIGITAL

As a result of the COVID-19 pandemic, production of The Wool Lab Autumn/Winter 2020/21 edition was put on hold due to the restrictions in the textile industry including the inability to meet with retailers/brands and the cancellation of global trade shows.

To continue to support the wool supply chain and encourage new product opportunities during this difficult time, The Wool Lab strategy evolved with the addition of two new digital resources:

1. The Wool Lab Vision

The Wool Lab Vision is a digital tool that aims to show the entire textile supply chain the future of wool. It focuses on innovative yarns, fabrics and processes with a view to provide greater inspiration and to stimulate new partner developments.

Not everything in The Wool Lab Vision is currently commercially available. Rather, it allows brands and manufacturers to showcase the latest technologies, and the diversity and potential of the fibre in apparel and lifestyle products.

It also helps designers to collaborate with AWI and work back through the supply chain to innovate with wool and turn their concepts into reality.

The Wool Lab Vision (available on Woolmark.com) received nearly 3,000 page views during the year. These figures are the result of outreach by AWI staff to their existing networks, and the result of online engagement through digital tradeshows, and a campaign on LinkedIn.

2. The Wool Lab Digital

The Woolmark Company launched in February the first edition of The Wool Lab Digital, a brand-new online platform for its respected wool fabric and yarn sourcing guide, which was developed in response to the changing needs of today's market environment.

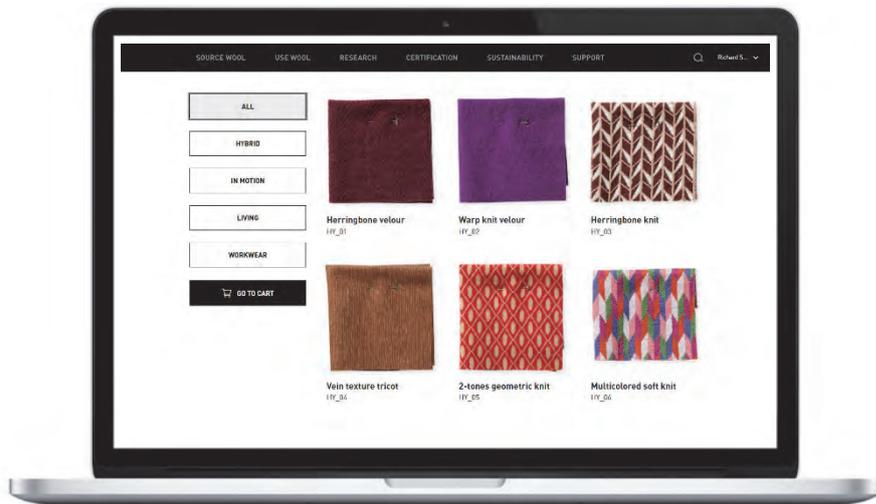
It is a digital guide to the best commercially available wool fabrics and yarns, created in collaboration with the most innovative and quality-oriented spinners, knitters and weavers from across the world.

Market changes imposed by the global COVID-19 pandemic – such as the cancellation of trade shows, widespread lockdowns and greatly reduced face to

face meetings - meant that The Woolmark Company had to quickly adjust and find new ways to connect and strengthen global supply chain partnerships.

While the structure and functionality of The Wool Lab has been adapted digitally to the times we are living in, the core of The Wool Lab remains the same. The Wool Lab Digital has received nearly 6,500 page views.

As well as being in a new online format, The Wool Lab Digital has identified four new market trends and product innovations that are most relevant to the current unique global situation. Through these four macro-trends, Merino wool reaffirms its position as the ultimate ingredient for both urban and active wear, but also for leisure wear. Two of the macro-trends were released on the platform in February (Hybrid and In Motion), with the remaining two released in June (Living and Workwear).



The Wool Lab Digital. Extending The Wool Lab into the digital space has enabled designers, buyers and sourcing teams to continue to connect with known suppliers and discover new, global suppliers, strengthening supply chain partnerships which is imperative within our industry.

PROGRAM HIGHLIGHTS

STUDENT EDUCATION

Seminars, courses, competitions and online resources are promoted and held globally to educate and inspire future generations about the attributes and benefits of Australian wool.

WOOL4SCHOOL

First launched in 2012, AWI's Wool4School fashion design competition has now involved about 150,000 students in four countries across the world (Australia, Hong Kong, UK, Italy). Participation in Wool4School increased greatly this year with nearly 30,000 registrations globally.



Wool4School Australia's Aspiring award winner Simran Prasad had her 2020 winning design turned into reality.

The new www.wool4school.com website is showing positive engagement for teachers and students to support online and blended learning environments due to COVID-19.

Through the competition, students not only learn the fundamentals of design but also explore the benefits and versatility of wool. The design project is planned carefully to fit within teachers' class work, whether for online learning or face-to-face lessons.

30,000
students involved in
Wool4School globally
in 2020/21

Now in its tenth year in Australia, the Wool4School design competition builds knowledge about Australian Merino wool among the nation's school students. It is open to all Australian school students from years 7 to 12, allowing all high school students to explore the versatility of Australian Merino wool and gain insights into the fashion industry.

The competition was extended overseas in 2015 to Hong Kong and subsequently to the UK and Italy.

LEARN ABOUT WOOL

Complementing AWI's Wool4School fashion design competition, AWI's Learn About Wool website (www.learnaboutwool.com) and kits, tailored to both primary and high school teachers and students, continued to offer a flexible and interactive range of resources that can easily be incorporated into everyday classroom activities.

Participation in the Learn About Wool primary and secondary education program this year exceeded its annual target by 63%.



Carlingford West Public School students in western Sydney using AWI's Learn About Wool resource kit in their classroom this year.

TERTIARY EDUCATION

Explaining the attributes, benefits and versatility of wool to textile and fashion students in the early stage of their careers is an important component of AWI strategy.

With a reduction in AWI budgets and the impacts of the COVID-19 global pandemic, delivery of the tertiary education programs switched to online learning experiences during 2020/21, ensuring global student engagement continued.

8,071
tertiary students
participated in wool
educational activities
during 2020/21

The Naturally Inspiring global seminar program continues to be the key driver for engagement with fashion and design students globally, but this year the seminars have been held online. They continue to build AWI's engagement with the next generation of decision makers.

Importantly, the seminars aim to provide the students with a knowledge of and connection with Australian wool which will stay with them as they progress through their careers.

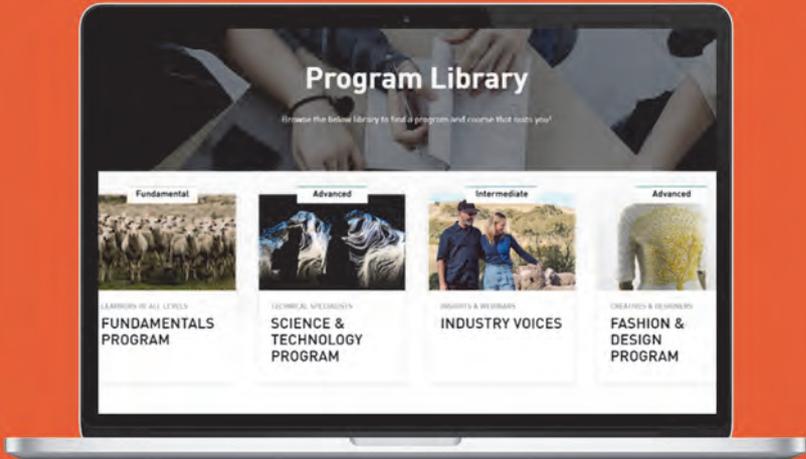
From February to April, AWI hosted 21 Naturally Inspiring online seminars, in conjunction with leading fashion and textile universities. The seminars attracted 2,304 attendees across all sessions:

- Japan – six seminars, held in conjunction with the leading yarn trade show, The Bishu.
- India – four seminars.
- Turkey – five seminars.
- UK/EU & USA – one standalone seminar each.
- Australia/New Zealand – four seminars.

Broadly, the content of the seminars covered Australian wool's provenance from farm to fashion, the fibre's benefits and place in contemporary fashion and textiles, the latest wool innovations and technologies, and the importance of sustainability in the industry. However, the program for the seminars was tailored to suit the requirements of each country.

The Naturally Inspiring seminars are complemented by AWI's other educational activities, such as the nine Wool Performance Challenge webinars held during the 2021 competition, attended by a further 717 students – see page 46.

WOOLMARK LEARNING CENTRE



With there never being a better time to learn online, the Woolmark Learning Centre is proving to be very popular for professionals and students all along the textile supply chain across the world, with the platform achieving more than 854,000 page views to date.

The Woolmark Learning Centre is a free web-based hub that houses free world-class educational resources about wool for learners at all levels, including those entering the global textile industry as well as those already in it.

The site, available at www.woolmarklearningcentre.com, was officially launched in December 2019, and up to 30 June 2021 there have been more than 12,000 registrations with 3,365 course completions. In 2020/21, there have been 552,000 page views, 5,620 registrations and 1,919 course completions.

The platform continues to evolve with new course content being added, such as the 'Knitwear design and make' course launched in November 2020.

5,620
registrations
in 2020/21

552,000
page views
in 2020/21

While the Woolmark Learning Centre was developed in response to the global shift in education towards agile, self-paced, digital learning, the suspension of so much face to face schooling in countries across the globe due to the COVID-19 pandemic demonstrates how important platforms such as the Woolmark Learning Centre now are for education.

The Woolmark Learning Centre is optimised for use on a smartphone and tablet, as well as a desktop or laptop computer, and is available 24 hours a day, seven days a week, wherever and whoever you are in the world. The platform allows learners to complete courses specific to their needs, at their own pace.

In China, the seven core units of the wool processing course were delivered to textile engineering students at Yantai-Nanshan University, which has close connections with the Nanshan Group, one of the biggest weavers of wool in China.

In March this year, 81 textile engineering students from the University were awarded certificates for the successful completion of courses in 2020 (see right).

Components of the wool education program are also delivered at other Chinese universities, including Jiaying University, which has strong ties with Xiniao, one of the biggest spinners in China.



Certificates awarded to one of the Yantai Nanshan University students, Ms SONG Di, pictured with AWI's Dr Allan De Boos online.

QUALITY CONTROL

The Woolmark Quality Control program operates to maintain the position of the Woolmark licensing program as a quality assurance mark through the supply chain.

The Woolmark logo is world-renowned and the most recognised label for textile product quality in the textile industry.

To protect the integrity of the Woolmark Licensing Program, The Woolmark Company runs a Quality Control Program through which the company locates and purchases samples bearing one of the Woolmark logos. The Woolmark Company then:

- reviews the use of the logo for compliance with the Woolmark brand guidelines
- submits the sample to an authorised laboratory for testing

against relevant Woolmark specifications

- follows up with the Woolmark licensee to address and correct any failures or misuse of the logo
- refers misuse of the logo by non-licensees to the AWI Legal team to address.

During the 2020/21 financial year, 387 Woolmak-branded product samples were purchased across the world and then processed through the Quality Assurance Program to maintain the integrity of the Woolmark brand.



The Woolmark Quality Control Program ensures the integrity of the Woolmark brand.

LICENSING

Woolmark licensees are integral in the supply chain in terms of creating quality products that are able to be labelled for sale by retailers and brands throughout the world.

The Woolmark brand is owned by The Woolmark Company, a wholly owned subsidiary of AWI - and hence by Australian woolgrowers. It is one of the world's most recognised textile fibre brands and provides consumers with guaranteed fibre content and an assurance of quality.

The Woolmark logo provides an independent quality endorsement on products, thereby providing differentiation in the marketplace.

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.

Woolmark Licensing Program updated

The Woolmark Licensing Program has been updated this year to give retailers and brands greater access to the program, ensuring the iconic Woolmark logo is seen by a greater number of global consumers.

By providing quality assurance to more customers, the program ultimately aims to increase the demand for Australian wool.

Key modifications to the program developed during the year included:

- From July 2021, retailers and brands will be awarded certification as long as at least one part of their supply chain is licensed. Brands and retailers are responsible for additional testing of their garments/products to gain certification where a complete supply chain is not licensed.
- From July 2021, removal of the licensing fee for retailers and brands.
- From July 2021, supply chain partners will still be required to pay an annual license fee of US\$7,500 however this one-off fee will now allow access to the full suite of Woolmark certification logos
- Removal of the application fee for new licensees from Nov 2020.
- Due to many companies suffering reduced sales due to the COVID-19 pandemic, all licence fees were reduced by 50% for current and new licensees until July 2021.

A new digital portal will allow licensees to self-manage administrative processes, while offering access to marketing assets, market intelligence and a consolidated suite of certified logos to reinforce brand awareness.



PURE NEW WOOL



WOOL RICH BLEND

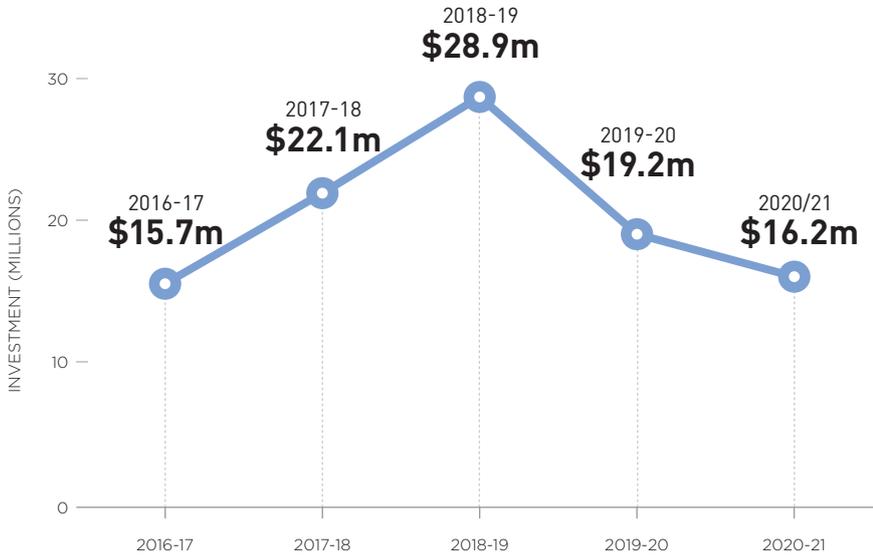


WOOL BLEND PERFORMANCE

MARKETING

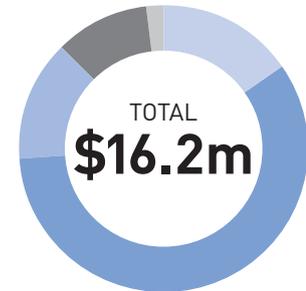
Portfolio objective: To continue to build demand for Australian wool by reinforcing its position in the market and solidifying a strong price to ensure a sustainable future for Australian woolgrowers.

INVESTMENT OVER TIME



Information provided before 2019-20 fell under AWI's previous strategic period. Numbers included for comparison are indicative only.

2020/21 INVESTMENT BY PROGRAM



- \$2.5m Brand Partnerships
- \$9.5m Fibre Advocacy - Consumer
- \$2.2m International Woolmark Prize
- \$1.7m Fibre Advocacy - Trade
- \$0.3m Woolmark Performance Challenge

Program highlights for the Fibre Advocacy - Trade program are included in the Trade Education section on page 39.

ANNUAL PLAN TARGETS

15 TARGETS



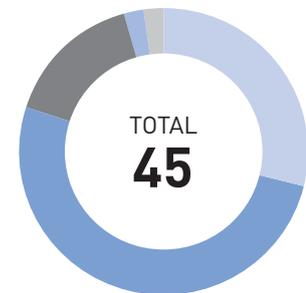
See Appendix C for complete list of performance against Annual Plan targets.

EXAMPLES OF KEY PARTNERS

- Edition
- ICICLE
- Prada
- Ben Simmons Family Foundation
- Castore
- JNBY
- Farfetch China

See page 14 for further information on Collaboration.

PROJECTS COMPLETED



- 13 Brand Partnerships
- 23 Fibre Advocacy - Consumer
- 7 Fibre Advocacy - Trade
- 1 International Woolmark Prize
- 1 Woolmark Performance Challenge

MARKETING HIGHLIGHTS



The **Luna Rossa Prada Pirelli** partnership garnered **\$31.3m** in earned media value and **\$8.5m** worth of Woolmark brand logo exposure



FY21 saw a **46% increase** in video views (42M in total) and a **5% increase in engagement** across platforms



The **China Treasure Wool A/W21 campaign** achieved a **60% increase** in purchase intent for Merino wool



321% increase in Wool Performance Challenge webinar attendees learning about wool's qualities

INTERNATIONAL WOOLMARK PRIZE

The International Woolmark Prize is designed to generate long term incremental demand by connecting the world's most promising emerging designers with the wool supply chain.



INTERNATIONAL
WOOLMARK PRIZE

WHAT IS THE INTERNATIONAL WOOLMARK PRIZE?

Relaunched in 2012 by AWI's marketing arm, The Woolmark Company, the International Woolmark Prize generates long-term demand for Australian Merino wool.

The awards and talent development program serves as the cornerstone for The Woolmark Company's global fashion and positioning strategy, connecting supply chain partners and educating the future generation of designers, global buyers and media on the unique properties of Australian Merino wool.

The program runs across an 18-month cycle and provides designers with education, mentorship, networking opportunities, early-stage funding, global wool supply chain access and commercialisation.

The prize has connected more than 600 of the world's leading fashion designers with Australian Merino wool since its relaunch, creating business opportunities and an alumni network of life-long Australian wool advocates.

The phenomenal interest in the award from fashion communities and media globally has helped put wool back on the agendas of a broader range of fashion designers, manufacturers, brands and retailers, and consequently into retail stores for consumers to purchase.

The competition's alumni (designers and judges) go on to take leading roles within the industry and are imbued with a love of wool that often translates into their subsequent collections being wool-rich and setting global textile trends for mainstream retail brands. For example, in 2020, 2016/17 womenswear winner Gabriela Hearst, was appointed as Creative Director at luxury fashion house Chloé.



Models wearing Merino wool garments by IWP 2021 finalists, Matty Bovan (Centre) and LECAVALIER, for the finalist collection reveal film - Passage - directed by Solange Knowles for creative agency Saint Heron.

IWP 2021 OUTCOMES

- Six designers presented transparent collections for Autumn/Winter 2021 made up of 70% Merino wool. All six designers are progressing to commercialisation with Woolmark certification branding.
- The prize's mentoring and education program, the Innovation Academy, reached more than 3,000 emerging designers and industry, building lifelong advocates of Merino wool.
- Due to COVID-19, the final event was replaced with a fully digital experience including the release of a short film and online judging moment. The digital strategy increased the global reach of the prize achieving 960 press clippings and reaching an audience of 1.3 billion.
- 851 new business leads were generated including designers, media, retailers, and trade partners.
- The prize continues to garner support from industry tastemakers including model Naomi Campbell, celebrity musician and artist Solange Knowles, Grammy Award-winning artist Dionne Warwick and actress and model Dominique Jackson.
- The inaugural Woolmark Supply Chain Award was presented, celebrating outstanding contribution from a trade partner to drive awareness for wool supply chain innovation.

TALENT SCOUTING THE NEXT GENERATION OF LEADERS

An expert Advisory Council made up of leaders of industry nominated six finalists (reduced from 10 due to COVID-19 impacting the number of stable emerging designer businesses) for this year's award - selected from more than 380 online applicants from 55 countries.

The six designers were supported by The Woolmark Company's Innovation Academy - a fast-track mentoring and

education program helping brands with product research and development, sustainable business growth and implementation of environmental best practices. For the first time, the program was extended to IWP alumni and industry servicing more than 600 global emerging designers with access to the program's 45 trade partners and eight industry partners.

Each finalist received support for the development of a Merino wool capsule collection made up of 70% Merino wool. The finalists presented their wool looks as a part of their Autumn/Winter 2021

collection presentations during international fashion weeks, putting wool on the agenda of fashion media.

Each finalist created a sustainability roadmap in partnership with Innovation Academy partner Common Objective, continuing to position the program as the world's "greenest fashion prize".

This talent development program generates long-term demand for Australian Merino wool by increasing the knowledge of and lifetime loyalty to the fibre amongst designers and alumni. In a survey of IWP alumni in 2020, 77% of designers stated they were wool advocates.



“The IWP gave us this moment to really dig, to take time to research and develop a new way of working with wool as we know it.”

Marie-Ève Lecavalier,
IWP 2021 Finalist

INCREASING AWARENESS OF AUSTRALIAN MERINO WOOL

This year, the International Woolmark Prize focused on the theme 'Less is More', celebrating slow and responsibly produced fashion and craftsmanship, with each Merino wool garment telling a story and shining light on the supply chain.

The Woolmark Company partnered with Saint Heron, the multidisciplinary platform, studio and creative agency established by Solange Knowles, to conceptualise a short film to present the finalists and their Woolmark Prize collection looks to a global trade and consumer audience. The film was supported by a paid social strategy and amplified by noteworthy talent featured in the film including artist Dionne Warwick and actress, model and author, Dominique Jackson.

The 2021 International Woolmark Prize saw United Kingdom designer, Matty Bovan, take home both the International Woolmark Prize and Karl Lagerfeld Award for Innovation, making the second time in the IWP's modern iteration that one designer has been awarded the two prizes. The

HIGHLIGHTS OF THIS YEAR'S AWARD

4.7 billion
total media reach
(14% increase YoY)

- Total Media Clippings: 2,035 (on par YoY)
- Total Media Value: \$14.3B (up from \$12.8M in 2020)
- Final Event Earned Social Clippings: 527 (up 27% YoY)
- Woolmarkprize.com page views: 329,023 (up 4% YoY)
- Owned social media impressions: 47.7M (up 35% YoY)
- Owned social media link clicks: 70k (up 76% YoY)
- Owned social media engagements: 8M (up 852% YoY)



“I was drawn to the project because of how the International Woolmark Prize, Solange and Saint Heron would champion the creative expressions of the finalists in this visionary film.”

Dionne Warwick, Actor

announcement was released via social media and a global media strategy.

IWP 2021 saw the introduction of the inaugural Supply Chain Award, awarding the outstanding contribution made by a trade partner. The inaugural award was presented to the Nanshan Group. Innovations in Merino wool makes Nanshan a leader in the industry and offers infinite possibilities for wool fabrications. The China-based manufacturer has a long-standing relationship with the International

Woolmark Prize and works in close collaboration with finalists to bring their vision to life.

The program continues to garner the support of industry leaders and ambassadors who support with amplification of the prize across their social platforms and mentoring of the finalists through the Innovation Academy. Ambassadors included model, activist, businesswoman Naomi Campbell, *Business of Fashion* Editor-at-Large, Tim Blanks, Founder CR Studio and *CR Fashion Book* Carine Roitfeld and designer Thom Browne, among others.



“It is my pleasure to support the International Woolmark Prize. Now more so than ever, in these incredibly challenging times for our industry, we must continue to support and nurture the emerging voices in fashion design.”

Naomi Campbell, Model

INCREASING SALES OF MERINO WOOL

Despite retail sales being impacted industry-wide as a result of the COVID-19 pandemic, the collections of all six finalists will be commercialised from September 2021, through 118 retailers worldwide which is a 6% increase from last year. The retailers include some of the world's most prestigious e-commerce platforms and boutiques such as FARFETCH, MatchesFashion, Browns, Moda Operandi, SSENSE and Bergdorf Goodman.

Reported orders by retailers (available at the time of this report, for five of the six designers) are:

- 3,400 wool units sold (53% increase YoY)
- A\$1,477,968 wholesale value (67% increase YoY)

The designers will share key information about the garments' traceable supply chain via NFC Chips from partner Blue Bite (see page 36).

More information
www.woolmarkprize.com

WOOLMARK PERFORMANCE CHALLENGE

The Woolmark Performance Challenge is designed to develop innovative new product applications for Merino wool within the sports and performance market.

The Woolmark Performance Challenge (WPC) is an annual competition for tertiary students from across the world to develop innovative new product applications for Merino wool within the sports and performance market.

Launched in 2018, the WPC aims to really push the limits of product innovation by inspiring students from a wide range of specialisms - including science, technology and design - to harness the unique natural properties of Australian Merino wool.

1,475
student registrations

AWI's ultimate aim is for the initiative to increase the demand for Australian Merino wool in the activewear sector, the fastest-growing sector of the global textile business.

The partner for the 2020 competition was Norwegian-based outdoor apparel company Helly Hansen, while in 2021 the partners are Swiss running shoe and apparel brand On and Italian mountain equipment brand SALEWA. By

engaging with such high-profile industry partners and showcasing to them the possibilities for forward thinking Merino wool innovations in the sports and performance market, AWI encourages these brands to think more about Merino wool for their own product ranges.

During the competition, the tertiary students from across the world are provided with an extensive range of educational resources about wool to not only arm them with information to assist in their competition entry, but to also encourage and inspire them to think about wool in their future careers.

Due to the COVID-19 situation, the education focus has been on webinars by industry experts and sportspeople (including Olympic gold medallists), with nine webinars held during the 2021 competition attended by 717 students, and a drive to ensure participants complete courses on the Woolmark Learning Centre (see page 41).

There were 338,861 views of webpages on the WPC website during the 2020/21 year, which is more than double the views of the previous year (2019/20: 153,828).

Registrations and submissions have continued to grow year-on-year (see table right).



Carly Conduff of the University of Oregon, USA, was one of the three winners of the 2020 Woolmark Performance Challenge.

Registrations and submissions

	2020	2021
Individual student registrations	1358	1475
Education institution registrations	119	137
Individual submissions	352	419

More information
www.woolmarkchallenge.com

FIBRE ADVOCACY

Continuing to build on the direct to consumer global strategy initiated in 2018, AWI highlights the technical and environmental benefits of Australian wool.

WOOL FACE MASKS

The continuing global coronavirus pandemic means that wearing face masks continues to be prudent, if not compulsory, for a majority of people across the world including Australia.

With hundreds of millions of people across the world now wearing face masks every day, AWI has been promoting how wool face masks offer a protective covering and a natural alternative to single use synthetic face masks.

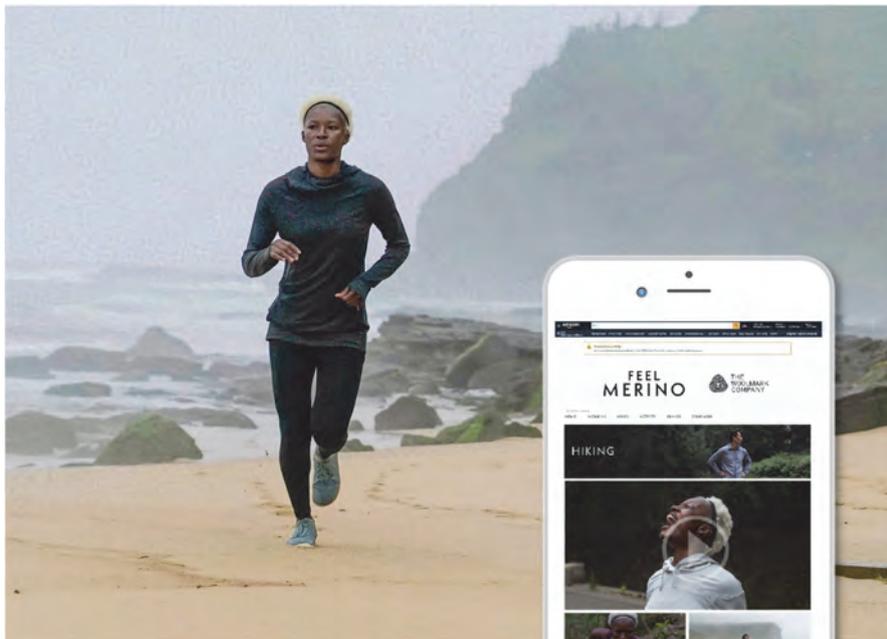
Face masks made with Merino wool provide the wearer with a reusable mask that is soft and comfortable, breathable and washable. They can be worn again and again, provided they

are washed correctly after each use. And unlike, disposable synthetic masks, wool is a 100% biodegradable fibre and will decompose when they are eventually disposed of.

Many brands across the world, including Australia, have produced face masks that incorporate some or 100% wool. The Woolmark website features 25 different wool face masks. Head to www.woolmark.com/facemasks to view the facemasks and how to purchase them.

One of AWI's supply chain partners in Europe, Südvolle Group, launched two new face mask designs in a multi-fibre blend containing Merino wool. They are reusable, washable and made for daily use - see image right.





This image (above) is from the Feel Merino campaign video which was shown across The Woolmark Company's digital and social channels, plus on e-commerce giant Amazon.com. The Woolmark Company's Feel Merino store on Amazon.com (right) made it very easy to find commercially available Merino wool products for each consumer's preferred sporting activity.

FEEL MERINO CAMPAIGN

AWI's Feel Merino marketing campaign that was launched in November 2020 in the US succeeded in increasing US consumers' awareness of Merino wool as a natural fibre that is soft on the skin and ideal for sports and outdoor pursuits and, importantly, drove increased sales of Merino wool products.

Results show the campaign proved popular:

- 144 million impressions
- 10 million video views
- 277,000 Merino wool units sold
- \$15.5 million Merino wool sales
- 12.5% uplift in awareness of Merino wool and The Woolmark Company.

277,000

Merino wool units sold

The Feel Merino campaign was developed by AWI's marketing arm The Woolmark Company to help put an end to the mistaken perception amongst the average US consumer that wool is "warm and itchy" and only suitable for very traditional (ie non-sport) sectors.

Instead, the campaign created a new narrative for Merino wool as a hard-working, but always soft, performance fibre – the campaign's message being: "Soft on your skin no matter the challenge, Mother Nature knows best with Merino wool."

A key element of the Feel Merino campaign was to drive purchases of commercially available Merino wool performance wear on e-commerce giant Amazon.com. Consumers viewed the Amazon partner pages 8.4 million times with more than a quarter of a million units of Merino wool products sold.

Shot in NSW, the campaign's story of Merino wool was told through the people who wear it: the iconic Australian woolgrower (featuring Dave Ward of 'Spring Ponds' near Goulburn) and the everyday athlete. The two were presented in parallel, showing that woolgrowers have days as physical and exacting as athletes.



“it's an exciting campaign which should have good cut-through to the US consumer – an increasingly important market for our fibre.”

Dave Ward, Woolgrower,
Goulburn NSW

MOVE IN MERINO CHALLENGE ON **STRAVA**

The Woolmark Company held two 'Move in Merino Challenges' on the exercise-focused social networking platform Strava, in November 2020 and April 2021. The community engagement initiative encouraged consumers to exercise wearing Merino wool, driving sales of brand partners' products and building its community of active-minded Merino wool ambassadors.

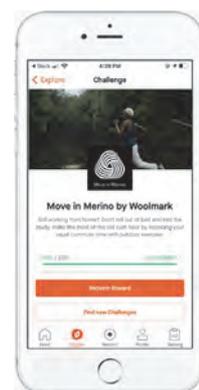
Especially popular with runners and cyclists, the Strava website enables users across the world to upload their fitness activity. They can compare their performance over time, compete with their community, and share the photos, and highlights of their activities.

375,000
participants

Participants in the two challenges were tasked to undertaken 20 and 28 hours of activity respectively during a month, which once completed enabled them to access exclusive discounts from top Merino wool performance wear brands including Aclima, ashmei, FUTURUM, Iffley Road, Isadore, Minus33, Tracksmith, Unbound Merino, Vivobarefoot thereby encouraging consumers to purchase and exercise in Merino wool products.

Together the two challenges involved:

- 375,000 participants
- 9 million active hours
- 101 million miles covered
- 8,580 new Woolmark Strava club members
- 32½ million total website impressions



MARKETING THE ECO BENEFITS OF WOOL



As consumers become increasingly environmentally aware, they are using purchasing power and social media to encourage brands and retailers to prioritise the environment.

AWI and its marketing arm, The Woolmark Company, has a strong focus on producing marketing collateral that promotes Australian wool as eco-friendly, positioning it as a future-proofed fibre that reflects the changing consumer priorities.

The Woolmark Company's consumer marketing channels include 'always on' programming and the eco-benefits of wool are a key focus of this content.

Since 2020, eco content has been the best performing and most engaged content across its consumer platforms, with more than 2.5 million social media impressions and a reach of nearly 900,000, driving 12,000 visitors to eco content on Woolmark.com. The highest performing single post garnered more than 25,000 engagements demonstrating that sustainability messaging and wool's eco benefits are resonating strongly with a global Millennial audience.

As governments mobilise to turn eco-ambitions into legislation, the demand for sustainable products from consumers and industry is gaining significant momentum. Competitive fibres are aggressively pursuing environmental positioning strategies which pose a direct risk to wool's market share as synthetics greenwash their way around fundamental flaws in their claims.

The Woolmark Company has recently been working on an impactful 360-degree consumer campaign that will launch in November 2021 – targeting US, UK and European Millennials – that will educate the consumers on the eco benefits of choosing Merino wool and encourage them to question greenwashing from fossil fuel-based fibre brands.

The Woolmark Company is also working on a campaign to urge the European Commission to revise the methodology of its Product Environmental Footprint scheme (see page 58) to create a level playing field for wool and other natural fibres.

Sustainability toolkits and resources developed in 2020/21 for the supply chain and trade include:

1. Wool: a sustainable solution: Summarising wool's eco-credentials, this toolkit outlines the challenges faced by the textile and fashion industry and offers wool as a solution. The toolkit includes details of how wool aligns to the UN Sustainable Development Goals, the circular characteristics of the wool fibre, the latest innovations that reduce the environmental impact of wool textile manufacturing, and opportunities in traceability and circularity with wool.



The Woolmark Company's new 30-page 'Wool: a sustainable solution' booklet.

2. How garment choice can reduce environmental impacts:

Off the back of the latest use-phase study funded by AWI, this toolkit details how consumers can reduce the environmental impacts of the wool clothes they buy and educates designers and brands on how they can design wool clothing to help consumers reduce their impact. Drawing on circular design principles and the natural eco-credentials of wool, this toolkit provides step-by-step and science-backed solutions to reduce the environmental impact of wool garments.

3. Traceability toolkit: the wool supply chain:

Sourcing traceable wool is a high priority as it provides an opportunity to showcase the environmental, ethical and sustainable characteristics of a wool supply chain. To support the AWI traceability program, this toolkit provides an introduction to wool supply chain traceability and information on the steps to take to initiate a traceable supply chain.

CAMPAIGN FOR WOOL



The Campaign for Wool, initiated in 2010 by its patron His Royal Highness The Prince of Wales, raises awareness amongst consumers about the unique, natural, renewable and biodegradable benefits offered by the fibre. The initiative continues to encourage collaboration between an international community of woolgrowers, major fashion designers, retailers, manufacturers 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 hardwood interior products for the home.

The Campaign's 2020 Wool Week in the UK showcased the results of a year-long student design competition, bringing together leading brands and retailers across a variety of wool product types with universities throughout the UK. The competition challenged students to create innovative and exciting products made from wool.

The brands had the opportunity to choose their favourite product from the students' submissions, with a selected number from the 12 winning items being made available for sale in stores.

“ I can't imagine a better fibre to take centre stage in the increasing demand for a more renewable, greener and sustainable world we want for future generations. ”

Louisa Knapp,
Textile student, UK



Louisa Knapp of the University of Huddersfield designed this 100% pure new wool carpet from Alternative Flooring.

BRAND PARTNERSHIP

AWI develops and implements owned and co-marketing campaigns with transformational partners to build demand in key consumer markets for Australian wool.

AMERICA'S CUP PROMOTION

Through AWI's support of the Luna Rossa Prada Pirelli team at the 36th America's Cup, Australian Merino wool was showcased to millions of potential customers, and significant interest was also generated from global apparel brands who are now working with AWI on product development initiatives.

AWI supported the team in the research and development of a Merino wool-rich uniform for the entire team and crew during training and sailing. Select garments were also commercialised through Prada's network of stores and e-commerce platforms

The initiative promoted wool as a premium, breathable and sustainable fibre on the world stage.

“ The partnership between the Luna Rossa Prada Pirelli team and The Woolmark Company is based on a shared philosophy, inspired by innovation and technology, as well as research into new materials and social responsibility. ”

Lorenzo Bertelli

Prada Group Head of Marketing and Communication

The America's Cup promotion in figures

Reach:

- 198 territories worldwide in which the America's Cup was broadcast
- 1 billion people viewed America's Cup coverage (dedicated, plus news and sports magazines)

Earned media:

- \$31.3 million earned media value
- 679 million earned media reach - people reached with the 'wool performance' message

Owned media:

- 287,500 website clicks
- 22.3 million video views
- 47.5 million impressions

Logo exposure:

- \$8.5 million Woolmark brand logo exposure (boat sail and uniform)

Product development:

- 12 suppliers of wool yarn and fabric involved in the R&D for the team's uniform
- 42 international brands, plus other specialist sports brands, have now contacted AWI directly regarding wool in sport
- 850 brands viewed the uniform collection at trade shows.



In a global showcase, the Luna Rossa AC75 yacht, displaying the Woolmark logo on its sail, competing in the America's Cup in March 2021.



What benefits did the partnership deliver to woolgrowers?

1. Increased consumer awareness:

There has been a rise in awareness of Australian wool's technical and environmental benefits amongst a global consumer audience, plus reputational benefits for the fibre through association with the world's most prestigious sailing race and global brand partner, Prada.

2. Product sales:

Woolmark-branded items including race jackets, polo shirts and T-shirts have been sold at retail and are still available through the Prada's online store.

3. New opportunities for wool in the performance market:

Most promisingly, the project has generated significant interest from many global performance brands who are currently working with AWI teams on various product development opportunities with Australian Merino wool. These include Loro Piana, Max Mara, Woolrich, Lacoste, Sease, Canada Goose, Moncler, Salewa and many others across the world. Furthermore, the European Space Agency is now interested in testing wool's suitability for its astronauts.

CYCLING GEAR FROM ASHMEI

A new collection of cycling and running apparel from ashmei, launched earlier this year, cemented the UK brand's reputation as a producer of some of the world's best quality activewear - and ashmei has done so with the help of AWI and Australian Merino wool.

The brand's new range for men and women includes short sleeve cycle jerseys, bib shorts, winter tights, long sleeve base-layers and T-shirts, arm warmers, neck gaiters and socks. The garments have been certified by AWI's subsidiary The Woolmark Company, providing assurance to customers that they have been rigorously tested for quality.

The new apparel is made from a Merino + Carbon fabric which enhances Merino wool's proficiency for regulating body temperature. The fabric technology is not a treatment; rather it uses active carbon particles embedded within the fibre to increase the capture and release of moisture vapour before it turns to sweat, doubling the drying speed of the Merino wool to keep the wearer especially comfortable. The carbon particles also enhance Merino wool's natural odour resistance properties.





Tennis legend Andy Murray wearing the AMC X Woolmark Merino Performance collection that has been certified by The Woolmark Company to ensure its durability, performance and quality.

BASKETBALL STAR BEN SIMMONS CHOOSES WOOL

Australian-born NBA All-Star Ben Simmons has collaborated with AWI to develop his first-ever merchandise: a high-performance T-shirt made from Australian Merino wool of 18.9 micron.

“ We chose to work with Australian Merino wool because it’s a sustainable, ethically produced fibre that’s also incredibly high quality. ”

Ben Simmons

Designed by Ben himself, the T-shirt seamlessly blends high-performance, sustainability and high fashion. The T-shirt carries the Woolmark seal of approval following a rigorous quality assurance process which guarantees fibre authenticity and long-life performance.



Basketball superstar Ben Simmons this year launched a T-shirt made from Australian Merino wool.

ANDY MURRAY TAKES MERINO WOOL TO WIMBLEDON

Andy Murray competed at Wimbledon this year in a Merino wool blend kit, developed in collaboration with British sportswear brand Castore and AWI, which is available for tennis fans across the world to purchase.

The apparel is part of a new tennis collection from AMC, a premium tennis clothing brand created by Andy Murray and Castore. The collection – the AMC X Woolmark Merino Performance collection, which comprises elite playing kit, training kit and hoody.

The launch of this innovative kit elevates Merino wool to an entirely new level of performance on a global stage and demonstrates that Merino wool garments are both stylish and suited for use in an elite sporting environment and in the most intense conditions.

Andy Murray worked closely with the designers on every piece and gave regular feedback. He wore the garments during his training for Wimbledon and for all his matches during the 2021 tournament.

“ I’ve been testing the kit for a few months now and am really happy with how it feels and performs. For me, the technical performance is vital. It’s also very important the kit is sustainable and I like the fact it looks and feels a bit different. ”

Andy Murray

The collection was launched globally to coincide with the tournament, which started on 28 June 2021.

As well as being featured to a global audience during Andy’s on-court matches and interviews at Wimbledon, the collection was featured on the home pages of the Castore and Woolmark.com websites, their social media channels, and the social media channels of Andy Murray as well as other famous Castore ambassadors..

An editorial campaign resulted in coverage in many UK newspapers – from the *Daily Telegraph* to *The Sun* – as well as consumer magazines such as *GQ* and textile industry trade titles.

Print and digital advertising that featured the collection was placed on billboards located around the Wimbledon area of London, targeting tennis fans travelling to the tournament.

AWI’s involvement in the project has not only resulted in buoyant consumer purchasing of this particular wool-rich collection, but it has also increased the public’s awareness of Merino wool’s applications and benefits in high-performance sportswear, which should further increase demand for the fibre in future.

VIVOBAREFOOT NATURAL FOOTWEAR RANGE

With support from AWI, leading global barefoot footwear company Vivobarefoot developed a new natural footwear range that incorporates Merino wool as its key fibre.

The range was launched in September 2020 with a digital marketing campaign that ran for three weeks. 420,000+ emails featuring the Merino products were sent by Vivobarefoot. There were 32 million social media impressions and 56% of website wool landing page visitors were new users.

Moving forward, wool will be adopted as a core material across all Vivobarefoot's products, with AWI working with the brand on its next project. The units of Merino shoes in the next collection are expected to triple.



THE RUN COMMUTE COLLECTION WITH TRACKSMITH

In the current COVID-19 climate, an increasing number of people are now looking to avoid public transport and are seeking alternative, healthy ways for getting to where they need to be. As a result, 'run commuting' is growing in popularity.

Leading US-based running brand Tracksmith launched in September 2020 its first Run Commute Collection, developed with support from AWI. It features Australian Merino wool as the ultimate fibre for allowing runners to commute and then remain in their gear, or re-wear pieces for their return commute.

Merino is the ideal material for a run commute: breathable and moisture wicking, it dries in a flash and won't retain odours for the run home.



TWO CONSUMER CAMPAIGNS IN CHINA

Autumn/Winter 2020/21 - TMALL

Capitalising on the immense strength of online retailing in China, AWI collaborated with China's enormous business-to-consumer e-commerce platform, TMALL, to launch a perfectly timed promotion of Australian Merino wool. There were 300 million page views on TMALL's online 'Wool Pavilion' during the campaign.

AWI's partnership with TMALL aimed to put Merino wool at the front of digitally savvy shoppers' minds, whilst further championing the wool products of premium Chinese and international brands.

Running from 22 September through to 11 November, the campaign aimed to make Merino wool the most coveted fibre for womenswear during winter 2020.

As part of the educational aspect of the campaign, AWI launched a humorous short film, which was viewed 16 million times, that featured three stylish 'Merino sisters' (see image) being interviewed by a very discerning fashion commentator.

While the strategic partnership was a response to the growing demand for high-quality products in the Chinese market, the marketing campaign was especially well timed due to many other retail markets across the world still at the time being significantly unsettled due to COVID-19.

Spring/Summer 2021 - Goddess Day

Related to International Women's Day on 8 March, Goddess Day in China has become established during recent years as a time for shopping, with many Chinese men buying gifts for their female relatives, and women (female employees get a half-day holiday) rewarding their inner "goddess" by shopping online.

For Goddess Day this year, The AWI partnered with e-commerce retailers Net-a-Porter and Farfetch, as well as local and international fashion brands, to promote a large range of womenswear apparel products suitable for spring and summer.

The aim of the campaign was, firstly, to build awareness of Merino wool's versatility amongst digitally savvy shoppers and, secondly, to increase consumers' intent to purchase Merino wool products.

Actress Chun Xia (whose name literally and very aptly means Spring Summer in English) was the face of the marketing campaign and featured in promotional imagery and a short fashion film *Spring & Summer Action*, in which the lightness, breathability and superior quality of Merino wool garments were highlighted.



581 million
social media
impressions

353,000
Woolmark-certified
garments



163 million
impressions

20 million
video views

ZALANDO ECOMMERCE CAMPAIGN IN EUROPE

With more and more apparel purchases being made online, AWI collaborated in a month-long campaign with Europe's largest online fashion retailer, Zalando, to showcase Merino wool to its customers and drive sales of Merino wool menswear and womenswear apparel products.

More than
\$1 million
worth of sales

Zalando engaged four noteworthy influencers (with a total following of 811,000+ followers on Instagram) to authentically communicate the message of Merino wool across their platforms and drive consideration to purchase wool apparel products. Their 11 Instagram posts and stories worked exceptionally well, receiving 1.6 million views by 774,000 unique users, with a strong engagement rate of 3.64% (the category benchmark is 3.08%). The campaign also involved a menswear and womenswear Merino

ZOZOTOWN ECOMMERCE CAMPAIGN IN JAPAN

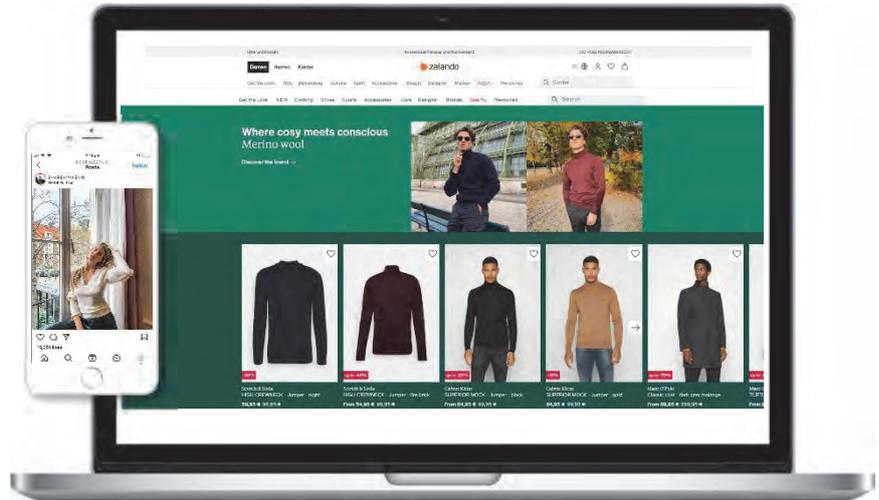
AWI worked with Japan's largest online fashion retailer Zozotown to increase purchases of Merino wool products by consumers for a month during the winter 2020/21 retail season. The campaign promoted 6,686 commercially available wool-rich apparel products, available from more than 200 brands.

The campaign focused on apparel with a premium-casual aesthetic which has been recognised as a target area in the market due to shifting trends towards less formal dressing.

33%
increase in sales value
of wool products

From 7 December 2020 to 7 January 2021, a bespoke Merino wool landing page was live on Zozotown's website (desktop, mobile) and app, which highlighted the most popular wool categories for men and women, as well as information about the meaning of the Woolmark logo.

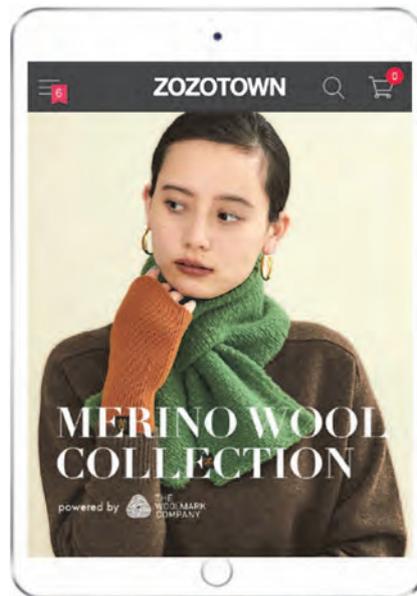
A series of online banner advertisements were also placed for 48



The best performing Instagram post (which received 190,000 views) and the Merino landing page (which received 550,000 views) on the Zalando online store.

landing page on the Zalando website which received more than half a million unique visitors.

The campaign generated sales of products valued at more than one million dollars with each order value 36% higher than the average order on Zalando. Overall, the campaign significantly overdelivered on awareness targets achieving more than 22 million impressions.



The landing page on the Zozotown website that promoted Merino wool products to Japanese consumers.

hours on the home pages of the Zozotown website and app. The campaign content received 13.8 million impressions (the number of times the banners were displayed), which was 38% more impressions than projected.

In addition, a promotion on Twitter was held on the campaign's launch day, which resulted in 84,896 mentions of Merino wool on Twitter in December in Japan, compared to 2,201 mentions in December 2019.

WOOL&PRINCE TRACEABLE WOOL



United States-based menswear brand Wool&Prince and its womenswear sister-brand wool& now have a completely traceable Merino wool supply chain, that champions the natural fibre's origin and heritage in Australia.

Pieces across the two brands' collections feature Merino wool from AJ & PA McBride whose family have been woolgrowers in South Australia for six generations, and which celebrated its centenary in 2020.

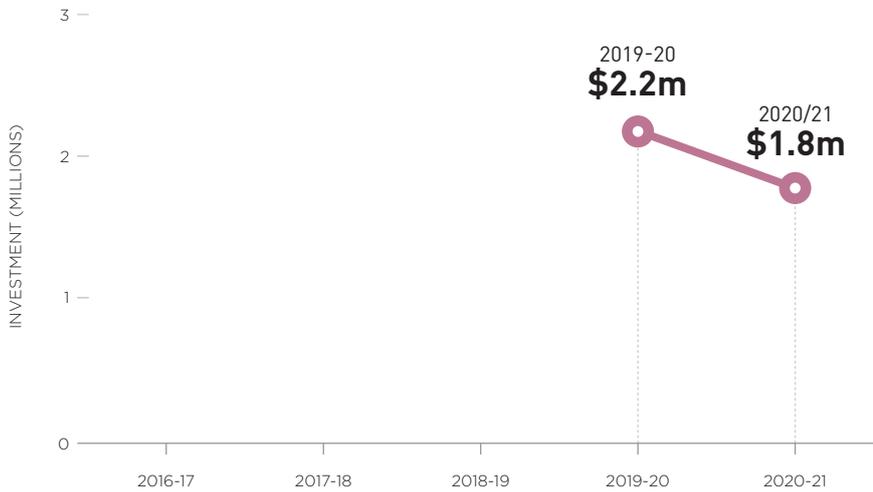
The Americans worked in partnership with AWI to build a long-lasting relationship with the woolgrowers to develop the traceable supply chain.



TRACEABILITY

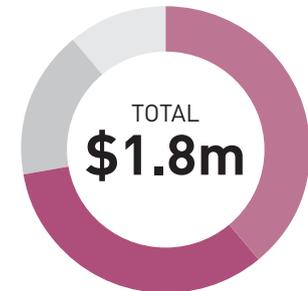
Portfolio objective: To provide tools to ease the flow of information about Australian wool up and down the supply chain to all parties; to communicate wool's benefits, facilitate provenance and supply chain transparency.

INVESTMENT OVER TIME



This program began in 2019/20.

2020/21 INVESTMENT BY PROGRAM



- \$0.7m Eco Credentials
- \$0.6m WoolQ
- \$0.3m Wellness & Performance
- \$0.2m Fibre Identification & Tracing

ANNUAL PLAN TARGETS

12 TARGETS



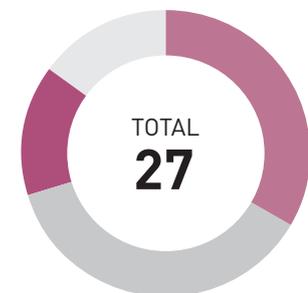
See Appendix C for complete list of performance against Annual Plan targets.

EXAMPLES OF KEY PARTNERS

University of Sydney
 RMIT
 Oritain
 Cotton Research and Development Corporation
 AgriFutures
 Everledger

See page 14 for further information on Collaboration.

PROJECTS COMPLETED



- 9 Eco Credentials
- 10 Wellness & Performance
- 4 WoolQ
- 4 Fibre Identification & Tracing

TRACEABILITY HIGHLIGHTS



Comparative study of biogenic and fossil-carbon fibres **completed and publication in draft**



3000+ sign ups on the WoolQ platform



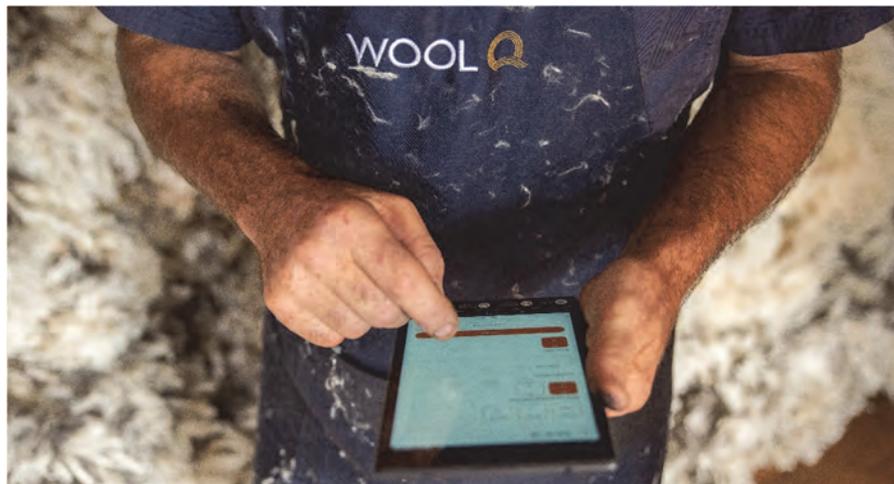
WoolQ Market held 10 auctions



Australian flock GHG emission trends modeled in five-yearly intervals from 1986 to 2020

WOOLQ

WoolQ is a secure online platform where woolgrowers, classers, brokers and buyers can access digital tools to support all stages of the wool-growing and selling cycle.



WOOLQ PROGRESS IN 2020/21

2021 was another busy year for WoolQ, with an increase in woolgrower registrations and more successful WoolQ Market auctions.

With the platform now fully operational and available to industry, the WoolQ team's focus must now be on delivering the benefits of the platform to the largest number of Australian woolgrowers in the most efficient and effective manner.

In the year ended 30 June 2021, WoolQ had 3,535 users registered and 1,043 wool industry businesses fully profiled.

3535

WoolQ registrations

1043

businesses profiled

The WoolQ Market trading platform has conducted 10 online wool auctions listing some 2,677 bales of wool outside the traditional open cry system, offering woolgrowers and their advisors a level of flexibility previously unavailable.

Additional WoolQ system enhancements delivered in the 2020/21 financial year include:

- The WoolQ Market Bulletin Board, which is designed to complement the WoolQ Market auction system. This is a static offer board that is available to woolgrowers and their agents on a 24/7 basis.

- The WoolQ Tender Service, which allows a particular broker to offer specialty catalogues for sale over a limited time period (configurable by the broker) via a progressive tender. This service has been requested by a number of supportive brokers.
- WoolQ Network is now available to internationally based wool processors, meaning they can build business profiles on the platform, opening channels for communication between Australian woolgrowers and those who are processing their wool.

AWI looks forward to the time when it can again engage with woolgrowers on-farm to showcase the benefits of the WoolQ platform, especially the eSpeci, which has been welcomed by all industry stakeholders who have engaged with it.

WOOLQ TOOLS AVAILABLE TO WOOLGROWERS

The Industry Network and Forum

Here, wool industry participants can showcase their wool-growing enterprises, building on provenance and traceability. They can also discuss and share new ideas, information and learnings.

Although many woolgrowers have their own websites or Facebook pages, they are decentralised, so it is difficult to stand out. In contrast, the Industry Network acts as a searchable directory allowing users to search by name, location, wool types produced etc.

WoolQ eSpeci

The WoolQ eSpeci comprises:

- A mob book to capture mob declaration information

- A wool book to capture bale information and is a key step for enabling traceability
- A wool specification which includes the NWD and can deliver the information automatically to your broker for testing and sale.

Ready Reckoner

This is a tool for valuing your wool, showing you what your wool could be worth in today's market. You can insert information in free form provided you know your wool's characteristics or you can pull across information captured during shearing.

My WoolQ

My WoolQ is a digital mailbox for your wool information. It provides meaningful insights from information captured at various milestones of the wool data journey, with many being graphed year on year. Examples include:

- Clip performance
- Test results
- Cut per head
- Bale production
- Volume / skirt ratios.

WOOLQ MARKET

The WoolQ Market is viewable by woolgrowers but only accessible by wool brokers and buyers. It takes place outside the traditional open cry options of selling wool, acting as an alternative. It only facilitates the auction, so processes around settlement, clearing, etc still operate as they do today.

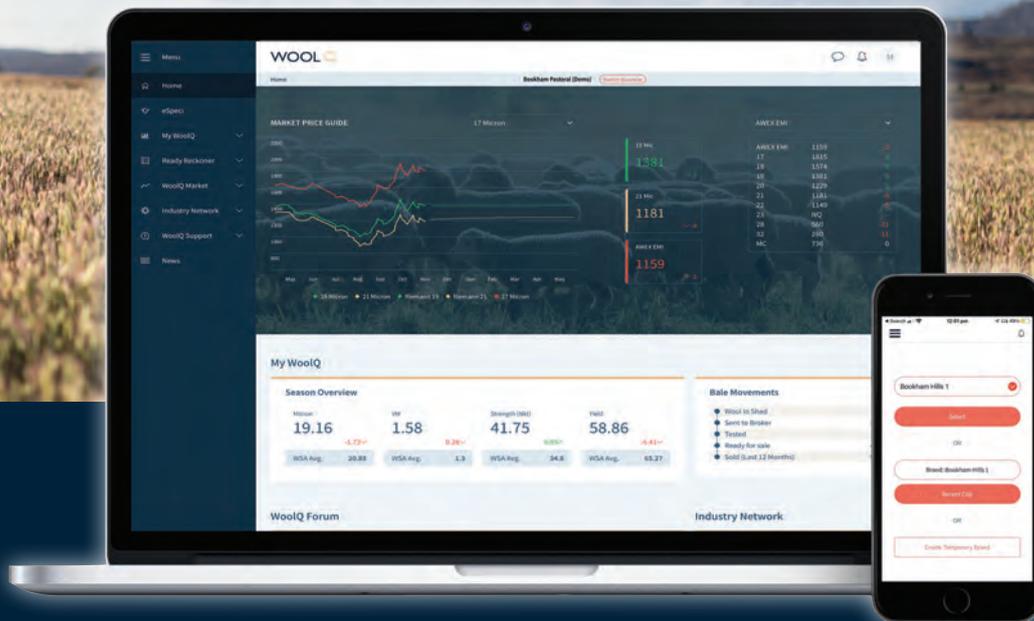
What WoolQ can provide is the first steps of building traceability up and down the supply chain. This is something that is becoming increasingly in demand on a global level. By capturing data at the beginning of the wool data journey, it makes it possible to follow that data from:

- Shed
- Broker
- Testing
- Auction (through WoolQ or otherwise).

WoolQ provides the ability to showcase the start of the wool journey, with data, imagery of properties, rich history, farm brands and animal welfare and sustainability practices employed through quality schemes.

WoolQ also has direct links to AWI's other traceability initiatives, particularly with Everledger (see page 56).

WOOL



WHAT IS WOOLQ?

WoolQ is a platform to store data, review wool production, value wool and provide selling choices to woolgrowers, their agents and other industry professionals in a single platform.

The key tools of the platform are:

WoolQ Network

A wool industry directory. Allowing woolgrowers to promote their businesses, develop partnerships and learn of new trends and developments.

WoolQ Ready Reckoner

Value your clip. Using the latest market results' real-time pricing to give woolgrowers and brokers an indicative price of wool ahead of sale.

My WoolQ & WoolQ eSpeci

A repository for all clip production information. Allowing woolgrowers to collect and store clip data including sales and test results from multiple brands.

WoolQ Market

Built to complement open-cry auction, it delivers an online alternative venue for the selling of wool. Sell through auction or the set price bulletin board.

[Register](#) at www.woolq.com

We can help you set up your WoolQ account. Call us on 1800 070 099 or email info@woolq.com.

GD/4031

FIBRE IDENTIFICATION & TRACING

AWI is investing in initiatives through the supply chain to enhance transparency and streamline the mechanisms for the sale of wool from farm gate to end consumer.

THE PROMINENCE OF PROVENANCE

This Fibre Identification & Tracing program was a new program established in the 2019/20-2021/22 Strategic Plan and is now in its second year of operation. The program was created by AWI in response to the growing calls from consumers and brands for supply chain transparency and information on the provenance of products. The program also aims to address perennial concerns regarding supply chain efficiency and biosecurity. The program seeks to provide tools to ease the flow of information about Australian wool up and down the supply chain, which will help brands highlight and communicate the provenance and the benefits of the wool fibre used in their products.

CHAIN OF CUSTODY

In line with AWI's push to promote traceability in support of the Australian wool industry, pioneering technology company Everledger is building and will

host an Electronic Chain of Custody Tool (ECCT) on its platform. The aim is to track and validate the exchange of ownership of selected wools as they move up the supply chain from farm to overseas processing and through to finished products. See the diagram below.

ECCT is a proof of concept to allow AWI and industry to assess its value. It will trace the journey of wool from farm to the end consumer, or in some cases, from garment manufacturer back to farm, by identifying and capturing the necessary documentation at each stage of the value chain. The ECCT will demonstrate sustainability and compliance best practices and provide more confidence on the authenticity and provenance of the wool product. It means a retailer or end consumer could verify where and when in Australia the original wool was sourced.

Different participants from across the globe at each stage of the supply chain will be able to connect through data sharing, in line with best practices for the apparel industry. Recorded evidence can be used to demonstrate

compliance, while participants can also explore additional technologies to enhance material and chain of custody integrity.

The project will leverage existing AWI investments, primarily WoolQ which acts as a source of provenance and traceability from wool-growing to exports.

Alignment with the Woolmark licensing program is also being explored.

SCIENTIFIC TEST METHODS

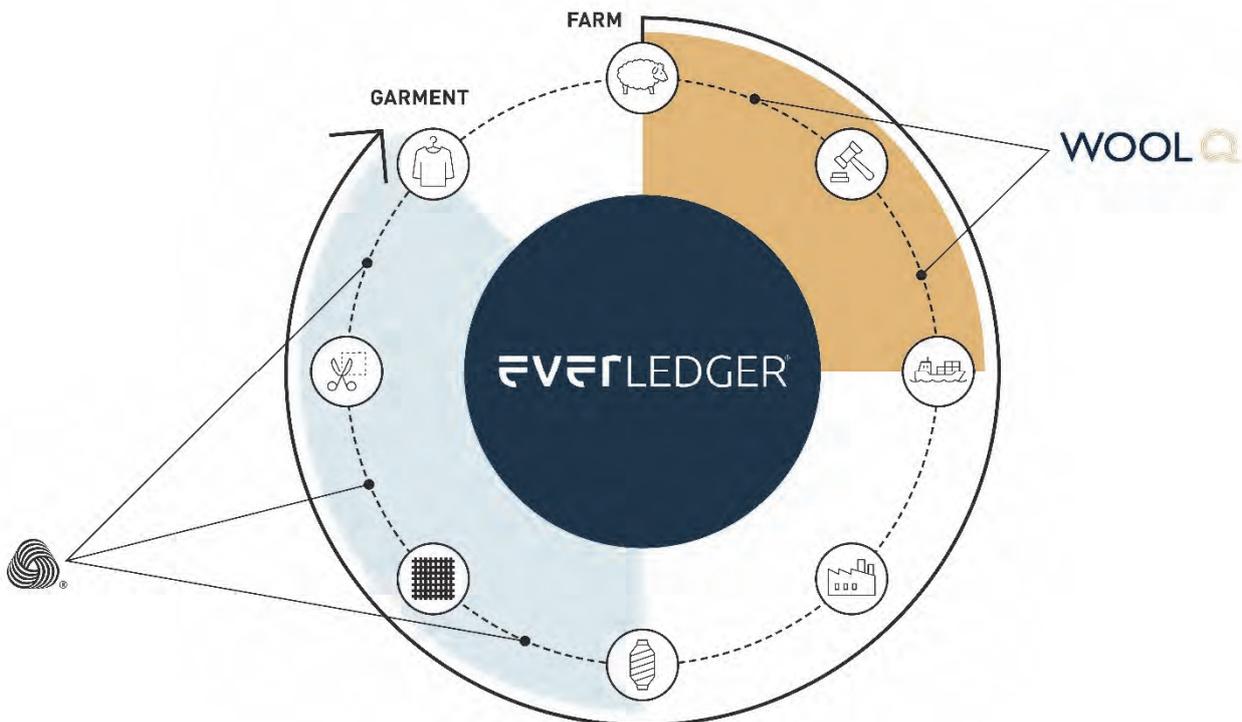
In parallel to the Everledger project, scientific research in this program is aiming to develop objective, scientifically verifiable methods to verify the origin of wool in an end product.

Supply chain partners, retailers, and brands will be able to provide consumers with reliable and provable claims for wool-containing products.

These methods involve isotopic testing of woollen fibres and have proved successful to date.

Everledger's Electronic Chain of Custody

The platform will enable the collection of realtime authentic data at key transformative events, from woolgrower to garment. This data can then be collated into an informative story for the end user in an accessible format.



HEALTH & WELLNESS

Demand for wool is being built by generating scientifically defensible evidence of wool's health and wellness attributes and enabling the textile trade to specify fabrics for function and comfort.

It was a challenging year for wellness studies, which typically involve human studies in university and hospital settings. With these institutions in lockdown for much of 2020/21, some wheel spinning occurred in progressing the skin health and sleep quality programs. However, the opportunity was taken to undertake pilot studies exploring novel wellness areas of interest.

COGNITIVE PERFORMANCE

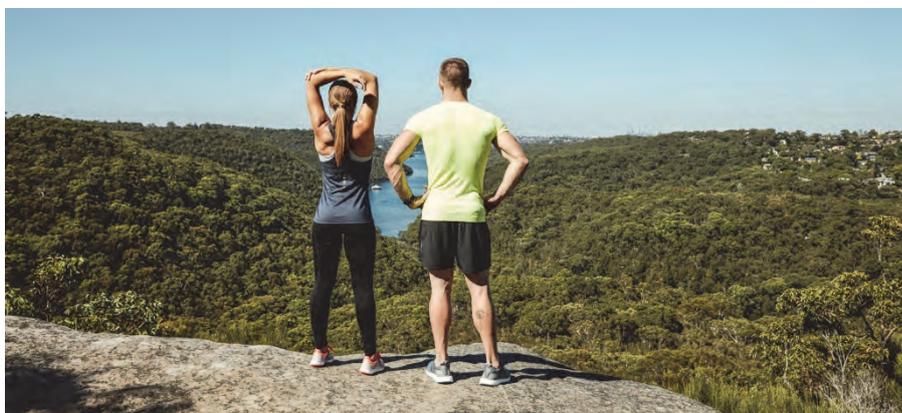
Human cognitive performance has been shown to be sensitive to heat, humidity and temperature conditions. One aspect of maintaining peak cognitive performance involves the ability to accurately and effectively regulate body temperature and maintain physical comfort. Given wool's ability to maintain a more stable microclimate between the garment and the skin, assessing the rate at which information processing occurs as well as rapid memory encoding and retrieval of information is of interest. Many organisations involved in life-critical activities are following this area of research, so even a modest benefit from wool could create significant demand.

The pilot study was undertaken in May 2021 and involved 20 participants recruited from the general population with a mean age of 25 years. They wore an upper body wool base-layer garment or a matched synthetic garment while undergoing non-physical stress-inducing cognitive performance tests.

In addition to assessing the proportion of correct responses, video analytics was used to analyse changes in facial expression relevant to negative and positive emotion (particularly disgust). Heart rate variability was also monitored using infra-red filters on the cameras to monitor blood flow. The analysis will be completed by September 2021.



The Applied Cognition and Experimental Psychology lab at the University of Adelaide at which the research was undertaken.



THE EFFECT OF FIBRE TYPE ON THE STICKINESS SENSATION

The objective of this study was to determine the effect of fibre type (cotton, polyester and Merino wool) on the stickiness phenomenon experienced when damp fabric contacts the skin.

The study was divided into two parts, examining both objective and subjective methods of measurement. The first part consisted of measuring the mechanical parameters involved in the interaction between skin and fabric using a surrogate skin. The values of adhesion forces, under static and dynamic conditions, were measured. The second part of the study was based on subjective assessment of the fabrics, using a group of volunteers. Using a body movement simulator, the fabrics were pulled against the volunteers' skin after which they indicated their perception of wet cling with both discriminative and descriptive tests.

Cotton fabrics were found to have the highest values of adhesion forces and were perceived by volunteers as stickier compared to wool or polyester fabrics, showing that an objectively measured mechanical parameter can help to predict the sensation of stickiness.

WOOL IMPROVES SKIN HEALTH

AWI continues with its work to produce and publish a strong body of evidence that demonstrates wearing superfine Merino wool next to skin is beneficial for eczema sufferers. The research has shown that wearing superfine Merino wool significantly reduces the severity and symptoms of this chronic skin condition, challenging misconceptions that all wool is prickly and itchy.

AWI's current goal of validating the successful Australian and US-based skin health studies, involves assessing wool's impact on eczema sufferers across

differing climatic and geographic environments as well as on differing skin types. The Norwegian-based study remains on hold due to concerns there about COVID 19, while the Chicago-based study is planned to recommence in August 2021.

WOOL BENEFITS SLEEP

In recent years, scientific studies funded by AWI have tested the sleep of older adults and found that wearing wool is conducive to restful sleep, attributed to the properties of wool that keeps the body in the 'thermal comfort zone'.

The current study at Sydney University is evaluating the comparative benefits of wool and cotton sleepwear fabrics on the sleep outcomes of post-menopausal women. Our researcher is testing the hypothesis that wool sleepwear provides beneficial measurable sleep outcomes compared to cotton sleepwear for women experiencing hot flashes. After an extended COVID 19 related delay, the study recommenced in May 2021.

BREATHABILITY IN DYNAMIC CIRCUMSTANCES

This three-year project seeks to extend wool's reach into existing and new markets by developing an objective test method for what is arguably wool's greatest attribute - its breathability and comfort during activity. However, the current inability to objectively measure this attribute limits the willingness of brands to specify wool, hindering potential future demand.

Manikin studies are currently under way assessing the microclimate management ability of wool relative to other base-layers both during exercise and importantly in the period immediately following exercise, which may be the phase where wool offers most benefit to the wearer.

ECO CREDENTIALS

AWI funds scientific research into wool's environmental footprint, to help the wool industry market Australian wool as the 'planet-friendly' fibre of choice.

ADDRESSING GREENHOUSE GAS EMISSIONS

AWI's cradle-to-grave lifecycle assessment study identified methane emissions from sheep as one of the most significant environmental hotspots for wool, triggering significant AWI investment towards mitigating this impact:

- Modelling GHG emission trends of the Australian flock, in five-yearly time periods from 1986 to 2020 has been completed.
- Pathways for woolgrowers to reduce emissions are being investigated with up to six different industry pathways being detailed.
- AWI is participating in the United Nations FAO LEAP project reassessing methane's contribution to global warming due to its short residence time in the atmosphere of about 12 years.
- A case study investigation has been completed applying the GWP* method to wool production systems, and the researchers are currently drafting a peer reviewed paper, co-authored by leading GHG researchers from Oxford University.
- Planning is under way for a research program assessing the safety and efficacy of methane-mitigating feed supplements in grazing scenarios.

WOOL BIODEGRADES IN BOTH MARINE AND TERRESTRIAL ENVIRONMENTS

In a world increasingly concerned about the effect on the environment of synthetic textiles, AWI's previous research, showing machine-washable wool and untreated wool to fully biodegrade in the marine environment, has now been expanded to confirm these same outcomes in the terrestrial environment.

The results of the study, undertaken by AgResearch, complement previous AWI-funded research into microplastic pollution from textiles, which recommends an increased use of natural non-synthetic materials, such as wool, in global textile markets.



EU PRODUCT ENVIRONMENTAL FOOTPRINTING PROJECT

Products for sale in the European Union (EU) will soon include a label providing consumers with the EU's assessment of their Product Environmental Footprint. The EU call the scheme PEF and has every expectation that consumers seeing EU-approved labels on garments will decide in favour of the planet by choosing garments with a lighter footprint.

AWI has been actively participating in the PEF process, undertaking targeted research to fill knowledge gaps and provide an evidence base for methodology improvement. The following AWI-funded papers published in 2020 are leading global research on the topic of garment use and underpinning the knowledge base AWI is using to influence PEF methodology:

- Clothing lifespans: What should be measured and how?
- Laundry care regimes: Do the practices of keeping clothes clean have different environmental impacts based on the fibre content?
- What affects garment lifespans? International clothing practices based on a wardrobe survey in China, Germany, Japan, the UK and the USA
- Reducing environmental impacts from garments through best practice garment use and care, using the example of a Merino wool sweater.

Whilst PEF has positive intent, the methodology remains immature and doesn't yet provide the full picture about a textile product's sustainability. AWI has concern that, if introduced in its current form, it will cause bias, favouring clothing made from fossil fuel-based fibres over natural fibres like wool and cotton.

PEF is built on lifecycle assessment (LCA) methodology which focuses on measuring the harmful impacts of a

product but makes no attempt to account for positive impacts. Consequently, the facts that wool is renewable and can be grown again each year, and that at the end-of-life wool is fully biodegradable, releasing its nutrients back to the soil for use again, are not scored positively.

In addition to ignoring the positives of natural fibres, PEF methodology currently overlooks some of the key negatives of synthetics – for example, it fails to account for the negative impacts of microplastics.

AWI is engaging with the European Commission (EC) at the highest levels to address these methodological limitations. AWI is currently undertaking a formal review of PEF methodology, identifying limitations and proposing solutions. This work is being shared with the EC as it progresses and may subsequently be taken to peer-reviewed publication.

RECYCLING'S CONTRIBUTION TO THE CIRCULAR ECONOMY

With growing interest in extending the functional lifetime of clothing through recycling, opportunities exist for wool. Many countries are legislating to adopt Extended Producer Responsibility (EPR), making brands and retailers financially responsible for end-of-life costs including take-back, repair, reuse, recycling and ultimately disposal.

The existence a commercially profitable 200-year-old closed-loop recycling industry for wool positions our fibre well for a future requiring circular products. A 'recycled' wool sweater typically comprises 90% virgin wool, so increased demand for wool because of its recyclability, increases the demand for new wool.

In preparation for EPR, AWI has been investigating recycling in the wool system and its role in reducing environmental impacts. The manuscript from this study is currently being prepared for journal publication.

GOOD BUSINESS

CONTENTS

Corporate governance	60
Measurement & Evaluation	65
Government R&D priorities	65
Performance	66
Strategic alignment	67
Intellectual property	69
CRRDC – RDC System Performance Indicators	70



CORPORATE GOVERNANCE

CORPORATE GOVERNANCE FRAMEWORK

Governance principles

The main provisions governing the activities of AWI are:

- legislation applicable to AWI including the *Wool Services Privatisation Act*
- other legislation applicable to both companies and not-for-profit entities
- the Statutory Funding Agreement with the Commonwealth whereby AWI receives certain funding as the designated research body for the wool industry; and
- its Constitution.

The Board is committed to governance systems that enhance performance and ensure AWI operates legally and responsibly on all matters and maintains the highest ethical standards.

AWI's governance framework meets the best practice guidelines in the ASX Corporate Governance Principles and Recommendations (Principles and Recommendations) in implementing a corporate governance framework. While AWI is not a listed company, it uses these Principles and Recommendations as guidance in its governance practices to the extent that they are reasonably applicable to AWI's circumstances as a not for profit entity with charitable objects to act in the best interests of Australian woolgrowers.

Board functions and responsibilities

Key functions and responsibilities for the Board are set out in the Board Charter. The Board Charter specifies Board responsibilities including general oversight of AWI; governance; risk management; people and remuneration; Chairperson responsibilities and communication with shareholders. Operational matters delegated to the CEO are delineated.

There are three standing sub-committees being:

- Audit and Risk Committee
- Research Development Education and Extension Committee
- People and Culture Committee.

There is also a Board Nomination Committee which is convened in director election years.

Board Nomination Committee

From 2019, the Board Nomination Committee has three external members who are specifically described in the updated Charter for this Committee and two incumbent Board directors. The composition of the committee is as follows:

- A Chair independent of the wool industry and independent from AWI. The Chair was initially appointed by the Secretary of the Department of Agriculture, Water and the Environment. However, the government appointee has now been replaced by an independent chair sourced after an executive search and selected by the BNC itself.
- Two independent non-executive directors of the Company (other than the Chair of the Company).
- One representative of the wool industry independent from the Company, nominated by the Wool Industry Consultation Panel.
- One representative from an international executive search firm, nominated by the CEO of the Company (subject to approval by the independent Chair of the Board Nomination Committee).

Corporate governance documents

AWI's corporate governance documentation is available on the AWI website at www.wool.com/governance and includes:

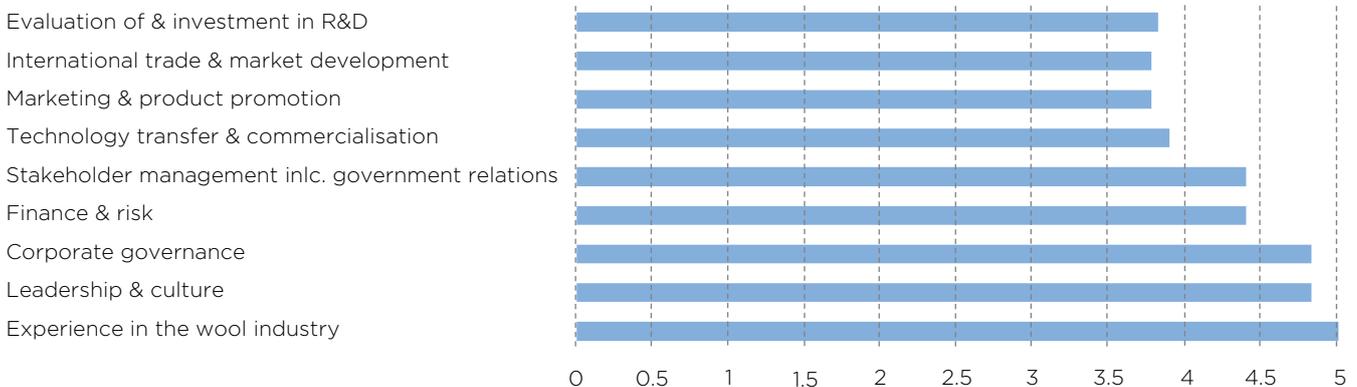
- AWI Constitution
- Board Charter
- Charter of the Committees of the Board
- Board Nomination Committee Charter
- Code of Conduct and Business Ethics
- Corporate Governance Policy
- Communications Strategy
- Rules and Procedures Governing the Election of Directors
- Statutory Funding Agreement.

AWI continues to review and develop these documents on a regular basis to ensure they remain relevant to the Company and encapsulate the high standards the Board and management are committed to achieving.

AWI Board skills matrix

With the assistance of an external governance adviser, core skill areas are reviewed by the Board annually as a part of the Board review. The 2021 review included a self-assessment and peer review of the currency of skills and experience for each

Performance to skills matrix - current composition



director and 360-degree feedback from senior executives in accordance with AICD best practice recommendations.

The skills matrix on the previous page shows the extent to which directors collectively possess the desired skills and experience. The results demonstrate that the Board collectively has a good level of knowledge and skill to carry out its responsibilities effectively. Directors may access further expertise in the core skill areas, and in other areas not shown in the matrix, from within AWI and externally as appropriate.

Review of independence of directors

The Board maintains a Directors Disclosure of Interests Register which is reviewed as a standing agenda item at all Board meetings. The materiality of disclosures is assessed by the Board to determine whether they may interfere with, or reasonably be seen to interfere with, a director's capacity to bring independent judgement to bear on matters before the Board. This provides a systematic approach for the Board's oversight of the independence of all directors.

In addition, directors who have served in that position for more than 10 years are assessed by the Board annually thereafter, as to whether they have become too close to management to be considered independent. This is in accordance with guidelines in the Principles and Recommendations. The review in 2021 was undertaken as a part of the annual Board review, and the methodology was for self and peer assessments by all directors.

This process involves an externally facilitated peer and self-assessment using criteria which closely reflect the factors identified in the Principles and Recommendations for evaluating the independence of directors, with an emphasis on length of tenure and relationship with management.

In 2021, one director's tenure had exceeded ten years. An assessment was conducted in conjunction with the Board performance review process and the Board found that the director met the criteria to a high level and was endorsed as an independent director.

All directors meet all of the criteria for independence in accordance with the Principles and Recommendations.

Board effectiveness 2021

This year's independent governance review identified a number of strengths. These included management of the COVID situation, management of a reduction in revenue, and the Board's demonstrated strong leadership in overseeing right sizing the organisation during the last 12-18 months' reduced revenues. Role clarity of directors and the relationship with management is strong and the AWI Board is well positioned to gain good insight into the views of stakeholders. The oversight of culture has become a critical element in modern governance and the ability to see "first-hand" is important. The current operational plans have quantified outcome and targets, with regular update on status. The directors feel the Board's discussion is robust and the independent review identified that management recommendations are challenged prior to Board decisions.

All directors acknowledged a significant improvement in the Board's performance over the last 12-24 months. Specifically, the leadership of the Chair was identified as a key factor in AWI's improvements. Supported by the assessment and experience of the independent governance expert, the AWI Board is comfortable it has the key foundations and is well positioned to govern effectively in a contemporary environment.

This year's review left AWI with a framework for continual improvement and assessment of Board performance. Whilst in a strong position, the review discussed a number of governance challenges facing AWI with both the transition in Chair and the continued challenges in the industry. These challenges will form the focus of upcoming strategic planning work.

Code of Conduct and Business Ethics

AWI endeavours to be recognised as an organisation committed to high ethical standards in business.

Transactions connected, directly or indirectly, to directors and officers may occur in the ordinary course of AWI's business since the Board includes members actively involved in the wool industry.

AWI has a Code of Conduct and Business Ethics to ensure decisions are made in an ethical and responsible way without being influenced by improper considerations, and to ensure that AWI's contracts are at arm's length commercial terms and consistent with AWI's legal obligations.

The Code is available on AWI's website at www.wool.com/governance.

COMPARISON OF AWI'S CORPORATE GOVERNANCE PRINCIPLES TO ASX CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS (4TH EDITION)

Principle 1. Lay solid Foundations for management and oversight

Recommendation 1.1

A listed entity should have and disclose a board charter setting out:

- a) the respective role and responsibilities of its board and management; and
- b) those matters expressly reserved to the board and those delegated to management.

AWI Commentary

Refer to the Board Charter at www.wool.com/governance

Recommendation 1.2

A listed entity should:

- a) undertake appropriate checks before appointing a director or senior executive, or putting someone forward for election as a director; and
- b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

AWI Commentary

Background checks on director candidates are undertaken by the Board Nomination Committee. The process for senior executive appointments includes background checking.

Recommendation 1.3

A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

AWI Commentary

Offer letters are sent to new directors on appointment. All staff, including senior executives, are required to enter into engagement letters prior to commencement of duties.

Recommendation 1.4

The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

AWI Commentary

The company secretary is accountable directly to the board on all matters relating to board functions. The company secretary has a direct reporting line to the board chairman.

Recommendation 1.5

A listed entity should:

- a) have and disclose a diversity policy; and
- b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and

- c) disclose in relation to each reporting period:
1. the measurable objectives set for that period to achieve gender diversity;
 2. the entity's progress towards achieving those objectives; and
 3. either:
 - the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or
 - if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

AWI Commentary

The Diversity Policy is on the website at: www.wool.com/governance. AWI is not a "relevant employer" under the Workplace Gender Equality Act. The proportion of women at the date of this report is:

- Board. 2 out of 7 are women.
- Senior executives. 4 out of 9 are women. Definition based on key management in accounting standards.
- Workforce. 62% women.

Recommendation 1.6

A listed entity should:

- a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and
- b) disclose, for each reporting period, whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.

AWI Commentary

Board review is undertaken annually with assistance from an external governance practitioner. The review includes evaluation of board performance overall and individual directors.

Recommendation 1.7

A listed entity should:

- a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and
- b) disclose for each reporting period, whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.

AWI Commentary

Performance evaluations for senior executives are undertaken annually.

Principle 2. Structure the board to be effective and add value

Recommendation 2.1

The board of a listed entity should:

- a) have a nomination committee which:
 1. has at least three members, a majority of whom are independent directors; and
 2. is chaired by an independent director, and disclose:
 3. the charter of the committee;
 4. the members of the committee; and
 5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

AWI Commentary

Board Nomination Committee has five members of whom three are external persons and two are incumbent AWI directors. The Chair is one of the external persons. Refer to the BNC Charter at www.wool.com/governance.

Recommendation 2.2

A listed entity should have and disclose a board skills matrix setting out of the mix of skills that the board currently has or is looking to achieve in its membership.

AWI Commentary

Board Skills Matrix is included in the Annual Report (see page 60).

Recommendation 2.3

A listed company should disclose:

- a) the names of the directors considered by the board to be independent directors;
- b) if a director has an interest, position or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position or relationship in question and an explanation of why the board is of that opinion; and
- c) the length of service of each director.

AWI Commentary

Independence of directors is reviewed on an ongoing basis. The length of service of each director is noted in their biographies in the Annual Report (see page 10).

Recommendation 2.4

A majority of the board of a listed entity should be independent directors.

AWI Commentary

All directors are considered to be independent directors in terms of the criteria in Principles and Recommendations.

Recommendation 2.5

The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

AWI Commentary

The role of the Chair and CEO are not undertaken by the same person. The Chair is an independent director.

Recommendation 2.6

A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.

AWI Commentary

There is a substantial induction procedure for new directors after appointment. Professional development opportunities for all directors include the AICD Company Directors course.

Principle 3. Instill a culture of acting lawfully, ethically and responsibly

Recommendation 3.1

A listed entity should articulate and disclose its values.

AWI Commentary

The AWI Strategic Plan includes a statement on Vision, Mission, Goal and Values (see page 4).

Recommendation 3.2

A listed entity should:

- a) have a code of conduct for its directors, senior executives and employees; and
- b) ensure that the board or a committee of the board is informed of any material breaches of that code.

AWI Commentary

Refer to the Code of Conduct and Business Ethics at www.wool.com/governance.

Recommendation 3.3

A listed entity should:

- a) have and disclose a whistleblower policy; and
- b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.

AWI Commentary

Refer to the Whistleblower Policy at www.wool.com/governance.

Recommendation 3.4

A listed entity should:

- a) have and disclose an anti bribery and corruption policy; and ensure that the board or a committee of the board is informed of any material incidents reported under that policy; and
- b) Ensure that the board or a committee of the board is informed of any material breaches of that policy.

AWI Commentary

AWI does not have a separate anti bribery and corruption policy, and instead deals with this as a part of the Code of Conduct and Business Ethics.

Principle 4. Safeguard the integrity of corporate reports

Recommendation 4.1

The board of a listed entity should:

- a) Have an audit committee which:
 1. has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
 2. is chaired by an independent director, who is not the chair of the board, and disclose:
 3. the charter of the committee;
 4. the relevant qualifications and experience of the members of the committee; and
 5. in relation to each reporting period, the number of times the committee met and the individual attendances of the members at those meetings; or
- b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

AWI Commentary

Refer to the Audit & Risk Committee Charter at www.wool.com/governance. The biographies for directors include their qualifications and committee memberships (see page 10). The directors report in the Annual Report includes details of meetings held and attendances during the year (see page 73).

Recommendation 4.2

The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

AWI Commentary

The board receives requisite declarations from the CEO and CFO.

Recommendation 4.3

A listed entity should disclose its process to verify the integrity of any periodic corporate reports it releases to the market that is not audited or reviewed by an external auditor.

AWI Commentary

Not applicable to AWI as an unlisted public company.

Principle 5. Safeguard the integrity of corporate reports

Recommendation 5.1

A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1

AWI Commentary

Not applicable to AWI as an unlisted public company. Refer to the Communications Strategy at www.wool.com/governance.

Recommendation 5.2

A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.

AWI Commentary

Not applicable to AWI as an unlisted public company. The procedure for external releases requires communications to all shareholders to be sent to all directors at the time of distribution.

Recommendation 5.3

A listed entity that gives a new and substantive investor or analyst presentation materials on the ASX Market Announcements Platform ahead of the presentation.

AWI Commentary

Not applicable to AWI as an unlisted public company.

Principle 6. Respect the rights of security holders

Recommendation 6.1

A listed entity should provide information about itself and its governance to investors via its website.

AWI Commentary

Refer to governance suite at www.wool.com/governance

Recommendation 6.2

A listed entity should have an investor relations program that facilitates effective two-way communication with investors

AWI Commentary

Not applicable to AWI as an unlisted public company. However, AWI has substantial stakeholder consultation arrangements including via the AWI Woolgrower Industry Consultation Panel and AWI Woolgrower Consultation Group (see page 34).

Recommendation 6.3

A listed entity should disclose how it facilitates and encourages participation at meetings of security holders

AWI Commentary

Refer to the Communications Strategy at www.wool.com/governance. Annual General Meetings in recent years have included a capacity for shareholders to attend via webcast. The webcast for the most recent AGM is on AWI's website, and the results of elections and voting on resolutions are outlined on AWI's website at www.wool.com/agm.

Recommendation 6.4

A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than a show of hands.

AWI Commentary

The use of a Poll is standard practice.

Recommendation 6.5

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

AWI Commentary

This is standard practice. AWI encourages shareholders and levy payers to provide electronic access details for efficiency reasons.

Principle 7. Recognise and manage risk

Recommendation 7.1

The board of a listed entity should:

- a) have a committee or committees to oversee risk, each of which:
 1. has at least three members, a majority of whom are independent directors; and
 2. is chaired by an independent director, and disclose:
 3. the charter of the committee;
 4. the members of the committee; and
 5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

AWI Commentary

Refer to the Audit & Risk Committee Charter at www.wool.com/governance. The directors report in the Annual Report includes details of committee meetings held and attendances during the year (see page 73).

Recommendation 7.2

The board or a committee of the board should:

- a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and
- b) disclose, in relation to each reporting period, whether such a review has taken place.

AWI Commentary

Refer to the Audit & Risk Committee Charter at www.wool.com/governance. The risk management framework is reviewed by this committee bi-annually.

Recommendation 7.3

A listed entity should disclose:

- a) if it has an internal audit function, how the function is structured and what role it performs; or
- b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes.

AWI Commentary

AWI does not have an internal audit function but relies on the processes and functions it employs to evaluate and continually improve the effectiveness of its governance, risk management and internal control process. Through this risk management process, any internal audit requirements identified are dealt with on a case by case basis. When necessary, external auditors may be engaged to fulfil specific reviews and report to the Audit and Risk Committee.

Recommendation 7.4

A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.

AWI Commentary

AWI reports on risks in its Annual Report.

Principle 8. Remunerate fairly and responsibly

Recommendation 8.1

The board of a listed entity should:

- a) have a remuneration committee which:
 1. has at least three members, a majority of whom are independent directors; and
 2. is chaired by an independent director, and disclose:
 3. the charter of the committee;
 4. the members of the committee; and
 5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

- b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

AWI Commentary

Refer to the People & Culture Committee Charter at www.wool.com/governance. The directors report in the Annual Report includes details of committee meetings held and attendances during the year (see page 73).

Recommendation 8.2

A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

AWI Commentary

Refer to the People & Culture Committee Charter at www.wool.com/governance. AWI undertakes an external benchmarking of remuneration for non-executive directors every three years. Remuneration for senior executives is benchmarked annually.

Recommendation 8.3

A listed entity which has an equity-based remuneration scheme should:

- a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and
- b) disclose that policy or a summary of it.

AWI Commentary

Not applicable to AWI as an unlisted public company.

FRAUD CONTROL PLAN

AWI is committed to accountability and transparency in conducting its business.

The AWI Board believes that a strong corporate governance culture regarding fraud control is one of the cornerstones of this commitment and AWI's approach is to minimise the incidence of fraud and "other unethical behaviour" through the development, implementation and regular review of a range of fraud prevention and detection actions.

The desired outcome of this commitment is the elimination of fraud against AWI programs by staff and other persons. AWI considers that this policy applies to all Directors, employees, agents and contractors.

AWI will consider all avenues to recover losses due to fraud against the Company. Staff may also face action for misconduct under AWI's Code of Conduct and Business Ethics, and restitution for any money or property lost through fraudulent activity will be pursued.

The main objective of the Fraud Control Plan is to minimise the risk of fraud against AWI. This objective is achieved through reference to the Commonwealth fraud Control Guidelines including the adoption of the Australian Standard on Risk Management (ISO 31000) and the Australian Standard on Fraud and Corruption Control (AS 8001-2008) to identify fraud risks and to develop and implement actions to manage those risks.

AUDIT

AWI continues to maintain a strong focus on accountability and on its internal control environment. It engages the services of the following professional service firms:

HLB Mann Judd is engaged annually to conduct the external audit and report to AWI shareholders.

Ernst & Young, HLB Mann Judd and PricewaterhouseCoopers provide specific advice on taxation and other related matters pertaining to AWI and The Woolmark Company, as required.

MEASUREMENT & EVALUATION

Measurement & Evaluation (M&E) provides a framework to measure, analyse and report on the performance of AWI's investments on behalf of its stakeholders – Australian woolgrowers and the Australian Government. As part of continuous improvement, another review of the M&E framework was completed in February 2021. This ensures that AWI's processes are aligned with industry needs, strategic changes, and stakeholder expectations.

Throughout 2020/21, the M&E team have continued to update systems and processes to assist in the consistent collection and analysis of information and data to inform investment decisions and report against AWI strategic targets. These include:

- The enhancement of Project Management processes to fully incorporate M&E targets and reporting (Project

Proposal, Project Variations and Project Completion Reporting) under one platform

- Published the inaugural Performance Report
- Coordination of key surveys like the Woolgrower Sentiment Survey
- The rationalisation of reporting frameworks to AWI's varied stakeholders; and
- The capturing of reliable data sources in a newly introduced data management system – Domo.

Efforts throughout 2020/21 move AWI closer to best practice in M&E through planning, information gathering, synthesis, reporting practices, along with necessary supporting conditions and capacities required for M&E to make valuable contribution to decision making and learning.

GOVERNMENT R&D PRIORITIES

The Australian Government is a major investor in AWI, collecting and disbursing statutory levies and providing taxpayer funds for eligible industry research, development and extension (RD&E) activities. As the wool industry's rural Research and Development Corporation (RDC), AWI is the Australian Government's primary vehicle for funding innovation in the wool industry.

While AWI's R&D and marketing priorities are determined by woolgrowers as identified by industry through AWI's Annual Planning and Consultation Cycle, AWI has also taken into account the Australian Government's National Science and Research Priorities and Rural Research, Development and Extension Priorities in setting its R&D investments, in addition to other directives and priorities the Government communicates to AWI.

The **National Science and Research Priorities** were announced by the Australian Government on 26 May 2015. The nine priorities are titled: Food, Soil and water, Transport, Cybersecurity, Energy, Resources, Advanced manufacturing, Environmental change and Health. See www.science.gov.au for further information.

The **Rural Research, Development and Extension (RD&E) Priorities** were announced on 20 May 2016. The four priorities and aims are:

- **Adoption of R&D** – Focusing on flexible delivery of extension services that meet primary producers' needs and recognising the growing role of private service delivery.
- **Advanced technology** – To enhance innovation of products, processes and practices across the food and fibre supply chains through technologies such as robotics, digitisation, big data, genetics and precision agriculture.
- **Biosecurity** – To improve understanding and evidence of pest and disease pathways to help direct biosecurity resources to their best uses, minimising biosecurity threats and improving market access for primary producers.
- **Soil, water and managing natural resources** – To manage soil health, improve water use efficiency and certainty of supply, sustainably develop new production areas and improve resilience to climate events and impacts.

See www.agriculture.gov.au for further information.

AWI investment during 2020/21 aligned to the Government's Rural Research, Development and Extension (RD&E) Priorities

Rural RD&E Priorities	R&D \$	Marketing \$	Other \$	Total \$	Total %
Adoption of R&D	15,990,000	-	722,000	16,712,000	25%
Advanced technology	7,123,000	-	493,000	7,616,000	14%
Biosecurity	2,038,000	-	203,000	2,241,000	5%
Soil, water and managing natural resources	1,054,000	-	-	1,054,000	1%
Non-R&D activities	-	33,161,000	-	33,161,000	55%
Total \$	26,205,000	33,161,000	1,418,000	60,784,000	100%
Total %	44%	55%	1%	100%	

PERFORMANCE

PERFORMANCE PRINCIPLES

AWI's new Statutory Funding Agreement with the Commonwealth requires AWI to act in accordance with and uphold five Performance Principles, those being:

1. to engage stakeholders to identify RD&E priorities and activities that provide benefits to the Industry;
2. to ensure RD&E priorities and activities (Marketing Activities and Other Activities) are strategic, collaborative and targeted to improve profitability, productivity, competitiveness and preparedness for future opportunities and challenges through a Balanced Portfolio;
3. to undertake strategic and sustained cross-industry and cross sectoral collaboration that addresses shared challenges and draws on experience from other sectors;
4. for governance arrangements and practices to fulfil legislative requirements and align with contemporary Australian best practice for open, transparent and proper use and management of Funds; and
5. to demonstrate positive outcomes and delivery of RD&E and marketing benefits to Levy Payers and the Australian community in general, and show continuous improvement and administrative efficiency.

AWI acts in accordance with and upholds all five Performance Principles:

1. Stakeholder engagement

As a company owned by Australian woolgrowers, AWI's activities – including the Strategic and Annual Operating plans – are directly driven by the wool industry, reflecting consultation with woolgrowers, industry and other key stakeholders along the supply chain, including government.

AWI has a comprehensive planning and consultation cycle across its portfolios to ensure two-way dialogue with stakeholders and enable AWI to work with partners in developing its activities. While AWI consults a range of stakeholders, engagement with woolgrowers is a key priority.

One of AWI's five portfolios is its Consultation portfolio, through which it regularly engages with woolgrower representative bodies as well as undertaking activities to engage directly with woolgrowers. See pages 31-34 for further details of these activities during 2020/21.

2. RD&E and Marketing

AWI's balanced portfolio of company activities are based on its Strategic Plan which was developed in consultation with woolgrowers and other stakeholders. Activities are carried out in collaboration with the most appropriate partners. AWI's priorities and projects are targeted so they align with the company's mission of enhancing the profitability, international competitiveness of the Australian wool industry.

AWI continually reviews the company's risk appetite which can be influenced by a number of factors, including those considered during the preparation of the Strategic Plan such as the levy rate reduction and the impacts of COVID-19.

AWI seeks to balance the 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.

AWI's risk appetite, by necessity, is towards the middle of the risk-taking spectrum.

3. Collaboration

AWI was involved during 2020/21 in a significant number of on-farm R&D collaborations with RDCs and other research bodies such as government departments of agriculture, industry organisations, CSIRO, universities and commercial partners. Collaboration with other R&D organisations makes AWI investments more efficient and effective by reducing duplication, maximising leverage and providing a greater platform for adoption. AWI also collaborated in the off-farm area, such as in marketing and fibre promotion with textile manufacturers, designers, brands and retailers. See page 14 for further details.

AWI has a demonstrated history of collaborating on R&D projects with other members of the RDC family, with AWI investments aligned to broader wool industry and agricultural strategic plans. See page 67 for further details.

Agricultural Innovation Australia (AIA), a new company targeting transformational innovation across agriculture, was formed in October 2020. All 15 RDCs, including AWI, were its founding members. AIA was established to catalyse public and private sector investment, and enhanced collaboration, in solving the biggest cross-sectoral challenges in Australian agriculture. As a single point of contact for cross-industry strategies, AIA will make it easier for investors from around the world to navigate and partner with the Australian agricultural system. RDCs contribute subscription fees and will benefit from enhanced collaboration and more effective leveraging of funding, knowledge and resources. The scope of AIA's strategies will cover the agriculture, fisheries and forestry value chains. More information: aginnovationaustralia.com.au

4. Governance

The AWI Board is committed to governance systems that enhance performance; ensure AWI operates according to accountability provisions required by various Acts, Regulations and Guidelines; and maintain the highest ethical standards.

AWI's governance framework meets the best practice guidelines in the ASX Corporate Governance Principles and Recommendations (Principles and Recommendations) in implementing a corporate governance framework. While AWI is not a listed company, it uses these Principles and Recommendations as guidance in its governance practices to the extent that they are reasonably applicable to AWI's circumstances. See pages 60-64 for further details.

5. Measurement & Evaluation

AWI has a Measurement & Evaluation framework that measures, analyses and reports on the performance of AWI's investments on behalf of its stakeholders – Australian woolgrowers and the Australian Government.

Throughout 2020/21, AWI's M&E team have continued to update systems and processes to assist in the consistent collection and analysis of information and data to inform investment. See page 65 for further details.

The performance of AWI against its Annual Plan targets are available on page 109. For highlights of each AWI program, refer to the portfolio reports on pages 17-58.

AWI reports to woolgrowers and other stakeholders of investments and their results through publications including the AWI Annual Report, AWI's quarterly *Beyond the Bale* magazine, various digital communications and events and forums across the country.

REVIEW OF PERFORMANCE

As part of AWI's normal business cycle and Statutory Funding Agreement (SFA), every three years prior to WoolPoll, AWI is required by the Australian Government to have an Independent Review of Performance (ROP).

AWI welcomes the regular review because the report assists AWI to refine its processes and approach to deliver long-term profitability for Australian woolgrowers.

For woolgrowers, the report means that their company, AWI, is being rigorously evaluated every three years, so opportunities for AWI to do better can be identified and addressed.

2021 Review of Performance

The most recent review was conducted by Accenture for the period 2018-21. At the time of writing this Annual Report, the Accenture report is scheduled for completion in August 2021. The report, along with AWI's response to the report, will be available on the AWI website by the time this Annual Report is published.

2018 Review of Performance

The previous review was conducted by Ernst & Young (EY) for the period 2015-18. EY's report, which was published in July 2018, included 82 recommendations.

In September 2018, AWI launched an online ROP Implementation Portal (ROPIP) which has allowed woolgrowers and other stakeholders to monitor in real time AWI's progress in implementing the recommendations. The comments and status on the ROPIP are updated regularly.

An update on progress has also been provided quarterly to woolgrowers in AWI's *Beyond the Bale* magazine.

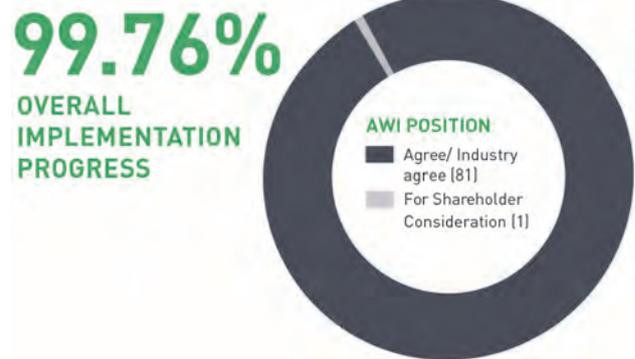
Implementation of the vast majority of the recommendations was made quickly. A summary of progress at 30 June 2021 is displayed to the right.

Disclosure: former staff

Finding 1.13.1 of the 2018 ROP recommended that AWI should "increase transparency of engagement of former staff as contractors ... by increasing the disclosure of these in future Annual Reports". AWI has two disclosures relating to former staff members who resigned in the preceding 12 months:

AWI contracted Luke Kliman; in the 2020/21 financial year he was paid for IT consultancy services. AWI contracted Ella Edwards; in the 2020/21 financial year she was paid for copy writing services.

AWI's progress of implementation of the 2018 Review of Performance recommendations, total and split by seven themes.



THEME IMPLEMENTATION PROGRESS

CONSTITUTION 24 out of 24 recommendations complete.	100%*
GOVERNANCE 22 out of 23 recommendations complete.	99.57%*
MONITORING EVALUATION & REPORTING 16 out of 16 recommendations complete.	100%*
COLLABORATION 3 out of 3 recommendations complete.	100%*
PEOPLE & CULTURE 6 out of 7 recommendations complete.	98.57%*
CONSULTATION 5 out of 5 recommendations complete.	100%*
ROP RECOMMENDATIONS & IMPLEMENTATION 4 out of 4 recommendations complete.	100%*

* Percentage figure is calculated on the cumulative completion rate within each theme. Remaining recommendations at various completion stages. To view individual recommendation progress rates, visit rop.wool.com

STRATEGIC ALIGNMENT

The AWI Strategic Plan is developed in consideration of broader wool industry and agriculture strategic plans, ensuring that where priorities align, AWI's investments recognise and support these other plans. Strategies such as those under the National RD&E Framework guide activities not only within an AWI strategic period but join successive AWI strategic plans.

The National RD&E Framework includes plans for wool, climate change, animal biosecurity and animal welfare. These contribute to AWI's coordinated approach in addressing the long-term opportunities and threats facing Australian agriculture with other RDCs and research providers.

The *2030 Roadmap: Australian Agriculture's Plan for a \$100 Billion Industry* is a cross agriculture industry strategy that RDCs are looked to as support for Roadmap activities. Its pillars are:

1. Customers and the value chain
2. Growing sustainably
3. Unlocking innovation

4. People and communities, and
5. Capital and risk management.

These are reflected in AWI's achievements.

This year, AWI contributed to the development and delivery of two new industry strategic plans, the *Wool 2030 Strategy* (launched in December 2020) and the *Sheep Sustainability Framework* (April 2021). AWI looks forward to aligning its strategic intent with these new strategies.

Wool 2030 Strategy

The Wool 2030 Strategy represents the fulfilment of recommendation 1.3.4 from the 2018 Review of Performance of AWI by EY, to 'Develop a ten-year wool strategy to inform AWI's three-year Strategic Plans'.

More than 850 woolgrowers helped write the report that was overseen by AWI's Wool Consultation Group (WCG) and next generation representatives – see page 32.

The strategy is underpinned by five pillars:

1. Caring for our animals and the environment

2. Marketing the world's most desirable fibre
3. Communicating with our customers
4. Transforming our production systems through innovation
5. Fostering a prosperous wool-growing community

Oversight of the plan will be provided by a Wool 2030 Steering Group comprising an independent chair, and representatives of national woolgrower and stud breeder organisations and members from all sectors of the wool pipeline.

Sheep Sustainability Framework

AWI and MLA have collaboratively funded the development of the world's first Sheep Sustainability Framework. The Sheep Sustainability Framework, initiated by WoolProducers Australia (WPA) and Sheep Producers Australia (SPA), was developed by an industry-led Sustainability Steering Group, following a year of close consultation with industry stakeholders and the broader community.

The Sheep Sustainability Framework provides a platform for the industry to demonstrate our sustainable practices, identify areas for improvement, and better communicate with customers and consumers. It will monitor, measure and report the Australian sheep industry's performance against 21 sustainability priorities, which have been classed into four themes:

1. Caring for our sheep,
2. Enhancing the environment and climate,
3. Looking after our people, our customers and the community, and
4. Ensuring a financially resilient industry.

The Sheep Sustainability Framework will assist the sheep industry to better understand its opportunities, challenges and impacts across these four themes and articulate our sustainability priorities and measure performance against them. In doing this, the Framework will improve transparency, provide evidence to our stakeholders and customers that Australian sheep meat and wool has been produced responsibly, and build their trust and confidence in the industry.

The Sheep Sustainability Framework will be a living document, subject to review and refinement so that it remains relevant and meets the expectations of all stakeholders. This ongoing commitment to transparency, continual improvement and engagement will ensure the Australian sheep industry remains a strong and important industry for its participants and its customers.

The Sheep Sustainability Framework is available to download and read at sheepsustainabilityframework.com.au

National RD&E Framework

AWI's research, development & extension (RD&E) aligns with the National Primary Industries RD&E Framework (NPIF), a 2009 Australian Government initiative designed to enhance collaboration, coordination, efficiency and effectiveness of national RD&E efforts. Strategies exist for all agricultural sectors including wool, in addition to cross-sectoral strategies including animal welfare, biosecurity and climate change.

The RDCs (including AWI), State Government agencies, CSIRO and universities are all signatories to the intent. AWI participates in the National RD&E Framework through its own sector strategy, the National Wool RD&E Strategy, and also through support for three cross-sectoral strategies, in partnership with other RDCs: the Climate Research Strategy for Primary Industries, the National Animal Biosecurity RD&E Strategy, and the National Animal Welfare RD&E Strategy.

National Wool RD&E Strategy

In 2020/21, the Strategy was unable to deliver the research community the opportunity to progress new investment ideas via AWI funding, given AWI's severe budget constraints. The wide membership of the Strategy, from diverse researcher groups and governments, levy payers, wool selling, to wool testing and wool representative bodies, gave a broad insight to inform research proposals.

The Strategy looks out to 2030; however, with the new Wool 2030 Strategy from industry also setting long term targets, the future of the National Wool RD&E Strategy is unclear. What is clear is that the Wool 2030 Steering Group planned membership, that will assign activities and responsibilities, differs from the National Wool RD&E Strategy with the absence of the research community. The latter provides the opportunity for researchers to discuss investment ideas with the broader wool industry.

Climate Research Strategy for Primary Industries (CRSPI) 2017-21

AWI continued to participate in CRSPI, partnering with 15 RDCs, government departments and research organisations. The RDCs agreed to continue supporting CRSPI through 2020/21 to continue discussion and activities whilst industry worked on the Climate Initiative Investment Plan, a collaboration of all 15 RDCs focusing on climate adaptation and resilience which embraces the private sector.

The postponed CRSPI Forum conference from 2020 was run online in March 2021, and a proposal called 'CRSPI Common Methodology Project' was supported by a number of partners. AWI has been working on a number of the components of the common methodology project on behalf of the wool industry for some time now, so rather than making a direct financial contribution to this new project, AWI has committed to providing the data and methodology from the 'Measures towards low GHG wool' project for use in the wider collaborative project.

National Animal Biosecurity RD&E Strategy (NABRDES) 2017-21

AWI has continued to support the NABRDES financially and operationally, as well as actively driving the wool sector's own post farmgate biosecurity RD&E strategy (Australian Wool Industry Post-Farmgate EAD Preparedness RD&E Strategy), through Wool Industries Australia (WIA) and WoolProducers Australia, and internationally, through the International Wool Textile Organisation's (IWTO) Wool Biosecurity Working Group.

The NABRDES was developed to be in alignment with the National Primary Industries RDE Framework and to meet the requirements of the Intergovernmental Agreement on Biosecurity (IGAB). NABRDES aims to provide Australian livestock industries with innovative and integrated ways of preparing for, responding to, and recovering from disease, pest and weed incursions. It is designed to facilitate nationwide consistency in prioritising biosecurity risks and applying a collaborative approach to RD&E that protects our animal food and fibre producing industries.

Delivery of the NABRDES is coordinated by Animal Health Australia, and the 17 members (which includes all jurisdictions and livestock RDCs) contribute to the funding of the secretariat and costs associated with Strategy deliverables, meetings and an annual investment showcase.

National Animal Welfare RD&E (NAWRDE) Strategy

AWI continues its involvement in the NAWRDE Strategy, which commenced in December 2012. The purpose of the Strategy is to develop national arrangements to deliver strong collaboration amongst existing RD&E provider groups, and effective partnerships between investors and providers. The Strategy is implemented by the Strategy Committee, comprising all livestock industry RDCs, major RD&E providers and Government investors. Animal Health Australia and the RSPCA have observer membership status. Links to other organisations with interests in livestock animal welfare RD&E occur through the Annual Forum and a corresponding members list.

The 26 Steering Committee members contribute an equal share to fund the secretariat and costs associated with meetings and the Annual Forum. Strategy administration, including the engagement of a part-time executive function, is managed on behalf of the Strategy members by Australian Pork Limited.

INTELLECTUAL PROPERTY

AWI has a portfolio of intellectual property (IP) assets comprising patents, plant breeders' rights, trade marks, registered designs, business names, copyright, domain names, and unregistered/confidential know-how. Some of these assets are owned jointly with other organisations, including Government departments, statutory corporations, CSIRO and commercial R&D companies.

In addition to the above IP assets, AWI is the beneficial owner of all IP assets owned by The Woolmark Company Pty Limited and its associated entities.

These include the WOOLMARK logo, WOOLMARK BLEND logo and WOOL BLEND logo which are registered in more than 90 countries across multiple classes of goods.

IP is an important company asset. AWI's objective is to control and manage its IP to the maximum benefit of Australian woolgrowers by ensuring rapid, widespread adoption or commercialisation of its IP along the wool supply chain.

AWI seeks to develop revenue from IP and invest it back into R&D and marketing on behalf of woolgrowers.

Registered IP owned by AWI (including The Woolmark Company) or in which AWI has an interest as at 30 June 2021

PATENTS - innovation patent certified in Australia

- Long range wireless monitoring systems

REGISTERED DESIGNS - registered overseas, not in Australia

- Breech Clip
- Dog Bone Clip
- Hockey Stick Clip

TRADE MARKS - registered in Australia and overseas

- Cool Wool
- Circle Logo
- Flyboss
- Liceboss
- Merino Active
- Merino Perform
- OPTIM
- MMX Wool Without Limits & Device
- Red Island
- Sam the Lamb
- Wormboss
- WOOL4SCHOOL
- XWOOL Device

TRADE MARKS - registered in Australia, not overseas

- Australian Wool Innovation
- AWI & Swirl Device
- Evergraze
- Making More from Sheep
- Timerite
- Woolcheque
- WoolQ

TRADE MARKS - registered overseas, not in Australia

- Gold Woolmark
- Merinocool
- MERINOEASYCLEAN
- merinofresh
- Mother and baby device
- No Finer Feeling

TRADE MARKS - registered overseas, not in Australia (continued)

- Pure New Wool
- SGP
- Si-ro-set
- Sportwool
- Superior Merino
- Superior Merino Blend
- We Love Wool
- Woolmark Gold
- Wool Rich Blend
- Wool Runs On Grass

TRADE MARKS - registered in Australia and overseas

- Woolmark
- Woolmark Blend
- Wool Blend
- Australian Merino

PLANT VARIETIES - registered in Australia, not overseas

- Biserrula-Mauro
- French Serradella-Cadiz
- French Serradella-Margurita
- Persian Clover-Lusa
- Phalaris-Aquatica II
- Phalaris-Holdfast
- Subterranean Clover-Coolamon
- Subterranean Clover-Izmir
- Subterranean Clover-Mintaro
- Lotus Australis-LA07
- Birdsfoot Trefoil-LC07AUF
- Birdsfoot Trefoil-LC07AUYF
- Birdsfoot Trefoil-LC07AS
- Birdsfoot Trefoil-LC07AT
- Subterranean Clover-Bindoon

Note: the term 'registered' is used to describe an asset that is either registered or where an application for registration has been filed, or in the case of patents, where the patent has been granted.

CRRDC – RDC SYSTEM PERFORMANCE INDICATORS

The Rural Research and Development Corporations (RDCs) are a network of organisations that were formed under a partnership between different industries and the Australian Government to drive innovation and improvement in, and for, rural industries.

The RDCs are service providers to industry and government, and their role is to prioritise, invest in and evaluate RD&E, and in some cases market access, market development and commodity promotion (CRRDC, 2017). AWI reports against a suite of indicators so that the RDCs can communicate performance and impact beyond the economic analysis undertaken in the joint Impact and Assessment Program. The table below highlights the response to the measures for the 2020/21 financial year.

INDICATOR	MEASURE	COMMENTS
Indicator 1: Benefit cost ratio	None - we will use the 2020 CRRDC Impact Assessment	N/A
Indicator 2: Total Factor Productivity	None - would not report until 2022	N/A
Indicator 3: Economic Contribution	None - would not report until 2023	N/A
Indicator 4: Leverage	The amount of non-government sourced funding	The non-govt sourced revenue was \$6.7 million
Indicator 5: Collaboration	The number of cross-RDC projects	AWI collaborated with 254 Industry partners from farm to fashion
Indicator 6: Capability	The number of researchers supported by RDCs (PhD scholarships, post-doctoral fellowships, new & continuing)	In progress
Indicator 7: Services	Percentage of levy payers/members satisfied with RDC services	The 2021 Woolgrower Sentiment Survey showed that 75% of woolgrowers were positive about the future of the Australian wool industry (up from 54% in 2020)
Indicator 8: Engagement	Percentage of levy payers/members satisfied with RDC engagement	6.2/10 woolgrowers were satisfied with AWI engagement in the 2021 Woolgrower Sentiment Survey
Indicator 9: Sustainability	Questions pertaining to sustainability: (a) do you have a sustainability agenda in place? (Y/N) (b) how long has it been in place? (c) what are some demonstrated achievements under this agenda?	In progress
Indicator 10: Diversity	Questions pertaining to diversity: (a) do you have a diversity & inclusion agenda in place? (Y/N) (b) how long has it been in place? (c) what are some demonstrated achievements under this agenda?	Gender diversity is evident at AWI as 62% are female and 38% are male.

FINANCIAL REPORT

CONTENTS

Directors' Report	72
Auditor's Independence Declaration	75
Consolidated Statement of Comprehensive Income	77
Consolidated Statement of Financial Position	78
Consolidated Statement of Changes in Equity	79
Consolidated Statement of Cash Flows	80
Notes to the Consolidated Financial Statements	81
Directors' Declaration	100
Independent Auditor's Report	101



DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Australian Wool Innovation Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2021.

DIRECTORS

The following persons were directors of Australian Wool Innovation Limited during the financial year and up to the date of this report:

Mr J Laurie (Chairman)
Ms C Garnsey OAM
Mr N Henderson
Dr M Humphries
Mr D Macdonald
Mr J Morgan
Mr D A A Webster

PRINCIPAL ACTIVITIES

Australian Wool Innovation Limited is a Not-for-profit, registered charitable company. Its principal activity as recorded in its adopted strategic plan is to increase the profitability and support the sustainability of the Australian wool industry through strategically targeted investments in research, development and marketing designed to optimise return on investment. To achieve this mission, the Group receives funding from the Commonwealth Government of Australia by way of a statutory wool levy imposed upon Australian woolgrowers and a capped research and development matching fund contribution. Funding is also generated from revenue in respect of the Woolmark certification and ordinary trademark annual licence fees.

REVIEW OF OPERATIONS AND RESULTS

	2021 \$'000	2020 \$'000
Revenue	56,891	69,169
Loss from continuing operations	(4,123)	(7,575)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During 2020/21, AWI's annual revenue, which is largely dependent on wool levy income, was the lowest that it has ever been since the company was formed. This is due to a combination of three things. Firstly, the reduction in the rate of wool levy from 2% to 1½%, which came into effect on 1 July 2019. Secondly, the low level of Australia's wool production caused by the drought and low sheep numbers in the previous few years. Thirdly, the relatively low level of the Eastern Market Indicator.

The global Coronavirus (COVID-19) pandemic has continued to profoundly affect the wool industry, primarily due to continued weak consumer demand and a poor level of retail sales during the financial year. Given the low levels of consumer spending across the globe, aside from in China, AWI's marketing teams ceased expenditure on many projects, especially those that rely on face to face shopping. Those marketing funds have been held back to be made available at a later time when it is more likely an investment will yield results. Once AWI sees a market recovering, AWI will deploy the marketing funds that were held back as quickly as possible to try and stimulate demand.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially negative for the consolidated entity up to 30 June 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. However, there is recent evidence that the roll out of vaccination programs can be very effective at suppressing the virus, which it is hoped will result in some degree of economic recovery in key markets which would help build demand for Australian wool.

There has been no other matter or circumstance which has arisen since 30 June 2021 that has significantly affected or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Despite the disruption during the past 18 months, AWI's Strategic Plan remains very relevant and robust. AWI continues to operate five key portfolios divided into 13 strategies and 29 programs. These seek to address key industry issues and exploit opportunities across the global supply chain for Australian wool, from woolgrowers through to consumers.

Marketing - To continue to build demand for Australian wool by reinforcing its position in the market and solidifying a strong price to ensure a sustainable future for Australian woolgrowers.

Sheep Production - To lower the cost of production of wool on-farm by increasing the productivity of sheep and land, and increasing the efficiency of use of inputs and resources while maintaining Australia's reputation for sustainability.

Consultation - To build trust and transparency across the supply chain through an industry best-practice structured, targeted and measurable engagement model; and for this intelligence to influence, inform or contribute to AWI's business activities.

Processing Innovation and Education Extension - To increase the profitability and sustainability of the wool processing and manufacturing supply chain and educate students, trade and retailers about the benefits of wool.

Traceability - To provide tools to ease the flow of information about Australian wool up and down the supply chain to all parties; to communicate wool's benefits, facilitate provenance and supply chain transparency.

These portfolios are supported by the Support & administration function enabling AWI to operate cost effectively through the efficient provision of a range of cross-company support services.

COMPANY SECRETARY

The Company Secretary is Mr Jim Story BA, LLB, FGIA.

MEETINGS OF DIRECTORS

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2021, and the numbers of meetings attended by each director were:

Director	Meetings of Committees							
	Full meetings of directors		Audit & Risk		People & Culture		Research Development Education & Extension	
	A	B	A	B	A	B	A	B
Mr J Laurie	13	13*	8	8	-	-	-	-
Ms C Garnsey	13	13	8	8	6	6	8	8
Mr N Henderson	13	13	8	8	-	-	-	-
Dr M Humphries	13	13	-	-	-	-	8	8
Mr D Macdonald	13	13	-	-	6	6*	-	-
Mr J Morgan	13	13	-	-	6	6	8	8*
Mr D A A Webster	13	13	8	8*	-	-	8	8

A = number of meetings held during the time the director held office or was a member of the committee during the year.

B = number of meetings attended.

* = denotes Chair as at 30 June 2021.

CHAIRMANSHIP

Ms C Garnsey OAM was the Chairman of the Board throughout the year until 30th June 2021.

Mr J Laurie was appointed Chairman of the Board on the 30th June 2021.

INSURANCE OF OFFICERS

During the financial year, Australian Wool Innovation Limited paid a premium to insure directors and officers of the Group. The insurance policy specifically prohibits disclosure of the nature and liability covered and the amount of the premium paid.

INDEMNITY AND INSURANCE OF AUDITORS

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

DIRECTORS' REPORT (CONTINUED)

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

NON-AUDIT SERVICES

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor/s for audit and non-audit services provided during the year are set out in note 23.

DIVIDENDS PAID

AWI's Constitution does not allow the company to pay any dividends.

ENVIRONMENTAL REGULATION

The Group's operations are not subject to any particular or significant environmental regulations under either Commonwealth or State legislation.

STATUTORY FUNDING AGREEMENT OBLIGATIONS

In addition to annual reporting requirements, there are further reporting requirements imposed upon the parent company under the Statutory Funding Agreement between Australian Wool Innovation Limited and The Commonwealth of Australia.

A number of the matters identified in this report contain commercial in confidence information and the company has elected to exercise its prerogative to provide that report separately to the Commonwealth on an 'in confidence' basis.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 75.

ROUNDING OF AMOUNTS

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Legislative Instrument to the nearest thousand dollars, unless otherwise stated.

AUDITOR

HLB Mann Judd continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors.



Mr J Laurie (Chairman)
Director

Sydney
27 August 2021

AUDITOR'S INDEPENDENCE DECLARATION



We declare that, to the best of our knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit of the financial report of Australian Wool Innovation Limited for the year ended 30 June 2021.

This declaration is in relation to Australian Wool Innovation Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'James', with a period at the end.

SP James
Director

Sydney, NSW
27 August 2021

hlb.com.au

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HLB Mann Judd is a member of HLB International, the global advisory and accounting network.

FINANCIAL REPORT - 30 JUNE 2021

CONTENTS

	Page
Financial statements	
Consolidated statement of comprehensive income	77
Consolidated statement of financial position	78
Consolidated statement of changes in equity	79
Consolidated statement of cash flows	80
Notes to the financial statements	81
Directors' declaration	100
Independent auditor's report to the shareholders	101

This financial report covers Australian Wool Innovation Limited as a consolidated entity consisting of Australian Wool Innovation Limited and its controlled entities as listed in note 26 to the financial report. The financial report is presented in Australian dollars.

Australian Wool Innovation Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 6, 68 Harrington Street
The Rocks
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on page 72, which is not part of this financial report.

The financial statements were authorised for issue by the directors on 27 August 2021. The directors have the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete and available globally at minimum cost to the company. All press releases, financial reports and other information are available on our website: www.wool.com

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

		Consolidated	
	Notes	2021 \$'000	2020 \$'000
Revenue from continuing operations			
Operating revenue	3	55,885	66,888
Other revenue	3	1,006	2,281
		56,891	69,169
Other (loss)/ gain	4	(138)	336
Expenses			
Project expenditure		(32,892)	(42,217)
Marketing		(11,948)	(15,422)
Sheep production		(2,620)	(2,563)
Processing innovation & education extension		(2,816)	(3,079)
Traceability		(913)	(1,017)
Consultation		(1,287)	(1,213)
Support & administration		(8,308)	(11,485)
Loss before income tax		(4,031)	(7,491)
Income tax expense	7	(92)	(84)
Loss from continuing operations		(4,123)	(7,575)
Loss for the year		(4,123)	(7,575)
Other comprehensive income			
Exchange differences on translation of foreign operations		14	(392)
Total comprehensive loss for the year		(4,109)	(7,967)
Total comprehensive loss for the year is attributable to:			
Owners of Australian Wool Innovation Limited		(4,109)	(7,967)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

		Consolidated	
	Notes	2021 \$'000	2020 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	8	20,141	7,025
Other financial assets	9	81,996	99,065
Trade and other receivables	10	11,621	4,653
Other current assets	11	642	629
Total current assets		114,400	111,372
Non-current assets			
Property, plant and equipment	12	729	1,302
Right-of-use assets	12	3,986	8,959
Intangible assets	13	11,124	11,685
Other non-current assets	14	983	791
Total non-current assets		16,822	22,737
Total assets		131,222	134,109
LIABILITIES			
Current liabilities			
Trade and other payables	15	8,475	8,196
Lease liabilities	19	2,001	2,094
Deferred revenue	16	5,847	364
Total current liabilities		16,323	10,654
Non-current liabilities			
Lease liabilities	19	2,853	7,227
Provisions	17	276	336
Other non-current liabilities	18	139	152
Total non-current liabilities		3,268	7,715
Total liabilities		19,591	18,369
Net assets		111,631	115,740
EQUITY			
Contributed equity*	20	-	-
Reserves	21	1,111	1,097
Retained earnings	21	110,520	114,643
<i>Capital and reserves attributable to owners of Australian Wool Innovation Limited</i>		111,631	115,740
Total equity		111,631	115,740

*As at 30 June 2020 and 2021 contributed equity in the consolidated entity was \$100.

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	Attributable to owners of Australian Wool Innovation Limited			Total equity \$'000
		Contributed equity* \$'000	Reserves \$'000	Retained earnings \$'000	
Balance at 1 July 2019		-	1,489	122,218	123,707
Loss for the year	21	-	-	(7,575)	(7,575)
Other comprehensive income/ (loss)	21	-	(392)	-	(392)
Total comprehensive loss for the year		-	(392)	(7,575)	(7,967)
Balance at 30 June 2020		-	1,097	114,643	115,740
Balance at 1 July 2020		-	1,097	114,643	115,740
Loss for the year	21	-	-	(4,123)	(4,123)
Other comprehensive income/ (loss)	21	-	14	-	14
Total comprehensive loss for the year		-	14	(4,123)	(4,109)
Balance at 30 June 2021		-	1,111	110,520	111,631

*As at 30 June 2020 and 2021 contributed equity in the consolidated entity was \$100.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	Consolidated	
		2021 \$'000	2020 \$'000
Cash flows from operating activities			
Levy, license, government grant and other receipts (inclusive of GST)		53,151	88,676
Payments to suppliers and employees (inclusive of GST)		(56,075)	(92,983)
		(2,924)	(4,307)
Interest received		1,371	2,490
Income taxes paid	7	(92)	(84)
Lease interest paid		(351)	(527)
Net cash outflow from operating activities		(1,996)	(2,428)
Cash flows from investing activities			
Payments for property, plant and equipment	12	(5)	(540)
Payments for held-to-maturity investments	9	-	(410)
Redemption of held-to-maturity investments	9	17,069	-
Proceeds from sale of property, plant and equipment		15	14
Net cash inflow (outflow) from investing activities		17,079	(936)
Cash flows from financing activities			
Lease payments		(2,175)	(1,903)
Net cash outflow from financing activities		(2,175)	(1,903)
Net increase (decrease) in cash and cash equivalents		12,908	(5,267)
Cash and cash equivalents at the beginning of the financial year		7,025	12,260
Effects of exchange rate changes on cash and cash equivalents		208	32
Cash and cash equivalents at end of year	8	20,141	7,025

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Australian Wool Innovation Limited (the "Company") is a company limited by shares, incorporated and domiciled in Australia and is a Not-for-profit, registered charitable company.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Australian Wool Innovation Limited and its subsidiaries (the "Group").

The nature of the Group's operations and principal activities are described in the Directors' Report.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*, Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board. Australian Wool Innovation Limited is a Not-for-profit, charitable entity for the purpose of preparing the financial statements.

(i) Compliance with Australian Accounting Standards - Reduced Disclosure Requirements

The consolidated financial statements of the Group comply with Australian Accounting Standards - Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

(ii) Historical cost convention and comparative information

This financial report has been prepared under the historical cost convention. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability.

(iii) Going concern

The financial report has been prepared on a going concern basis. Although the Group has been adversely financially impacted due to reduction in wool levy and Corona virus (COVID-19) pandemic, no material uncertainty exists in its ability to continue as a going concern. The Group has implemented following measures to mitigate the risk:

- Reviewed marketing campaigns to ensure they target international markets that are recovering and where it is more likely an investment will yield results;
- Reviewed corporate structure and reduced headcounts; and
- Reviewed its liquidity and reserve policy (refer note 9), the Group believes that it is in sound financial position and has sufficient surpluses available to deal with any unforeseen events.

(iv) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(1) Estimated impairment of the Woolmark certification trademarks

The Group tests annually whether the value of \$10,000,000 allocated to the Woolmark certification trademarks has suffered any impairment, in accordance with the accounting policy stated in note 1(g). These calculations require the use of assumptions regarding the separately identifiable future cash inflows relating to the brand, estimates of future costs required to support the brand and discount rates. Management determined budgeted cash flows based on license fees billed for the coming year and budgeted costs based on past performance and expectations for the future.

(2) Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(iv) Critical accounting estimates (continued)

(3) Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

(4) Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the levy, licence, grants and other receipts, expenses, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there is no other known impact on the Group's operations as a result of the Coronavirus (COVID-19) pandemic.

(5) Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

(v) New and amended standards adopted by the group

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Australian Wool Innovation Limited as at 30 June 2021 and the results of all subsidiaries for the year then ended.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of comprehensive income and statement of financial position from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control existed.

The effects of all transactions between entities in the consolidated entity are eliminated in full.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Australian Wool Innovation Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- the assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date;
- income and expenses of foreign operations are translated into Australian dollars using the average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income through foreign currency reserve in equity.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Wool levies and government grants are brought to account when received or receivable from the Federal Government.

Reasonable assurance that the Commonwealth Matching Funds grant will be received occurs when the Group complies with all conditions outlined in the Statutory Funding Agreement.

Invoiced licence fees are deferred as a liability on the statement of financial position and brought to account as revenue over the period of the licence.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue for the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Revenue from the rendering of a service is recognised by reference to the stage of completion of contracts or other agreements to provide services.

Revenue for the disposal of non current assets is recognised when control of the asset has passed to the buyer.

(e) Income tax

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting year and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Woolmark Holdings Pty Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. Australian Wool Innovation Limited is not a party to the tax consolidated Group as it is exempt from tax.

(f) Leases

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. As a not for profit organisation, value in use may be assessed on the basis of depreciated replacement costs for a similar asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units).

(h) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are measured at amortised cost. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

The loss allowance is recognised in profit or loss.

(i) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, floating rate notes, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(j) Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

(k) Other financial assets

Other financial assets are initially measured at fair value plus transaction costs and subsequently measured at amortised cost, less any allowance for expected credit losses.

Other financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

(l) Leasehold improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the consolidated entity, whichever is the shorter.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Property, plant and equipment

All assets are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Purchases of property, plant and equipment costing less than \$5,000 are expensed in the year of acquisition.

Depreciation is calculated on a straight line basis to write off the net cost amount of each item of property, plant and equipment (excluding land) over its expected useful life to the economic entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessment for major items. The expected useful lives are as follows:

Buildings	10-20 years
Plant and equipment	1-10 years
Leasehold improvements	over the lease term

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1 (g)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

- **Right-of-use asset**

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

(n) Intangible assets

(i) *Research and development*

Research expenditure is recognised as an expense as incurred.

(ii) *Trademarks and licences*

This represents the Woolmark certification trademarks acquired by the Group. The Woolmark is well established and is expected to generate cash inflows for the Group for an indefinite period. Therefore the certification trademarks are carried at cost without amortisation, but are tested for impairment in accordance with note 1(g).

(iii) *Website development*

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets.

Website development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

Website developments that are ready for use are amortised on a straight-line basis over a period of 4 years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Provisions

Provisions for make good obligations and restructuring are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(p) Employee benefits

(i) Short-term obligations

Liabilities for wages, salaries and annual leave expected to be settled within 12 months of the reporting date plus overseas pension benefits are recognised in other payables and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long-term employee benefit obligations

The liability for long service leave is recognised in provisions and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

The provision for employee entitlements includes on costs of superannuation, payroll tax and workers compensation.

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(r) Dividends

The Company's Constitution does not allow the company to pay any dividend.

(s) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated statement of financial position.

(t) Rounding of amounts

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Legislative Instrument to the nearest thousand dollars, unless otherwise stated.

(u) Parent entity financial information

The financial information for the parent entity, Australian Wool Innovation Limited, disclosed in note 29 has been prepared on the same basis as the consolidated financial statements, except investments in subsidiaries which are recorded at cost in the financial statements of Australian Wool Innovation Limited.

NOTE 2: FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange, other price risks and aging analysis for credit risk.

Risk management is carried out by Head Office Finance under policies approved by the board of directors. Group Head Office Finance identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations.

The Group's foreign exchange management policies include wherever possible creating natural hedges with the collection of licence income in the same currencies as the expenditure being incurred. The Group also purchased foreign exchange contracts during the year to minimise the exposure to fluctuations in the currency markets based on a proportion of budgeted cash flows.

Forward Exchange Contracts (Derivatives) are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent adjustment in the fair value of contract is recorded in the income statement with a corresponding impact in the Forward contract asset or liability.

(b) Credit risk

The Group has no significant concentrations of credit risk and credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Customers risk rating is assessed by the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal ratings and compliance with credit limits by customers is regularly monitored by management.

Australian Wool Innovation Limited's investment policy is conservative and designed to minimise principal, interest rate and currency risk.

Risk of principal amounts invested is minimised by investing the majority of available funds in deposits with Standard & Poor's ratings AAA, AA+, AA, AA-, A+, and A for long term and A-1+, A-1 and A-1- for short term. A maximum of 25% of funds can be invested with Standard & Poor's ratings A-, BBB+, BBB and BBB- for long term and A-2, and A-3 for short term.

Risk of loss due to adverse interest rate movements is minimised by investing in term deposits for terms per the AWI investment policy.

Wherever possible funds invested are held in Australian dollars thereby minimising any foreign exchange risk.

The Group has policies in place to ensure that customers have an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and having funding available. Head Office Finance aims at maintaining flexibility in funding by keeping funds on call and term deposits with regular rolling maturity dates. The Group manages liquidity risk by continually monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Given the cash reserves available borrowing facilities are not required.

(d) Fair value measurement

The net fair value of cash and cash equivalents, other financial assets and financial liabilities approximate their carrying values.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2021

NOTE 3: REVENUE

	Consolidated	
	2021	2020
	\$'000	\$'000
From continuing operations		
<i>Operating revenue</i>		
Wool levy	33,634	37,773
Government contribution	16,584	19,971
License fees	2,881	6,583
Royalties	1,953	1,707
Sale of goods and services	690	820
Other	143	34
	55,885	66,888
<i>Other revenue</i>		
Interest revenue calculated using the effective interest method	824	2,181
Rental and sub-lease rental income	182	100
	1,006	2,281
	56,891	69,169

NOTE 4: OTHER (LOSS)/GAIN

	Consolidated	
	2021	2020
	\$'000	\$'000
Net foreign exchange (loss)/gain	(138)	336

NOTE 5: EXPENSES

	Consolidated	
	2021	2020
	\$'000	\$'000
<i>Depreciation and amortisation</i>		
Buildings	2	2
Plant and equipment	409	516
Leasehold improvements	249	288
Right-of-use assets	2,173	2,327
Website development	561	561
Total depreciation and amortisation	3,394	3,694
Superannuation expense	1,303	1,602

NOTE 6: RESEARCH, DEVELOPMENT AND MARKETING EXPENDITURE

	Consolidated	
	2021	2020
	\$'000	\$'000
Marketing	29,081	35,662
Sheep production	11,655	14,264
Processing innovation & education extension	4,818	7,861
Traceability	2,763	3,347
Consultation	4,159	4,377
Support & administration	8,308	11,485
Total RDM expenditure	60,784	76,996

NOTE 7: INCOME TAX EXPENSE

	Consolidated	
	2021	2020
	\$'000	\$'000
(a) Income tax expense		
Current tax on profits for the year	92	84
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	(4,031)	(7,491)
Tax at the Australian tax rate of 30% (2020 - 30%)	(1,209)	(2,247)
Non-taxable income, tax losses and temporary differences not brought to account	1,322	2,343
Differences in overseas tax rates	(43)	(33)
Adjustments for current tax of prior periods	22	21
Income tax expense	92	84

The Group has not recognised deferred tax assets relating to tax losses or temporary differences arising from loss making operations as it is not probable that the benefits will be realised. AWI parent company is exempt from income taxes not indirect taxes.

NOTE 8: CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated	
	2021	2020
	\$'000	\$'000
Cash at bank and in hand	20,141	7,025

Further details of cash and cash equivalents are set out in note 9.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2021

NOTE 9: CURRENT ASSETS – OTHER FINANCIAL ASSETS

	Consolidated	
	2021	2020
	\$'000	\$'000
Term deposits	81,996	99,065
Cash and cash equivalents (note 8) and other financial assets are represented as follows:		
Unrestricted	24,365	21,090
Restricted as security against guarantees issued by the company's bankers ^(a)	2,572	2,500
Forward contract commitments ^(b)	14,800	18,700
Operating funds ^(c)	20,400	23,800
Emergency funds ^(d)	5,000	5,000
Discretionary funds ^(e)	35,000	35,000
	102,137	106,090

- (a) Bank guarantees have been issued to a number of parties in respect of the company's liabilities. The company has given its primary bankers security over term deposits in respect of those amounts, such deposits attracting commercial interest rates.
- (b) A reserve of \$14.8 million has been created to cover contracted forward commitments.
- (c) Operating funds representing nine months of AWI operational costs are set aside to cover an unexpected cessation of levy and government contribution.
- (d) The Emergency reserve is set aside to cover any contingent expenditure arising from the wool industry's obligation under the Emergency Animal Disease Response Agreement.
- (e) The directors resolved to create a discretionary reserve to have funds available to exploit opportunities outside the normal strategic plan and to cover fluctuations in income over a long term period.

NOTE 10: CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	Consolidated	
	2021	2020
	\$'000	\$'000
Net trade receivables		
Trade receivables	3,662	494
	3,662	494
Net other receivables		
Commonwealth matching funds and wool levy accruals	6,352	1,896
Other receivables	1,607	2,263
	7,959	4,159
	11,621	4,653

NOTE 11: OTHER CURRENT ASSETS

	Consolidated	
	2021	2020
	\$'000	\$'000
Insurance prepayments	83	57
Other prepayments	424	572
Sublease	135	-
	642	629

NOTE 12: NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT, AND RIGHT-OF-USE ASSETS

	Land and buildings \$'000	Plant and equipment \$'000	Leasehold improvements \$'000	Right-of-use assets \$'000	Total \$'000
At 1 July 2019					
Cost or fair value	954	4,393	2,457	-	7,804
Accumulated depreciation	(515)	(3,530)	(1,597)	-	(5,642)
Net book amount	439	863	860	-	2,162
Year ended 30 June 2020					
Opening net book amount	439	863	860	-	2,162
Exchange differences	-	(28)	(1)	-	(29)
Revaluation surplus	-	9	11	61	81
Additions	-	227	263	11,225	11,715
Disposals	-	(13)	-	-	(13)
Transfers	-	-	(522)	-	(522)
Depreciation charge	(2)	(516)	(288)	(2,327)	(3,133)
Closing net book amount	437	542	323	8,959	10,261
At 30 June 2020					
Cost or fair value	954	4,432	2,749	11,304	19,439
Accumulated depreciation	(517)	(3,890)	(2,426)	(2,345)	(9,178)
Net book amount	437	542	323	8,959	10,261
Year ended 30 June 2021					
Opening net book amount	437	542	323	8,959	10,261
Exchange differences	-	(9)	(10)	(60)	(79)
Revaluation surplus	-	3	(5)	(44)	(46)
Additions	-	130	-	1,779	1,909
Disposals	-	(22)	-	(4,475)	(4,497)
Depreciation charge	(2)	(409)	(249)	(2,173)	(2,833)
Closing net book amount	435	235	59	3,986	4,715
At 30 June 2021					
Cost or fair value	954	3,690	2,647	6,936	14,227
Accumulated depreciation	(519)	(3,455)	(2,588)	(2,950)	(9,512)
Net book amount	435	235	59	3,986	4,715

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2021

NOTE 13: NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Certification trademarks \$'000	Website development costs \$'000	Total \$'000
At 1 July 2019			
Cost	10,000	2,246	12,246
Accumulated amortisation and impairment	-	-	-
Net book amount	10,000	2,246	12,246
Year ended 30 June 2020			
Opening net book amount	10,000	2,246	12,246
Amortisation charge	-	(561)	(561)
Closing net book amount	10,000	1,685	11,685
At 30 June 2020			
Cost	10,000	2,246	12,246
Accumulated amortisation and impairment	-	(561)	(561)
Net book amount	10,000	1,685	11,685
Year ended 30 June 2021			
Opening net book amount	10,000	1,685	11,685
Amortisation charge	-	(561)	(561)
Closing net book amount	10,000	1,124	11,124
At 30 June 2021			
Cost	10,000	2,246	12,246
Accumulated amortisation and impairment	-	(1,122)	(1,122)
Net book amount	10,000	1,124	11,124

A value of \$10,000,000 is allocated to the Woolmark certification and ordinary trademarks and, based on a review of the current operations to date and intentions for future use, the directors are satisfied that no impairment of the carrying value has arisen since acquisition.

The Woolmark certification and trademarks, with an indefinite expected useful life, are expected to generate cash flows over an indefinite period of time.

The directors are committed to providing market research to support the profile of the certification and the trademarks.

The directors strive to build the reputation of the Woolmark certification and trademarks to consolidate its brand recognition globally.

NOTE 14: NON-CURRENT ASSETS - OTHER ASSETS

	Consolidated	
	2021 \$'000	2020 \$'000
Lease deposits	672	791
Sublease	311	-
	983	791

NOTE 15: CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated	
	2021	2020
	\$'000	\$'000
Trade payables	2,612	1,730
Other payables	4,177	5,306
Project payables and accruals	1,686	1,160
	8,475	8,196

NOTE 16: CURRENT LIABILITIES - DEFERRED INCOME

	Consolidated	
	2021	2020
	\$'000	\$'000
Unearned license income	5,648	52
Unearned sub-lease income	50	50
Unearned other income	149	262
	5,847	364

NOTE 17: NON-CURRENT LIABILITIES - PROVISIONS

	Consolidated	
	2021	2020
	\$'000	\$'000
Long service leave	276	336

NOTE 18: NON-CURRENT LIABILITIES - OTHER

	Consolidated	
	2021	2020
	\$'000	\$'000
Lease incentives	139	152

NOTE 19: LEASES

	Consolidated	
	2021	2020
	\$'000	\$'000
Lease liabilities		
Current	2,001	2,094
Non-current	2,853	7,227
	4,854	9,321

Amounts recognised in the statement of comprehensive income
The statement of comprehensive income shows the following amounts relating to leases:

Interest expense	351	527
Expense relating to short-term leases	24	240
Expense relating to leases of low-value assets that are not shown above as short-term leases	68	62

The total cash outflow for leases in 2021 was \$2,526,553

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2021

NOTE 20: CONTRIBUTED EQUITY

	2021	2020	2021	2020
(a) Share capital	Shares	Shares	\$	\$
Fully paid	37,462	37,462	100	100

(b) Movements in ordinary share capital

There was no movement in ordinary share capital during the year.

(c) Ordinary shares

A person has a right to one share in the Company if the Board is satisfied that their rolling wool levy or wool tax contribution is \$100 or more during the 3 previous financial years or the person is engaged in a wool producing business, as defined by the Company's constitution. This right does not entitle the shareholder to participate in any profit distributions or in any proceeds on the winding up of the entity. Where a person fails to satisfy these share criteria the share is returned to and held by the Company.

(d) Shareholder statistics

<i>Details</i>	30 June 2021	30 June 2020
Australian Capital Territory	69	67
New South Wales	8,034	7,892
Northern Territory	3	3
Queensland	563	555
South Australia	3,593	3,516
Tasmania	636	619
Victoria	5,105	5,003
Western Australia	3,477	3,395
	21,480	21,050

NOTE 21: RESERVES AND RETAINED EARNINGS

	Consolidated	
	2021	2020
	\$'000	\$'000
(a) Other reserves		
Foreign currency translation	1,111	1,097
Movements:		
Foreign currency translation		
Balance 1 July	1,097	1,489
Currency translation differences arising during the year	14	(392)
Balance 30 June	1,111	1,097

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(c) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

	Consolidated	
	2021	2020
	\$'000	\$'000
(b) Retained earnings		
Retained surplus at the beginning of the financial year	114,643	122,218
Net deficit attributable to the owners of Australian Wool Innovation Limited	(4,123)	(7,575)
Retained surplus at the end of the financial year	110,520	114,643

NOTE 22: KEY MANAGEMENT PERSONNEL DISCLOSURES

	Consolidated	
	2021	2020
(a) Key management personnel remuneration	\$	\$
Non-executive directors		
Short-term employee benefits	548,265	637,214
Post-employment benefits	52,084	60,535
	600,349	697,749
Other key management personnel		
Short-term employee benefits	2,037,176	2,197,695
Post-employment benefits	190,655	208,780
	2,227,831	2,406,475

The key management personnel of Australian Wool Innovation Limited includes those executives who have the authority and responsibility for offices of the company, either directly or indirectly.

Remuneration includes salaries, wages, superannuation and other employee provisions paid, payable or provided to or on behalf of Australian Wool Innovation Limited.

(b) Remuneration principles and policies

(i) Directors' fees

All directors are non executive, and fees and payments to directors reflect the demands which are made on, and the responsibilities of, the directors. All directors' fee payments are reviewed by the Board. The Chair's fees are determined independently to the fees of directors based on comparative roles in the external market. Both the Chair and non executive directors receive additional fees for their membership on committees.

(ii) Executive employment contracts

Remuneration and other terms of employment for the Executive Management Team are formalised in employment contracts. These employment contracts state a remuneration package (which is calculated on a total cost to the Group basis). None of these employment contracts include share options or termination notice period in excess of six months.

(c) Details of remuneration

(i) Non executive Directors of Australian Wool Innovation Limited

2021 Name	Short-term employee benefits		Post-employment benefits	Total
	Directors' base fees paid	Committee fees paid	Superannuation	
	\$	\$	\$	\$
Ms C Garnsey	126,569	19,689	13,894	160,152
Mr N Henderson	56,253	7,032	6,012	69,297
Dr M Humphries	56,253	7,032	6,012	69,297
Mr J Laurie	56,253	7,032	6,012	69,297
Mr D Macdonald	56,253	7,795	6,084	70,132
Mr J Morgan	56,253	16,875	6,947	80,075
Mr D A A Webster	56,253	18,723	7,123	82,099
Total	464,087	84,178	52,084	600,349

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2021

NOTE 22: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(c) Details of remuneration (continued)

2020 Name	Short-term employee benefits		Post-employment benefits	Total
	Directors' base fees paid	Committee fees paid	Superannuation	
	\$	\$	\$	\$
Ms C Garnsey	140,632	26,433	15,871	182,936
Mr N Henderson	38,001	3,277	3,921	45,199
Dr M Humphries	38,001	3,277	3,921	45,199
Mr J Laurie	62,503	7,813	6,680	76,996
Mr D Macdonald	62,503	11,210	7,003	80,716
Mr W B Merriman	26,043	12,370	3,649	42,062
Mr J Morgan	62,503	17,430	7,594	87,527
Dr M L Sheil	36,981	4,931	3,982	45,894
Mr D A A Webster	62,503	20,803	7,914	91,220
Total	529,670	107,544	60,535	697,749

(d) Other key management personnel

Mr S McCullough	Chief Executive Officer
Ms T Marshall	Chief Financial Officer
Mr J Roberts	Chief Operations Officer
Mr J Story	Company Secretary
Ms L Armstrong	General Manager - Marketing Communications
Ms J Davies	General Manager - Processing Innovation & Education Extension
Ms D Giorgiutti	Group Manager - Human Resources
Mr N Gosse	General Manager - Operations
Ms J Littlejohn	General Manager - Research

NOTE 23: REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor/s of the parent entity, and its related practices:

	Consolidated	
	2021	2020
	\$	\$
(a) Audit services		
Audit fees - domestic - HLB Mann Judd	95,342	96,500
Audit fees - international - HLB Mann Judd affiliates	88,794	111,619
Audit fees - international - Non HLB Mann Judd	7,369	-
Total remuneration for audit and other assurance services	191,505	208,119
(b) Non-audit services		
Tax compliance - HLB Mann Judd	17,100	26,500
Tax compliance - HLB Mann Judd affiliates	5,541	5,064
Total remuneration of non-audit services	22,641	31,564
Total remuneration	214,146	239,683

NOTE 24: COMMITMENTS

(i) Research, development and marketing

	Consolidated	
	2021	2020
	\$'000	\$'000
Commitments payable in relation to research, development and marketing	14,766	18,737

(ii) Forward exchange contracts

	Consolidated	
	2021	2020
	\$'000	\$'000
Commitments payable in relation to forward exchange contracts	7,288	10,516

The group treasury policy stipulates the parameters to protect known foreign currency exposures via forward exchange contracts.

NOTE 25: RELATED PARTY TRANSACTIONS

(a) Parent entities

The parent entity of the Group is Australian Wool Innovation Limited.

(b) Directors

The names of persons who were directors of the company at any time are as follows: C Garnsey, N Henderson, M Humphries, J Laurie, D Macdonald, J Morgan and D A A Webster.

(c) Subsidiaries

Interests in subsidiaries are set out in note 26.

(d) Remuneration

Disclosures relating to directors and key management personnel remuneration are set out in note 22.

(e) Other transactions with directors and key management personnel or entities related to them

(i) Loan transactions and balances

There were no loan transactions or balances with directors and key management personnel or entities related to them during the year ended 30 June 2021.

(ii) Other transactions and balances

No director, or director related entity entered into a contract or had any other transactions other than normal terms and conditions with Australian Wool Innovation Limited during the year ended 30 June 2021.

(f) Transactions with other related parties

The following transactions occurred with related parties:

	Consolidated	
	2021	2020
	\$	\$
<i>Sale of goods and services</i>		
Sale of services relating to marketing and wool testing activities to key management personnel of the entity*	14,727	22,150
<i>Purchases of goods</i>		
Purchases of goods and services relating to marketing and wool testing activities from key management personnel of the entity*	218,353	107,362

*For the period in which they held a key management personnel position.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2021

NOTE 25: RELATED PARTY TRANSACTIONS (CONTINUED)

(g) Outstanding balances arising from sales or purchases of services

The following balances are outstanding at the end of the reporting year in relation to transactions with related parties:

	Consolidated	
	2021	2020
	\$	\$
Current receivables (sales of goods and services)		
Key management personnel of the entity	6,737	-
Current payables (purchase of goods)		
Key management personnel of the entity	720	-

NOTE 26: CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2021	2020
			%	%
Subsidiaries controlled by Australian Wool Innovation Limited:				
Woolmark Holdings Pty Limited	Australia	Ordinary	100	100
Woolshare Nominees Pty Limited	Australia	Ordinary	100	100
WoolQ Pty Ltd	Australia	Ordinary	100	100
Subsidiaries controlled by Woolmark Holdings Pty Limited:				
The Woolmark Company Pty Limited	Australia	Ordinary	100	100
Australian Merino Pty Limited	Australia	Ordinary	100	100
Digibale Pty Limited	Australia	Ordinary	100	100
Subsidiaries controlled by The Woolmark Company Pty Limited:				
Woolmark International Pty Ltd	England	Ordinary	100	100
IWS Nominee Company Limited	England	N/A	100	100
Woolmark (Americas) Inc.	USA	N/A	100	100
Stichting International Wool Secretariat	Netherlands	N/A	100	100
Wollsiegel Verband	Germany	N/A	100	100
Woolmark (Italy) SRL	Italy	Ordinary	100	100
The Woolmark Company (HK) Limited	Hong Kong	Ordinary	100	100
The Woolmark (Shanghai) Company Limited	China	Ordinary	100	100
Woolmark Services India Private Limited	India	Ordinary	100	100

NOTE 27: ECONOMIC DEPENDENCY

Australian Wool Innovation Limited is dependent upon the receipt of Wool Levy and Matching Funds from the Commonwealth Government per clause 14 of the Statutory Funding Agreement between Australian Wool Innovation Limited and The Commonwealth of Australia.

NOTE 28: EVENTS OCCURRING AFTER THE REPORTING PERIOD

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially negative for the consolidated entity up to 30 June 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. However, there is recent evidence that the roll out of vaccination programs can be very effective at suppressing the virus, which it is hoped will result in some degree of economic recovery in key markets which would help build demand for Australian wool.

There were no other events occurring after the balance sheet date which are known to the company or its directors that may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

NOTE 29: PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The individual financial statements for the parent entity, Australian Wool Innovation Limited, show the following aggregate amounts:

	2021 \$'000	2020 \$'000
Statement of financial position		
Current assets	106,460	106,203
Non-current assets	53,530	59,138
Total assets	159,990	165,341
Current liabilities	5,855	6,313
Non-current liabilities	545	1,304
Total liabilities	6,400	7,617
Net assets	153,590	157,724
<i>Shareholders' equity</i>		
Retained earnings	157,724	168,220
	157,724	168,220
Profit/ (loss) for the year	(4,134)	(10,496)
Total comprehensive income	-	-

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2021 or 30 June 2020.

DIRECTORS' DECLARATION

30 JUNE 2021

In the directors' opinion:

- (a) the financial statements and notes set out on pages 76 to 99 are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:
- (i) complying with Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Regulation 2013*; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with subs 60.15(2) of the *Australian Charities and Not-for-profit Commission Regulation 2013*.

This declaration is made in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to be 'J. Laurie', with a long horizontal stroke extending to the right.

Mr J Laurie (Chairman)
Director

Sydney
27 August 2021

INDEPENDENT AUDITORS' REPORT

30 JUNE 2021



Independent Auditor's Report to the Members of Australian Wool Innovation Limited

Opinion

We have audited the financial report of Australian Wool Innovation Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Report

Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Act 2012* and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's financial reporting process.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

30 JUNE 2021



Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

A handwritten signature in blue ink that reads 'HLB Mann Judd'.

HLB Mann Judd Assurance (NSW) Pty Ltd
Chartered Accountants

Sydney, NSW
27 August 2021

A handwritten signature in blue ink that reads 'S P James'.

S P James
Director

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Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd is a member of HLB International, the global advisory and accounting network.

APPENDICES

CONTENTS

A - Report on compliance with the SFA	104
B - Project list 2020/21	106
C - Performance against Annual Operating Plan targets	109



REPORT ON COMPLIANCE WITH THE SFA

As a demonstration of AWI's transparency and good governance, AWI is including in this annual report, the report below by HLB Mann Judd regarding AWI's compliance with the Statutory Funding Agreement between the Commonwealth of Australia and AWI, and the efficacy of AWI's accounting systems, processes and controls during the 2020/21 financial year.



To the Directors of Australian Wool Innovation Limited

Report on compliance with the Statutory Funding Agreement

We have performed assurance procedures with regards to the compliance and operating effectiveness of Australian Wool Innovation Limited ("the Company") with the requirements of Section 15 (Management of Funds) and 16 (Application of the Funds) of the Statutory Funding Agreement dated 20 October 2020 (the "Agreement") between the Commonwealth of Australia (the "Commonwealth") and the Company, as measured by the criteria outlined in Sections A and B below.

Use of Report

This report has been prepared for the Directors of Australian Wool Innovation Limited in accordance with the Agreement. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the directors of Australian Wool Innovation Limited, or for any purpose other than that for which it was prepared.

A. Reasonable Assurance on Compliance with the Agreement

Respective Responsibilities

Management of the Company are responsible for compliance with the Agreement as measured by clauses 15 and 16 of the Agreement. Our responsibility is to express a conclusion on compliance with the Agreement as measured by the clauses 15 and 16 of the Agreement, in all material respects.

Our audit has been conducted in accordance with applicable Standards on Assurance Engagements (ASAE 3100 Compliance Engagements) to provide reasonable assurance that Australian Wool Innovation Limited has complied with the Agreement as measured by the criteria in clauses 15 and 16 of the Agreement for the year ended 30 June 2021.

Our procedures included examining, on a sample basis, information to provide evidence supporting the compliance with clauses 15 and 16 of the Agreement. These procedures have been undertaken to form a conclusion as to whether Australian Wool Innovation Limited has complied in all material respects, with the Agreement, as measured by clauses 15 and 16 of the Agreement for the period from 1 July 2020 to 30 June 2021.

Inherent Limitations

Because of the inherent limitations of any internal control framework, it is possible that fraud, error or non compliance may occur and not be detected. An audit is not designed to detect all instances of non compliance with the Agreement as measured by clauses 15 and 16 of the Agreement, as an audit is not performed continuously throughout the period and the audit procedures performed in respect of compliance with the Agreement as measured by clauses 15 and 16 of the Agreement are undertaken on a test basis. The audit conclusion expressed in this report has been formed on the above basis.

Opinion

In our opinion, Australian Wool Innovation Limited has complied, in all material respects, with Sections 15 and 16 of the Agreement for the period from 1 July 2020 to 30 June 2021.

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B. Limited assurance regarding operating effectiveness of accounting systems, processes and controls

Respective Responsibilities

Management of the Company are responsible for the efficacy of the accounting systems, processes and controls to comply with paragraph 15.1 of the Agreement. Our responsibility is to express a conclusion regarding the operating effectiveness of the accounting systems, procedures and controls in accordance with the requirements of paragraph 15.1 of the Agreement.

Our review has been conducted in accordance with applicable Standards on Assurance Engagements (ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information) to provide limited assurance that Australian Wool Innovation Limited has complied with the Agreement as measured by paragraph 15.1 of the Agreement. Our procedures included examining, on a sample basis, information to provide evidence supporting the operating effectiveness of the accounting systems, processes and controls with paragraph 15.1 of the Agreement. These procedures have been undertaken to form a conclusion, that nothing has come to our attention that causes us to believe that the systems, processes and controls related to the management of funds were not operating effectively, in all material respects, in accordance with the requirements of paragraph 15.1 of the Agreement for the period from 1 July 2020 to 30 June 2021.

Inherent Limitations

Because of the inherent limitations of any internal control framework, it is possible that fraud, error or non compliance may occur and not be detected.

A review is not designed to detect all weaknesses in operating effectiveness as measured by paragraph 15.1 of the Agreement as it is not performed continuously throughout the period and tests performed are on a sample basis. Also, a review does not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Any projection of the evaluation of the effectiveness of accounting systems, processes or controls to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions or that the degree of compliance with them may deteriorate.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the accounting systems, processes and controls of Australian Wool Innovation Limited related to the management of funds, were not operating effectively, in all material respects, in accordance with the requirements of paragraph 15.1 of the Agreement for the period from 1 July 2020 to 30 June 2021.

HLB Mann Judd Assurance (NSW) Pty Ltd
Chartered Accountants

Sydney, NSW
27 August 2021

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S P James
Director

PROJECT LIST 2020/21

This list contains details of AWI projects in which costs incurred during 2020/21 totalled more than \$125,000 for each project.

The cost figures (in the right-hand columns) include both contract and ancillary payments. The costs in this list represent 'external costs' to suppliers directly related to the projects and not the 'internal costs' of AWI staff who manage those projects and other operating expenses. This project list does not form part of the audited financial reports.

SHEEP PRODUCTION, SCIENCE & TECHNOLOGY PROJECTS

PROJECT TITLE	KEY PROVIDERS*	\$ PAID in 2020/21
Australian Pastures Genebank - Phase 2	SARDI - Livestock Business Services	149,065
Efficiency and Automation in Wool Harvesting	University Of Technology Sydney	300,000
Flystrike Extension Package	Schuster Consulting Group	170,413
Grazing Bytes	Murdoch University	146,000
In Shed Shearer and Wool Handler Training	Australian Agricultural Training; Brian Anthony Sullivan; Heiniger Australia Pty Ltd; Kay Bowden; Mathew John Haney; Paul Hick; Richard Leahy; Rural Industries Skill Training; SCAA Shearer Woolhandler Training Inc; South Regional TAFE; Wayne Hosie	1,125,523
Informed Development of a Flystrike Vaccine	The University of Melbourne	250,000
Lifetime Ewe Management 8	Rural Industries Skill Training Inc	275,197
Lifetime Productivity (AMSEA) Project	Australian Merino Sire Evaluation	753,710
MLP Add On - Genetic Evaluation: Productivity, Efficiency and Profitability	Murdoch University	198,077
National Wild Dog Action Plan Stage 3	Brindstock Media Pty Ltd; Centre for Invasive Species Solutions; Evidently So Pty Ltd; WA Initiatives	145,761
NE NSW Wild Dog Coordinator	Centre For Invasive Species Solutions	175,000
Novice/Improver Schools	Amanda Davis; Anthony Kevin Monks; Bill Hutchison; Brian Anthony Sullivan; Cartwright Terry; Kevin Gellatly; Ian Elkins; Jovan Taiki; Mathew John Haney; Melanie Jane Morris; Michael Pora; Penny Clout; Richard Leahy; Shireen Monds; Todd Wegner	818,259
RHDV2 Product Registration - Stage 1	Centre for Invasive Species Solutions	129,166
Sensors for Reduction of Reproductive Wastage	The University of Sydney	148,539
Smart Tag Development	Dongguan Huasong Arts and Gifts Co Ltd; Future Electronics Inc; Jinghon Electronics Limited; Glyn Limited; Kosalapov Iurii Aleksanrovich; Muhammad Hidayatulloh S; Ningbo XinRong New Energy Technology Co Ltd; Shenzhen Topmay Electronic Co; Shenzhen Tuko Technology Co Ltd; Vapcell Technology Co Ltd	233,256
Strategic Optimisation of Rabbit Biocontrol	Centre for Invasive Species Solutions	129,166
Vaccine for Control of Flystrike	CSIRO	241,508
Victorian Vertebrate Pest Management Coordinators	Department of Environment, Land, Water and Planning (Vic)	268,715
WA Wild Dog & Vertebrate Pest Training	Department Of Primary Industries and Regional Development (WA)	163,824
Wild Dog Control Coordinator SA	Department Of Primary Industries and Regions (SA)	135,000
Wild Dog Coordination	AgForce Queensland Farmers Ltd; David Andrew Worsley	229,539
Wild Dog On Ground III SA	Clifton Cluster Incorporated; Department of Primary Industries and Regions (SA); Encounter Solutions Ltd; HJM Trailers & General Welding; Molyullah-Tatong Tree & Land Protection	181,559

*The key providers indicated for each project are listed in alphabetical order. The list of providers is not necessarily a complete list of all providers for the project.

CONSULTATION PROJECTS

PROJECT TITLE	KEY PROVIDERS*	\$ PAID in 2020/21
BestWool/BestLamb 2020-2023	Department Of Jobs, Precincts & Regions (Vic)	190,000
Beyond the Bale 2020-21	Clutch Media Pty Ltd; D & D Mailing Services; Newstyle Printing	381,037
Leading Sheep 2018-21	Department of Agriculture and Fisheries (Qld)	150,000
National Regional Engagement	Louth Turf Club, Midland Agricultural Association Inc, Queensland Merino Stud Sheepbreeder, Woodstock Memorial Show Inc	127,982
Review of Performance 2021	Accenture Australia Pty Ltd	137,500
Sheep Connect NSW 2020-22	Megan Rogers Consulting Pty Ltd	200,000
Sheep Connect SA 2020-2023	Department Of Primary Industries and Regions (SA)	170,000
Sheep Connect Tasmania 2019-22	James Russell Tyson	140,000
The Sheep's Back 2020-2023	The Sheep's Back Network	180,000
Trade and Supply Chain	Ausfine Pty Ltd; Scott Daniel Carmody; Talman Pty Ltd	185,694
WICP and WCG 2019-20	Forest Hill Consulting; Writers Who Pty Ltd	128,022
WoolPoll 2021	AgCommunicators Pty Ltd; Hamilton Pastoral & Agriculture; Link Market Services Ltd; Liz Ham Photography; Writers Who Pty Ltd	170,522

PROCESSING INNOVATION & EDUCATION EXTENSION PROJECTS

PROJECT TITLE	KEY PROVIDERS*	\$ PAID in 2020/21
The Wool Lab Digital Editions	Levo Digital Pty Ltd; Riccardo Rami Studio SRL; Serena Campelli; Torrisi Mattia	333,954
WLC Content Development	Eco-Age; Hot Tin Roof Communications Pty Ltd; Myrtlewood Pastoral Pty Ltd; The Everything Robot Pty Ltd	209,030

MARKETING PROJECTS

PROJECT TITLE	KEY PROVIDERS*	\$ PAID in 2020/21
America's Cup - Final Extension	ClassPubblicita SPA; Hogarth Australia Pty Ltd; Hypebeast Hong Kong Ltd; Il Sole 24 Ore SPA	173,908
America's Cup - Prada Luna Rossa	Luna Rossa Challenge SRL; Sky Italia SRL; Ogaer SPA	1,648,813
China Consumer Campaign	Hangzhou Youli Culture Creation; Hangzhou Alimama Software Service; The Pandemic Story Limited; Wieden + Kennedy Advertising; Ying Zhi Advertising (Shanghai) Co; WGSN Ltd	3,225,712
China Social Media Retainer	Ying Zhi Advertising (Shanghai) Co	223,650
China Treasure Wool & Goddess Day	Farfetch (Shanghai) E-commerce; Fin Design + Effects; Filmate Productions Ltd, Wieden + Kennedy Advertising; Ying Zhi Advertising (Shanghai) Co	2,174,785
Circularity - Fashionscapes	Eco-Age; Estelle Ngantchou	312,520
Consumer Campaign (Western Hemisphere)	Born & Raised LLC; Hypebeast Hong Kong Ltd	599,320
Down to Earth with Zac Efron	New World Distribution Inc	254,244
EU Communications Framework	Brunswick Group LLP; Eco-Age; Jessica Simor	355,408
Feel Merino Sports & Outdoor Media	Amazon Media Group Canada Inc	266,451
Global Social Media Program	We Are Social Pty Ltd; We Are Social GK	234,257
International Fibre Advocacy 2020-21	R. Peter Ackroyd Ltd	229,145
International Woolmark Prize 2021	10 Magazine Australia Pty Ltd; APRIL SRL; Beijing WizAD Mobile Technology Co; Bethany Williams Ltd; BODE New York LLC, BVN Limited; Casablanca Clothing Limited; CR Fashion Book Ltd; Future Brand LLC d/b/a Angular; Getty Images (UK) Limited; House of Ize; LECAVALIER Studios Inc; Malone Workshop Limited; NorthSouth Advertising Pty Ltd; Protein One Pty Limited; St.Heron Events Inc; Thebe Magugu Pty Ltd; We Are Social Pty Ltd	2,197,916

MARKETING PROJECTS (continued)

PROJECT TITLE	KEY PROVIDERS*	\$ PAID in 2020/21
Italian Industry Strategic Planning	Fabrizio Servente	359,514
Marketing Development Strategic	Born & Raised LLC; The Nudge Group	294,142
PR Agencies 2020-21	Eco-Age; Lucien Pages; NAC Group Pty Ltd; Shanghai CatchOn & Company Limited, Smith - Petersen SRL; Stephen Toal Ltd	759,344
Trade Marketing 2020-21	Art Partner Inc; The Business of Fashion Ltd; Infas Publications Inc; NorthSouth Advertising Pty Ltd; Ye Ye Culture Consulting Shanghai	189,717
Woolmark Performance Challenge 2020	Biomimicry Innovation Lab Ltd; Facebook Ireland Limited; Hypebeast Hong Kong Ltd; Salina Janzan; Studio Eva De Laet; We Are Social Pty Ltd	279,250
Zalando E-commerce Program	Zalando Marketing Services GmbH	193,044

TRACEABILITY PROJECTS

PROJECT TITLE	KEY PROVIDERS*	\$ PAID in 2020/21
Everledger Electronic Chain of Custody Tool	Everledger Australia Pty Ltd	150,878
Measures for Low GHG Wool	Integrity Ag and Environment Pty Ltd	185,641
Participation in EU PEF TAB	Integrity Ag and Environment Pty Ltd	183,594
WoolQ Platform Maintenance	Levo Digital Pty Ltd; Microsoft Pty Limited; Microsoft Regional Sales Pte Ltd	229,208
WoolQ Strategic Advisory	Elevator Media Pty Ltd; Kaylon Pty Ltd; William Wilson; Wool Data Solutions Pty Ltd	204,010

SUPPORT ADMINISTRATION COSTS

PROJECT TITLE	KEY PROVIDERS*	\$ PAID in 2020/21
Digital Infrastructure - Support	Levo Digital Pty Ltd; Protein One Pty Limited	159,992
Digital Marketing Platform	Engage Australia Pty Ltd; Marketo EMEA Limited	136,220
Global Subscriptions - Information & Data	Descartes Systems (USA) LLC; Globaldata UK Limited; IMARC (Expert Market Research); Maia Research Co Limited; Semrush Inc; Statista GmbH; The Future Laboratory Ltd UK Wood Mackenzie Limited	181,973
Stakeholder Memberships 2020-21	Agricultural Innovation Australia; CRRDC Secretariat; International Wool Textile Organisation; Wool Industries Australia Inc	287,041
Voice of the Grower - Surveys	Intuitive Solutions Pty Ltd	139,900
Woolgrower App v1 (MVP)	Protein One Pty Limited	172,400

*The key providers indicated for each project are listed in alphabetical order. The list of providers is not necessarily a complete list of all providers for the project

PERFORMANCE AGAINST ANNUAL PLAN TARGETS

COVID-19 and the subsequent slowing of global commerce throughout 2020 significantly impeded AWI's performance as projects were delayed or ceased globally.

- Achieved
- Partly achieved/On-track to be achieved by 2022
- Not achieved

STRATEGY PROGRAM OPERATING TARGET STATUS COMMENTS

SHEEP PRODUCTION, SCIENCE & TECHNOLOGY

STRATEGY PROGRAM	OPERATING TARGET	STATUS	COMMENTS		
HEALTHY PRODUCTIVE SHEEP	SHEEP HEALTH & WELFARE	●	Evidence of successful development of a flystrike vaccine prototype.	●	Development of the flystrike vaccine prototype is in its third year of a four-year program with CSIRO and University of Melbourne.
		●	Evidence of investigations into novel pain relief options.	●	A stocktake of published pain relief research, including an investigation into novel pain relief options, has been completed.
		●	Development of integrated parasite management strategies to minimise the impact of chemical resistance.	●	An investigation by NSW DPI into the resistance status of blowfly field populations has been completed. It's Fly Time! webinar was hosted in Jan 2021. Desktop modelling of chemical resistance is currently being undertaken under an AWI partial sponsored honours project.
		●	Demonstrate a 10% increase in adoption of welfare improved practices.	●	The 2021 M&E index for welfare suggests an 11% increase in industry adoption of welfare improved practices, based on results from the 2019 Benchmarking Australian Sheep Parasite Control Survey, the AWI Wool Industry Profile Survey 2019/20, the MLA Wool & Sheepmeat Survey 2019/20, and NWD results for 2020/21.
	VERTEBRATE PESTS	●	Reduce the negative impacts of predation by 10% by 2022.	●	The long-term (2014 - 2020) average reduction in losses to predation due to the AWI Community Wild Dog Initiative, and other "On-Ground" support, currently sits at 83%.
		●	Improve capacity to undertake pest animal control by 10% by 2022.	●	Wild dog coordinators continue to improve land manager capacity in pest animal control.
		●	Development of new rabbit bio-controls.	●	A series of experiments has been undertaken that contributes data to understanding the interactions between the different genotypes of RHDV.
	REPRODUCTION & NUTRITION	●	At least 750 woolgrowers engaged in implementing beneficial feedbase guidelines and practices by 2022.	●	The program remains on track but has been impacted by COVID-19 on extension delivery.
		●	Increase Merino marking rates by 0.5% per annum.	●	The average annual rate of gain in lamb marking percentage from July 2012 - June 2018 for Merino x Merino joinings is between 1.0 - 1.4%, depending on the dataset used (ABS, ABARES or MLA & AWI wool and sheepmeat survey) Beattie & Howard 2020, Sheep Reproduction RD&E Impact Assessment. The rates for the current period will require a future survey to provide updated rates across industry.
		●	Complete the development of guidelines and extension workshops to improve reproductive rates that support the aim of 34% of ewes differentially managed to best practice by 2022.	●	Multiple workshops, publications, and tools are under development to support this target. Research outcomes will be integrated into existing extension packages as soon as they are available.
		●	Improve the understanding of three key areas to address climate variability; effect of heat stress on reproduction performance, best practice for supplementary feeding and managing of resilient pasture species.	●	The program is on track to meet the supplementary feeding and resilient pasture knowledge gaps, with co-funded projects underway.
	GENETICS	●	By 2022, 50% of Merino producers will be using genetic tools (e.g. ASBVs, Flock breeding Values, or wether trial data) in ram purchasing decisions.	●	From the 2020 Wool Industry Profile for practises during 2019, 44.7% of producers used genetic tools in their breeding program.

STRATEGY	PROGRAM	OPERATING TARGET	STATUS	COMMENTS
AGRI TECHNOLOGY	HARDWARE & SOFTWARE DEVELOPMENT	AWI Smart Tag system delivers at least three practical functionalities driven by sensors, hardware is reliable and durable, and software is able to be updated remotely.	●	Trials to validate the mounting algorithm have been carried out. The analysis of the data has not been finalised, but preliminary results show precision and sensitivity of >85%.
		Artificial Intelligence (machine learning) applied for data analysis delivering accurate predictions for at least two sheep traits or paddock events.	●	Machine learning models are being used to analyse the datasets collected in grazing trials to predict feed intake and performance.
	MECHATRONICS	Proof of concept robotic shearing system delivered.	●	The Semi-automated Wool Handling project is taking shape. The wool inspection and wool classification components have been investigated during this period showing promising results.
TRAINING & TECHNOLOGY UPTAKE	SHEEP & WOOL MANAGEMENT SKILLS	1,000 tertiary participants in AWI leadership and practical skills, events and online initiatives.	●	1,000 tertiary participants in AWI leadership and practical skills, events and online initiatives.
		AWI leadership and practical skills events delivered to participants receive a net promoter score of at least 7.5/10.	●	AWI collaborates with other RDCs and organisations on a range of initiatives under this program and are evaluated separately by the lead group. Awaiting reports on outcomes.
		20,000 views of AWI Education & Extension resources online.	●	Education and Extension area of the AWI website received an average of 1,042 views per month.
	WOOL HARVESTING & QUALITY PREPARATION	1,500 novice and intermediate level participants trained by AWI shearer and wool handler trainers.	●	AWI continues to deliver Novice & Improver level training across all states. A total of 4,143 novice and improvers have received AWI shearer and wool handling training.
		Ongoing retention rate of 75% of those trained yearly.	●	79% of surveyed trainees retained in the industry.
		Support the promotion of shearer and wool handling profile through support of elite competitions and competitors nationally.	●	Competitions cancelled due to COVID-19.
		20,000 views of AWI Wool Harvesting resources online.	●	AWI wool handling resources are located under the People section of the AWI website and received 11,212 views.

CONSULTATION

INDUSTRY	EXTENSION NETWORKS	14,000 active participants in AWI extension initiatives.	●	There are currently 11,144 active participants in AWI state-based extension initiatives.
		AWI workshops delivered to participants receive a net promoter score of 7.5/10. (evidenced by exit surveys)	●	AWI workshops are highly valued by participants rated as 8.2/10.
		300,000 views of AWI Network resources online.	●	AWI network resources have been accessed more than 280,547 times during the past year.
	EVENTS & FORUMS	Support and engagement at more than 50 events and forums nationally.	●	125+ events and forums were attended by AWI staff.
MARKET INTELLIGENCE & COMMS	70% of users of AWI's Market Intelligence find it of 'high value' or above.	●	80% of growers see value in AWI's Market Intelligence and analysis.	
	Increase subscriber numbers by 20%.	●	SMS Reports are maintaining current high subscription levels.	
	Market Intelligence area on AWI website receives 15,000 views per month.	●	AWI Market Intelligence currently garners an average of 12,949 views per month.	
INDUSTRY	WOOLGROWER REPRESENTATIVE BODIES	WICP and WCG members report AWI consultation efforts have been maintained or improved at 8.9 (approval rating out of 10).	●	AWI's latest survey provided a continuous rating of 7/10 from the WICP members.

PROCESSING INNOVATION & EDUCATION EXTENSION

STRATEGY PROGRAM	OPERATING TARGET	STATUS	COMMENTS
PROCESSING & PRODUCT INNOVATION	TEXTILES & RETAILING TECHNOLOGY	Proof of concept novel retail technology application.	● The WeChat program continues to deliver functionality for online tradeshows. The Wechat program delivered 128 new leads for the year.
		Proof of concept novel textile technology/fashion tech application.	● Smart Tag guide and Blue Bite guide is available for use. The IWP trial was successful with all 6 IWP finalists adding NFC to their collections.
		Educational packages developed to increase technology awareness, adoption, and digital literacy.	● Smart Tag guide and Blue Bite guide delivered and available for use.
	PARTNERED INNOVATION	Partner with six machinery companies for product or process development.	● Partnered with 24 industry partners. Industry support continued from spinners, knitters, weavers, dyers, printers and processors including leading machinery companies such as Xinao, Suedwolle, UPW, Shima Seiki, STOLL, Santoni, Jeanologia.
		Minimum of three fully-fashioned garment product developments made commercially available.	● 28 fully fashioned garments developed.
		Minimum of five footwear developments made commercially available.	● Footwear remains a key focus and growth area for wool as manufacturers and brands realise the potential for growth. 7 footwear developments and 8 woven footwear developments and footwear linings completed.
		Research and commercial trial of one wearable technology.	● Delayed due to COVID-19 and market access.
		Partnered product developments to increase by 20%.	● Partnered product developments increased by 37%.
		Deliver retail training programs across womenswear, menswear and sportswear to a minimum of 10 retailers/brands globally.	● 21 retailers and brands were engaged in retail training globally.
	EDUCATION EXTENSION	RETAIL EDUCATION	Retail staff have successfully completed 100 retail training courses on the properties and benefits of Australian wool on the Woolmark Learning Centre digital platform.
Increase swatch requests from The Wool Lab by 1.5%.			● The Wool Lab Digital (beta-version), launched in February 2021, provides a robust solution that continues to connect and support the global supply chain. Given the disruption due to COVID-19, swatch requests are significantly lower due to a missed A/W 21 season and pivoting to a new digital platform that will require time to build content and reputation across the wool supply chain.
TRADE EDUCATION		Increase the number of The Wool Lab views and presentations by 10%.	● The Wool Lab Vision (digital) has achieved 2,956 page views and 148 download requests. The Wool Lab Digital is a new platform. Since its launch (Feb 2021), The Wool Lab Digital registered 191 users and has achieved 6,495 page views.
		250,000 visitors to Woolmark digital trade show pages.	● There were 259,085 visitors to Woolmark digital trade show pages.
		Increase participation in the Learn About Wool primary and secondary education program by 2.5%.	● Participation in the program increased by 156%.
STUDENT EDUCATION		Increase global participation in the Wool4School secondary design competition by 5% across Australia, Hong Kong, UK and Italy.	● 29,547 students were engaged in Wool4School globally, representing a 16% increase in participation.
		Increase participation in tertiary education programs by 5%.	● 8,071 students participated in tertiary education programs, representing a 17% increase.
	Students have successfully completed 2000 courses on the Australian wool industry through the Woolmark Learning Centre digital platform.	● 1,919 courses have been completed on the Woolmark Learning Centre.	

STRATEGY	PROGRAM	OPERATING TARGET	STATUS	COMMENTS
WOOLMARK	QUALITY CONTROL (ASSURANCE)	400 branded product samples purchased and processed through the QA program to maintain the integrity of the Woolmark brand.	●	387 Items have been purchased and tested. This is slightly below the 400 item target as COVID lockdowns have impacted purchasing with India. Where failures were identified, follow up action is under way.
	LICENSING	Increasing the use of the Woolmark logo on qualifying product by 2.5% as measured through the use of branded tickets and labels.	●	24.8 million tickets and labels were ordered in the current reporting year. This represents an 11% increase in Woolmark branded tickets and labels.

MARKETING

TRADE	FIBRE ADVOCACY	Increase trade leads by 2.5%.	●	There was a positive growth of +16% in LinkedIn audience.
		5% active engagement rate on owned content.	●	Monthly trade newsletter 'Woolmark for Business' launched in November 2020 featuring stories around key trade marketing content pillars and shows steady growth, with a distribution list that increased by +17%.
BUSINESS & TALENT DEVELOPMENT	INTERNATIONAL WOOLMARK PRIZE	300 new leads per year.	●	851 new leads including applicants, email sign-ups, ambassadors and Innovation Academy partners were generated.
		60% of IWP Finalist collections commercialised.	●	All six of the finalists have received retail orders for their A/W21 wool-rich collections.
		Achieve a 5% increase on active engagement on IWP related content.	●	The social media strategy achieved an 852% increase on active engagements.
	Achieve 50% of surveyed alumni as continued wool advocates post-award.	●	The alumni survey has been delayed until July 2021 following the postponement of the final event from February to June 2021 due to COVID-19.	
WOOLMARK PERFORMANCE CHALLENGE	Increase digital engagement by 20% year on year.	●	Digital engagement increased 120% for the Woolmark Performance Challenge.	
	Increase competition entry rate by 10%.	●	Woolmark Performance Challenge garnered a 120% increase in competition entries.	
	Increase webinar average attendance rate from 19 to 22.	●	Webinar attendance increased by 321% from 19 to 80.	
CONSUMER	FIBRE ADVOCACY	5% increase in active engagement on owned media channels.	●	TWC owned, organic social posts garnered 130k engagements, achieving a 125% increase in active engagement.
		Increase The Woolmark Company brand awareness by 5%.	●	Brand recall metrics show that The Woolmark Company content strategy is exceeding industry benchmarks for uplift rating.
		Increase The Woolmark Company brand sentiment by 7%.	●	The China Goddess Day campaign achieved a 61% increase purchase intent for Merino wool. In addition, all campaign partners saw a significant increase in purchase intent.
	BRAND PARTNERSHIP	Partner with two global brand partners.	●	Eight global partnerships have been secured in the past financial year, while four are in progress.
		Increase purchase intent of Australian wool by 5%.	●	Purchase intent target has been exceeded as demonstrated through partnerships with Luna Rossa Prada Pirelli, the China Goddess Day Campaign and Amazon.ca
Achieve a 5% uplift in fibre share with global brand partners.	●	Exceeded benchmark due to successful China Goddess Day campaign which generated 150% increase in YoY wool sales on Net-A-Porter China and 155% increase in YoY wool sales on Farfetch China.		

TRACEABILITY

STRATEGY PROGRAM	OPERATING TARGET	STATUS	COMMENTS	
SUPPLY CHAIN INITIATIVES	WOOLQ	●	An increase of 750 woolgrowers adopting the WoolQ grower tools.	There were 223 new woolgrower signups.
		●	Deliver a WoolQ tender selling option to compliment the WoolQ bulletin board and auction.	The tender system is an electronic way to submit prices and finalise the traditional tender selling system and was built based on feedback provided by users.
	FIBRE IDENTIFICATION & TRACING	●	Define new fibre-origin test method for adoption into the supply chain and use by laboratories.	The wool tops tested for the Wool&Prince program are consistent to the Ashmore Farm chemical fingerprint – meaning the initial part of the supply chain can be validated. Testing underway to validate claims at garment level.
		●	Draft protocols for the chain of custody of wool through the supply chain ready for review by global wool industry bodies.	A model for capturing data has been developed and design concepts are moving to development stage.
SUPPLY CHAIN INITIATIVES	HEALTH AND WELLNESS	●	Produce and publish evidence of specified next to skin Merino garments as beneficial for eczema.	Our goal of validating the successful Australian and US-based skin health studies involves assessing wool's impact on eczema sufferers across differing environments continues but has been delayed by COVID-19. The Chicago site is recommencing, while the Norwegian site remains in lockdown.
		●	Produce and publish evidence of specified next to skin Merino garments as improving sleep quality.	The study at Sydney University evaluating the comparative benefits of wool and cotton sleepwear fabrics on post-menopausal women has been delayed by COVID-19 and is scheduled to restart.
		●	Generate new test protocols to measure wool's breathability in dynamic conditions.	This 3-year PhD study has progressed from novel fabric testing onto physiological manikin testing, prior to commencing human studies. Additional manikin testing is currently being undertaken to ensure the most impactful human activity stage has been identified to demonstrate wool's benefit.
	ECO CREDENTIALS	●	Produce and publish evidence how Sustainable Apparel Coalition environmental scoring disadvantages the value chains of natural and renewable biogenic carbon fibres compared to non-renewable fossil carbon derived fibres.	A comparative study of biogenic and fossil-carbon fibres has been completed. Studies of wool's biodegradability in terrestrial and marine environments have been completed and submitted for publication.
		●	Produce and publish case studies on the environmental and economic impact of woolgrowers using regenerative farming practices.	Eleven case studies completed and published for NSW, Victoria and Tasmania. Seven longer term case studies continue in Queensland.
		●	Develop and publish a method for accounting for recycling in LCA.	A cradle-to-grave analysis of closed-loop recycling in the wool system and its role in reducing environmental impacts has been completed. A method has been proposed for accounting for the attributes of 'renewability' and 'biodegradability' in textile rating.
		●	Generate new knowledge of wool's carbon account, including emissions at the national and farm scales and identifying plausible mitigation strategies.	Australian flock GHG emission trends have been modelled in five-yearly intervals from 1986 to 2020. Pathways for woolgrowers to reduce emissions are being detailed with up to 6 different industry pathways currently being documented.
		●	Improve wool's environmental rating relative to synthetics, by working to establish a level playing field for rating apparel.	AWI is preparing a critical review of of the EC's Product Environmental Footprinting methodology, both identifying limitations and proposing solutions. This paper is being shared with EC decision makers and will be progressed to publication for broader communication.

Introducing the AWI Grower App

Easily access information
for better decision making



The latest digital communication channel between AWI and Australian woolgrowers is now available.

AWI's new app provides the latest industry news and resources to woolgrowers to support their business. A smartphone is all that is required to source information to help with critical decisions from the paddock to the market.

Woolgrowers can customise the app to prioritise the content they receive from AWI. It allows quick access to the information most relevant to them.

Available on iPhones and android phones, the app is easily set up on your homepage. AWI will continually

update content and enhance functionality to suit woolgrowers' needs.

Download the free app from the Apple App and Google Play stores. Just search for AWI Grower App or scan the QR code below. It complements AWI's other social media and digital communication channels that include the wool.com website, e-newsletters, Facebook, Twitter, Instagram and YouTube.

Download the App today



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AWI WORKING TO SUPPORT WOOLGROWERS' PROFITABILITY



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AWI also has local representatives and marketing agents in several other countries and regions.

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- **Beyond the Bale** magazine online
<http://beyondthebale.wool.com>

AWI produces several free e-newsletters

Visit wool.com/subscribe for your free subscription.

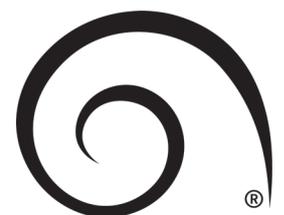
- Weekly wool market review
- Daily and weekly price report (via SMS)
- AWI woolgrowers' e-newsletter (monthly)
- *Beyond the Bale* e-newsletter (quarterly)

The Woolmark Company:

Further information on the activities of AWI's marketing arm is available via:

- **Web** woolmark.com
- **Facebook** @thewoolmarkcompany
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