



awi

Australian Wool
Innovation Limited

IMPROVING AWI'S ORGANISATIONAL CULTURE: A REPORT TO WOOLGROWERS



PURPOSE OF THIS REPORT

In its Review of Performance of AWI in 2018, Ernst & Young (EY) made a recommendation (1.14.5) that:

'AWI has extensive documentation to support its operations and there are many recommendations to update this documentation as part of the Review. However, to successfully implement the change, a cultural shift is required. These changes are not just a change due to review but also in response to changes in good practice. As a result, they need to be implemented by reforming the AWI business, rather than just seeing these matters of procedure or simply adding cost.'

EY said that AWI should *'Exhibit a cultural change required to make these changes successful. AWI needs to exhibit behaviours of good governance, including accountability, transparency, integrity and stewardship. This should start with leadership agreement to the change, followed by staff education and training. Surveys can be used to monitor the cultural change'*.

This report has been prepared to explain to woolgrowers the changes that AWI has made, since the EY report, to improve its accountability, transparency, integrity and stewardship.

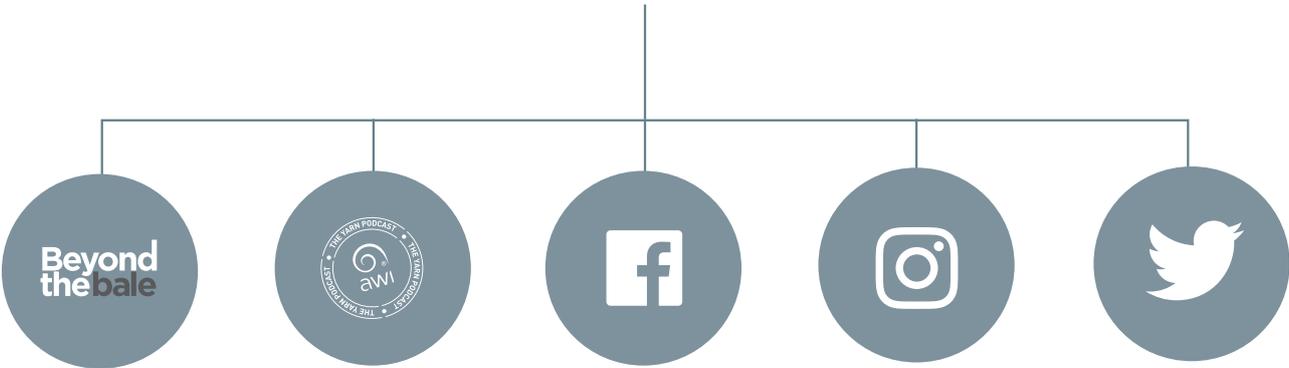
COMMUNICATING AWI'S ACTIVITIES

AWI has made a concerted effort to improve its communication with levy payers. AWI has a number of communication vehicles, to suit a range of preferences:

- The AWI website, **www.wool.com**;
- The quarterly 'Beyond the Bale' magazine;
- 'The Yarn' podcasts;
- Social media;
- Traditional media;
- Weekly wool market reports;
- A monthly e-newsletter;
- Webinars; and
- Workshops.

Since the 2018 review, AWI has started including reply-paid feedback cards in every issue of Beyond the Bale, to assist levy payers to provide feedback to the company. Since the inception of the cards in late 2018, AWI has received over 300 of them, and all of these have been responded to.

AWI'S COMMUNICATIONS REACH



Beyond the Bale

is posted to 40,000 Australian woolgrower households, industry stakeholders and rural media.

The Yarn Podcasts

have a strong weekly audience, with over 310,000 downloads since they were launched, and over 160 episodes are now available on the AWI website.

Facebook

AWI's Facebook account has more than 3,500 followers and is 100% focused on providing information for growers.

Instagram

AWI's Instagram account has more than 3,700 followers.

Twitter

AWI's Twitter account has more than 7,000 followers.

CONSULTATION WITH INDUSTRY

AWI has made significant changes to the way it works with woolgrowers and other important stakeholders to guide strategic and operational priorities. In 2019, AWI's Industry Consultative Committee was replaced by two new bodies:

- The Woolgrower Industry Consultation Panel (WICP); and
- The Woolgrower Consultation Group (WCG).

The WICP comprises 11 members, drawn from the major national representative woolgrower and stud breeder organisations and the Department of Agriculture, Water and the Environment, as well as two AWI Board directors. All WICP members sit on the WCG, a broader group of approximately 30 people that also includes state representative bodies and grower innovation groups such as ASHEEP from Esperance, WA.

The WICP and WCG advise the AWI Board on its R&D and marketing programs and how AWI consults and communicates with industry. Members are briefed on AWI's activities and are expected to report this information back to their organisations.

AWI made important changes when it created the WICP and WCG. First, the Chair of the WICP is voted on by the members of the WICP, not appointed by AWI. The Chair is independent of AWI and the member organisations of the WICP. Second, AWI surveys WICP and WCG members to gauge their satisfaction with the operation of the two groups and to identify areas for improvement.

A good example of the important role played by the WICP and WCG has been the development of 'Wool 2030' (see breakout box).

THE WCG IN ACTION – WOOL 2030

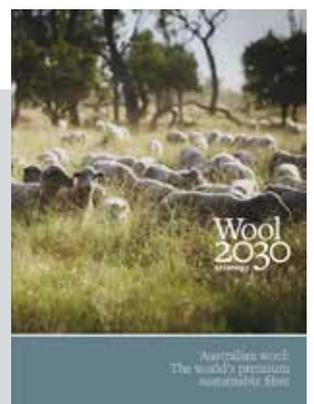
Another recommendation of the EY Review of Performance was that AWI facilitate the development of a long-term strategic vision for Australian woolgrowers.

During 2020, with the assistance of consultants, the WCG oversaw and actively contributed to the development of 'Wool 2030'. Wool 2030 is a strategic plan for Australian woolgrowers over the coming decade. It identifies the major opportunities and risks and a number of priorities for industry to address, organised into five 'pillars'.

For the process to develop Wool 2030, AWI asked each WCG member to invite a 'next-generation' colleague to also participate. The inclusion of the next-gen group ensured that Wool 2030 reflected the aspirations of the industry's emerging talent. The process also included an online survey that attracted 838 responses, most of which were from woolgrowers.

The plan is owned by Australian woolgrowers, not by AWI, although AWI will be an important contributor to addressing the priorities of Wool 2030. An independent steering committee will oversee the implementation of the plan.

The Wool 2030 plan can be found on the AWI website (<http://2030.wool.com/>).



At a more grass-roots level, AWI funds six state-based AWI Grower Extension Networks with membership of over 13,000 woolgrowers. These networks are run in conjunction with other RDCs, state departments of agriculture, and private consultants. Each network has its own independent Producer Advisory Panel, which sets the direction and priorities based on grower and industry feedback. These panels meet annually or more often as needed.

These grower networks and panels assist AWI to identify and act on priority issues, as well as providing woolgrowers with up-to-date, timely and relevant information. Over recent years, aside from seasonal production information, there has been a focus on bushfire and drought response, shearing shed safety, COVID-19 and biosecurity. The networks and panels also play an important role in extending AWI's information via a range of communication platforms including 11,600 social media followers.

AWI GROWER EXTENSION NETWORKS – RESPONDING TO SEASONAL CONDITIONS

In August 2020, AWI's network 'The Sheep's Back' in Western Australia and the Producer Advisory Panel identified upcoming severe water shortages across many regions. In response, a series of spring workshops was delivered at Wickiepin, Arthur River, Jerramungup and Kulin, attended by 77 producers. Ninety-nine per cent of the attendees said that they learnt new information or had their existing knowledge reinforced. The workshops were run in collaboration with the Department of Primary Industries and Regional Development, the Department of Water and Environmental Regulation, Water Corporation and several WA grower groups.

In New South Wales and South Australia, the 'Back to Business' webinar series was an initiative to help producers tackle the challenges of drought and bushfire recovery. The 12 webinars were initially intended for delivery as workshops but had to be delivered in a different format due to COVID-19. The webinars attracted 1,313 registrations and 97 per cent of attendees reported learning new information or having their existing knowledge reinforced. This program was a partnership between AWI, AWI's NSW and SA grower networks, Meat & Livestock Australia, Integrity Systems Company, NSW Department of Primary Industries, Local Land Services and Primary Industries and Regions SA.

COLLABORATION

AWI places great emphasis on collaboration with other organisations, in order to gain the greatest leverage of woolgrower and taxpayer funds and to access complementary skills and insights.

In 2019/20, AWI worked with over 200 partners throughout the supply chain with a total leveraged value of \$16.4m. These included other RDCs, industry bodies, state and federal governments, universities, textile processors and brands.

In September 2020 AWI joined with other RDCs to form a collaborative investment vehicle called Agricultural Innovation Australia (AIA). AIA was established to facilitate joint investment and collaboration in cross-industry agricultural

issues of national importance. AIA will identify, develop and invest in strategies that address shared challenges and opportunities to deliver transformative outcomes that drive sustainability, productivity and profitability across Australian agricultural value chains. Climate resilience, natural resource management and supply chain traceability are example areas of work.

AWI COLLABORATES TO BOOST PROFIT IN MIXED FARMS

An example of AWI's collaborative activity is a 'Rural Research & Development for Profit' (RRD4P) project to boost the profitability and resilience of mixed farms of less than 400mm rainfall in southern and western regions of Australia.

The five-year project aims to increase the adoption of recently-discovered legumes. It follows a pilot project between AWI, Meat & Livestock Australia (MLA) and Grains Research & Development Corporation (GRDC) which showed that novel pasture legumes could improve livestock production while reducing nitrogen requirements, weeds and diseases for following crops. These benefits could increase profit by \$100-\$200 per hectare.

The current project is a collaboration between AWI and GRDC, MLA, Murdoch and Charles Sturt Universities, the South Australian Research and Development Institute, the WA Department of Primary Industries and Regional Development, and CSIRO. The Australian Government has contributed more than \$5.5 million to the project through the RRD4P program.

By working with partner organisations in this way, AWI is able to gain substantial leverage on woolgrowers' R&D levies, delivering greater benefits to levy payers for fewer dollars invested.

MEASUREMENT AND EVALUATION FRAMEWORK

The Measurement and Evaluation (M&E) Framework sets out how AWI monitors and reports on its performance against its strategic and annual operating plans. The M&E Framework is available on AWI's website (<https://www.wool.com/about-awi/how-we-consult/measuring-performance/>).

In 2019, AWI reviewed and revised its M&E Framework. The improvements to the framework included:

- Enhancement of project management processes to fully incorporate M&E targets and reporting;
- The re-introduction of biannual Program Achievement Reports; and
- The systematic capture of data in a new data management system, 'Domo'.

The framework is important because it ensures that levy payers, government and other stakeholders can readily see the value being delivered by AWI. It also allows AWI to learn from its investments and improve future decision making. Ultimately, all AWI activities must contribute to an improvement in woolgrowers' Return on Farm Assets Managed (RoFAM).

The other principle underpinning AWI's approach is the 'woolgrower test'. The woolgrower test has been in place for more than 10 years. It requires all staff and contractors to answer 'yes' to the following questions:

- 'Can I justify and explain this expense or expenditure to an Australian woolgrower?' and
- 'Is this a good use of shareholder levies?'

AWI publishes an annual Performance Report that summarises, in a clear and transparent way, what AWI achieved for woolgrowers during the previous financial year. The Performance Report can be accessed on the AWI website (<https://www.wool.com/about-awi/how-we-consult/measuring-performance/>).

BOARD AND OTHER ASPECTS OF GOVERNANCE

AWI and its members have made numerous changes to AWI's governance arrangements since the EY Review of Performance. Some of these changes were needed to bring the AWI Constitution and other documents up to date with current practices, while others were recommended by EY or by AWI's members.

Some of the most significant changes are those applying to:

SHAREHOLDERS' RIGHTS

The Constitution has been amended to expressly set out a range of shareholder voting rights, including voting on amendments to the Constitution, voting on director elections and re-elections, and the appointment of the auditor, as well as other rights, including the right to receive notices of meeting and annual reports, to attend and speak at general meetings, and to surrender shares. A person who has shares transmitted to them (for example, because another shareholder has died) will be able to vote if they prove their entitlement to vote prior to the record date before a general meeting.

GENERAL MEETINGS

The Chair must now disclose at the beginning of a meeting the number of proxies that he or she holds, and a breakdown of directed and undirected proxy instructions. AWI will also provide a statement of the Chair's voting intentions for open proxies in the notice of meeting each year. Proxy forms must give shareholders the option of abstaining on voting on a resolution. Shareholders will be given a right to direct the Chair of a general meeting to adjourn a meeting, and shareholders will receive fresh notices of meeting where a meeting is being adjourned for one month or more.

BOARD INDEPENDENCE

AWI has enhanced its reporting of the testing of director independence in its annual reports. The definition of 'independent director' has been updated to align with that of the Australian Stock Exchange (ASX) Principles and Recommendations .

BOARD DIRECTOR NOMINATIONS

A new model for the Board Nomination Committee (BNC), which reduces the influence of the Board Chair, has been put in place. The BNC now comprises two non-executive directors (not the Board Chair) and three external members including an independent chair. Another of the external members is nominated by the WICP. The BNC charter also allows for skills-based candidates to be recommended by the BNC and eligible for election without the need to be supported by more than 99 AWI grower shareholders. Also, a member of the BNC may not serve on the Board until at least three years after stepping down from the BNC.

CHAIR TENURE

New provisions require the Chairman to retire from the Board after 8 years of service as Chairman, and also specify a 2-year roll off period before they may re-nominate for the Board.

GENDER DIVERSITY

AWI must set measurable objectives for achieving gender diversity in the Diversity Policy, in alignment with the ASX Principles.

REPORTING BREACHES OF THE CODE OF CONDUCT AND BUSINESS ETHICS

Escalation procedures for reporting of breaches, particularly in relation to individual directors, have been introduced to ensure any such complaints are managed independently of the Board. The Board Charter also now references both an Anti Bribery and Corruption Policy and a Whistleblowing Policy.

EVALUATING PERFORMANCE OF THE CEO

AWI must have and annually disclose a process for evaluating the performance of the CEO.

CONSULTATION

AWI is now required by the Constitution to consult regularly with participants in the wool industry and wider stakeholders on its strategic and operating plans and priorities for investment in research and development activities.

POLICIES AND PROCEDURES IN PLACE

AWI has over the life of the company built up a robust framework of policies and procedures. The company currently has 38 such documents in place. Many of these documents are reviewed annually with some reviewed every three years or as required.

Following review, and if needed, the policies and procedures are amended and updated to align to any relevant changes to legislation or best practice. These documents are largely public but some, for reasons of Board and Company sovereignty, are internal documents only.

#	POLICY
1	Code of Conduct, Business Ethics
2	Charter of the Committees of the Board
3	Deed of Delegation - Board to CEO
4	Deed of Delegation - CEO to Management
5	Board and Company Diversity Policy
6	Board Charter
7	Board Nomination Committee Charter
8	Corporate Governance
9	Communications Strategy
10	Equal Opportunities, Anti-Discrimination, Harassment, Victimization and Bullying Policy
11	Woolmark Americas Sexual Harassment Policy
12	Performance Management System Policy
13	Redundancy Policy
14	Group Remuneration Policy
15	COVID -19 Workplace Policy - Australia Only
16	Work Health and Safety Policy
17	Whistleblower Policy
18	Travel and Expenses Policy
19	Travel and Expenses Policy - Consultants
20	Financial Delegations
21	Investment Protocols
22	Intellectual Property Management Plan
23	Measurement & Evaluation Framework
24	Procurement Policy
25	Event Engagement Policy
26	Media Policy
27	Social Media Policy
28	Publication Policy - General
29	Research Publication Policy - Sheep Production & Woolgrower Services Portfolios
30	Woolmark Licencing Guidelines
31	Animal Welfare Governance Policy
32	Cost Allocation Policy
33	Investment Policy
34	Reserves Policy
35	Cyber Security Response Plan
36	IT Security Policy
37	IT Acceptable Usage Policy
38	Privacy and Data Protection Standard Operating Procedure

A CONTINUING COMMITMENT TO CULTURAL CHANGE

AWI understands that some of its levy payers will think that AWI still has some way to go in demonstrating culture change. AWI also believes that it has more to do, and intends to continue striving for improvement.

AWI undertakes an annual Woolgrower Sentiment Survey to gather feedback on woolgrowers' interactions with AWI and their assessment of the company's performance. The 2020 survey involved approximately 1000 levy-paying woolgrowers.

The Woolgrower Sentiment Survey is an important management tool for AWI. It assists the company to understand, among other things:

- Woolgrowers' confidence in the industry and their intentions to expand, exit the industry or otherwise;
- How well woolgrowers understand what AWI does;
- What woolgrowers see as the priority activities for AWI;
- Participation by woolgrowers in AWI activities, and barriers to greater involvement; and
- Levels of satisfaction with AWI's various activities.

AWI also surveys its staff to gauge their views on the company and its activities.

The information gained from both of these surveys, as well as numerous other opportunities for feedback from woolgrowers, allows AWI to continuously learn and improve the way it operates.





WOOL.COM