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# AWI REVIEW OF PERFORMANCE IMPLEMENTATION PLAN



## INTRODUCTION PAGE

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

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

AWI last underwent an independent performance review in 2015, covering performance over the preceding three years 2012-2015. This was reported to Woolgrowers and the Government prior to WoolPoll 2015. The results of the Review, as with those of previous years, are available on the company’s website, as well as recommendations, and AWI’s recommendation implementation plans that demonstrate its progress. On the 27 February 2018, following the [statement](#) by the Hon. David Littleproud MP (the Minister for Agriculture and Water Resources), EY was engaged by the Department of Agriculture and Water Resources to conduct an Independent Review of AWI, into its performance and governance. This Review forms part of AWI’s normal statutory reporting requirements, covering the period of 2015-18 and is in accordance with the Statutory Funding Agreement (SFA).

This plan responds to the 82 recommendations included in the Independent Review of the Performance and Governance and provides a timeline for completion.

For ease of review, AWI has categorised the 82 recommendations into seven categories. These are; Collaboration, Constitution, Governance, Consultation, Monitoring Evaluation and Reporting, People and Culture, and finally ROP Implementation and Recommendations.

# 1. COLLABORATION

## Executive summary:

### **EY Theme 5: There should be more and better collaboration with other RDCs and research bodies for improved efficiency of research spending**

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

## AWI’s overall response re the Theme:

AWI acknowledges its relationships within the wool industry are essential to its success and is committed to implementing a range of measures to establish a more sustained, systematic and broader engagement and collaboration methodology to deliver end-to-end cross-collaboration and to create deeper and greater levels of engagement and relationships across AWI’s network.

Ref No.	EY Finding	EY Recommendation	AWI Response	Timeline
1.7.1	While AWI already has a level of communication with cross-collaborators, the current engagement and communication approach is mostly tactical and, on a project-by-project basis. There is an opportunity for AWI to lift the overall commitment and engagement level across their collaboration network by applying a more strategic, longer-term, collaborative approach that is appropriate for the type of organisation.	In line with recommendation 1.7.3, establish a more sustained, systematic and broader engagement approach for the end-to-end cross-collaboration in order to create deeper and greater levels of engagement and relationships across AWI’s collaboration network: <ul style="list-style-type: none"> <li>– Strengthen communication and engagement across multiple channels (e.g. enhance the quality of briefings and feedback sessions to provide greater opportunities for two-way communications)</li> <li>– Conduct an early stage dialogue with potential collaborators to provide opportunities to address queries on selection criteria and requirements</li> <li>– Consider providing more information in feedback letters (e.g. greater explanation on the rationale for AWI’s decision, more context on the specific issue)</li> </ul> This should be implemented by 31st January 2019.	To deliver a broader engagement approach to improved collaboration, AWI will set guidelines for managers to achieve a higher standard of dialogue. To deliver a sustained and systemic approach to improved collaboration, AWI will embed an updated–suite of project management tools and procedures from project initiation to benefit analysis to better initiate and document engagement and relationships across its collaboration network.	31/01/2019
1.7.2	AWI has developed procedures for selecting parties for collaboration. However, through written submissions and stakeholder interviews, some stakeholders indicated a perception that these practices on party selection were not always followed through.	Comply with procedures for selecting parties for collaboration and implement a tracking system to monitor the process and ensure that procedures are correctly and consistently followed through. This should be implemented by 31st January 2019.	To enhance the compliance for AWI’s improved collaboration, AWI will update its suite of project management tools from project proposal and assessment to project communication and completion to consistently track and monitor collaboration parties at all stages of the project life. Whole project life	31/01/2019

			tracking will inform reviews of procedures for selecting external parties for collaboration.	
<b>1.7.3</b>	Independent woolgrower research showed that 45% of woolgrowers believe that AWI collaborates well with other agricultural Research and Development bodies.	<p>Develop a cross-RDC collaboration model as part of the long-term industry strategy, detailing the following:</p> <ul style="list-style-type: none"> <li>– definition and role of cross-RDC collaboration (e.g. MLA)</li> <li>– method of sharing resources</li> <li>– method of accessing different markets</li> <li>– funding allocation</li> <li>– ownership of IP</li> <li>– governance and structure</li> <li>– sponsorship from Executives</li> <li>– Reporting of progress and outcomes</li> </ul> <p>This should be developed through extensive consultation with levy payers and implemented by 30th April 2019.</p>	AWI will include a cross-RDC collaboration model in its Strategic Plan which will be informed through collaboration and consultation with levy payers.	<b>30/04/2019</b>



## 2. CONSTITUTION

### Executive Summary:

#### **EY Theme 8: Constitutional changes are required to support good corporate governance**

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

#### **AWI's overall response re the Theme:**

The recommendations related to AWI's Constitution are recognised and AWI is committed to reviewing and updating its Constitution and SFA to ensure best practice and high levels of good governance are maintained. AWI notes the importance of these recommendations given the organisation's funding model and its position as the industry services body for the Australian wool industry. AWI will take relevant constitutional recommendations to its shareholders for their consideration.

Ref No.	EY Finding	EY Recommendation	AWI Response	Timeline
1.10.1	Our review of the AWI Constitution showed a number of areas where it could be improved – to better reflect ASX's Corporate Governance Principles and Recommendations, the Corporations Act (Cth) 2001 or to incorporate provisions from other RDC constitutions that better express good corporate governance and are more appropriate for a company of its type.	Review and update the AWI Constitution and SFA obligations to reflect the recommendations set out in Annexure 2 and 9. The Constitution should be updated regularly to remain relevant with the current purpose of AWI and reflect better practice governance standards. This should be renewed following extensive stakeholder input and tabled at the 2019 Annual General Meeting, with proposed amendments to be circulated well in advance.	AWI complies with the current ASX Governance Principles requirements and believes that all AWI Directors meet the currently applicable criteria for independence. AWI will take this recommendation to its shareholders for their consideration at an Extraordinary General Meeting (EGM) in early 2019.	1/11/2019
1.10.2	Clause 15.4 of the SFA requires AWI to consult with the Commonwealth on amendments to the AWI Constitution. While this is a consultation requirement, it may act as a veto power.	Consider further amendments to clause 15.4 of the SFA in order to allow for greater flexibility in proposing amendments to AWI's Constitution. This should be implemented by 31st January 2019.	AWI will consult with DAWR as needed while undertaking a review of the organisation's constitution. AWI will advise proposed changes to DAWR as part of its usual reporting standards.	31/01/2019
1.10.3	AWI's Constitution should be reviewed to reflect the corporate governance recommendations arising from the Financial Services Royal Commission once it has concluded.	Review and update the AWI Constitution in light of the further and final recommendations arising from the Financial Services Royal Commission following its conclusion. This should be completed by 31st July 2019.	AWI is monitoring the Royal Commission's proceedings, its interim report, and will review the final findings once published.	31/07/2019
1.10.4	AWI needs to more actively monitor whether its Constitution and governance practices support a broader skills-based Board.  Rule 13.3(d) of the AWI Constitution represents a dilemma for how the Board of AWI is structured in terms of balancing a desire to have deep	Publish the Board's skills matrix and emphasise to shareholders the importance of a broad skills-based Board in all Director election material in line with recommendation 1.9.4.  Delete Rule 13.3(d) of the AWI Constitution that specifies candidates obtain the requisite 100 eligible	This recommendation to repeal Rule 13.3(d) of the AWI Constitution is noted and will be taken to shareholders for their consideration at an Extraordinary General Meeting (EGM) in early 2019.	31/10/2018

	representation of the wool industry with a requirement of public company independence of Directors and to satisfy its obligations in the SFA to have a broader skills-based Board. It is possible that appropriate candidates that satisfy a skills-based matrix would not be able to easily obtain the requisite 100 eligible shareholder signatures required to seek nomination.	shareholder signatures required to seek nomination. This would make the AWI Director selection process aligned with other RDCs who do have a broader skills-based Board. Industry representation is still a key requirement for the AWI Board and the skills matrix under clause 14.3(b) of the SFA specifically mentions this as a requirement. The purpose of the recommendation is to recalibrate the balance of skills on the AWI Board. This should be implemented by 31st October 2018. Please also refer to and implement in conjunction with recommendation 1.11.3.		
<b>1.10.5</b>	Clause 14.3 of the SFA requires AWI to have a skills-based Board however this is not reflected in the Constitution.	Include a rule in the AWI Constitution that requires a skills-based Board. This should be completed by 31st October 2018.	AWI agrees to include a reference to a skills based Board in the organisation's Constitution.	<b>31/10/2018</b>
<b>1.11.1</b>	Not contained in the AWI Constitution	Section 198B be included so that a negotiable instrument is only signed, drawn, accepted, endorsed or otherwise by two or more Directors.	AWI acknowledges this recommendation and will bring forward a minor change to the organisation's constitution at an Extraordinary General Meeting (EGM) in early 2019, noting the need to take account of AWI's suite of delegations.	<b>31/01/2019</b>
<b>1.11.2</b>	Consistent. Section 198C also provides that the Board may vary a conferral of powers on the managing Director (which is not covered in Rule 14.1).	The powers to vary be included.	AWI acknowledges this recommendation and will bring forward a minor change to the organisation's constitution at an Extraordinary General Meeting (EGM) in early 2019.	<b>31/01/2019</b>
<b>1.11.3</b>	Rule 13.3 provides that a Director will be elected at AGMs. However, only person who is nominated by the Board or by more than 99 shareholders (or a lesser number prescribed by law) who are entitled to vote is eligible to be appointed a Director. This has restricted the number of persons who is eligible to be elected at AGM to be a Director.	Rule 13.3 is amended so that any shareholder can nominate a person to be elected as Director.	This recommendation is noted and will be taken to shareholders for their consideration at an Extraordinary General Meeting (EGM) in early 2019.	<b>31/01/2019</b>
<b>1.11.4</b>	Not contained in the AWI Constitution	While section 201K would ordinarily be included in a company's Constitution to give the Director the flexibility to appoint an alternate if necessary, this is usually on the basis that the Director is representing a particular shareholder or group of shareholders. Given the shareholding structure and purpose of RDCs and AWI in particular, it is not appropriate for AWI to include an equivalent of section 201K in its Constitution.	AWI notes this comment and agrees with EY that no action is required.	<b>31/01/2019</b>

1.11.5	<p>Section 203F(1) provides that a person ceases to be a managing Director if they cease to be a Director. Rule 14.1 provides that the managing Director ceases to be a managing Director upon him or her ceasing to hold office as a Director if the Board so resolved.</p> <p>Section 203F(2) provides that the Directors may revoke or vary an appointment of a managing Director.</p>	<p>Rule 14.1 be amended to incorporate section 203F(1) so the managing director automatically ceases to be a managing director upon him or her ceasing to hold office as a director, and to include the rights of directors under section 203F(2).</p>	<p>AWI acknowledges this recommendation and will bring forward a minor change to the organisation's constitution at an Extraordinary General Meeting (EGM) in early 2019.</p>	31/01/2019
1.11.6	<p>Not contained in the AWI Constitution.</p>	<p>Section 204F be included to make it clear that a secretary holds office on the terms and conditions (including remuneration) that the directors determine.</p>	<p>AWI acknowledges this recommendation and will bring forward a minor change to the organisation's constitution at an Extraordinary General Meeting (EGM) in early 2019.</p>	31/01/2019
1.11.7	<p>Section 248A(1) provides that the directors may pass a resolution without a meeting if all of them entitled to vote on the resolution sign a document stating that they are in favour of the resolution set out in the document.</p> <p>Rule 15.8 provides that a resolution is valid if it was signed by:</p> <ul style="list-style-type: none"> <li>– all director; or</li> <li>a majority of the directors entitled to vote if notice has been given to all directors.</li> </ul>	<p>To demonstrate good corporate governance, Rule 15.8 be amended so that a resolution is only passed without a directors' meeting if all the directors (as opposed to a majority of directors) entitled to vote sign the resolution.</p>	<p>AWI acknowledges this recommendation and will bring forward a minor change to the organisation's constitution at an Extraordinary General Meeting (EGM) in early 2019.</p>	31/01/2019
1.11.8	<p>Consistent to a large extent except that section 248E(2) also provides that the directors must elect a new chair if a previously elected chair declines to act (as opposed to merely not present at the meeting).</p> <p>Section 248E(2) used the term "must" which connotes a mandatory requirement for a new chair to be elected while Rule 15.4 used the term "may" which connotes an optional requirement.</p>	<p>Rule 15.4 be amended to be consistent with section 248E(2) to ensure that any meeting will be chaired.</p>	<p>AWI acknowledges this recommendation and will bring forward a minor change to the organisation's constitution at an Extraordinary General Meeting (EGM) in early 2019.</p>	31/01/2019
1.11.9	<p>Section 248F provides that unless the directors determined otherwise, the quorum for a directors' meeting is 2 directors and the quorum must be present at all times during the meeting</p>	<p>Rule 15.1(b) be amended to require a quorum to be present "at all times during the meeting".</p>	<p>AWI acknowledges this recommendation and will bring forward a minor change to the organisation's constitution at an Extraordinary General Meeting (EGM) in early 2019.</p>	31/01/2019

	Rule 15.1(b) provides that the quorum is 2 directors or 50% of the number of directors if the company has more than 4 directors. The only exception to this requirement is that when the directors appoint a new director to increase the number of directors so that it is sufficient to constitute a quorum. It also requires a quorum to be present at the meeting.			
1.11.10	Section 249J(4) provides that a notice of meeting sent by fax or other electronic means is taken to be given on the business day after it is sent. However, Rule 17.2 provides that such notice is considered to have been served when the transmission is sent	Rule 17.2 be amended so that a notice sent by electronic means is taken to be given on the business day after it is sent. This may avoid disputes or complaints when the notice is sent outside the normal business hours.	AWI acknowledges this recommendation and will bring forward a minor change to the organisation's constitution at an Extraordinary General Meeting (EGM) in early 2019.	31/01/2019
1.11.11	Section 249J(5) provides that a notice of meeting given to a member by electronic means nominated by the member is taken to be given on the business day after the day on which the member is notified that the notice of meeting is available.  However, Rule 17.2 provides that such notice is considered to have been served when the transmission is sent	Rule 17.2 be amended so that a notice sent by electronic means is taken to be given on the business day after it is sent. This may avoid disputes or complaints when the notice is sent outside the normal business hours.	AWI acknowledges this recommendation and will bring forward a minor change to the organisation's constitution at an Extraordinary General Meeting (EGM) in early 2019.	31/01/2019
1.11.12	Not contained in the AWI Constitution	Section 249M be included	AWI acknowledges this recommendation and will bring forward a minor change to the organisation's constitution at an Extraordinary General Meeting (EGM) in early 2019.	31/01/2019
1.11.13	Section 249T(1) provides that the quorum for a general meeting is 2 members and the quorum must be present at all times during the meeting. Rule 11.2(a) provides that the quorum is 60% of all shareholders or 50 shareholders (whichever is lesser) and that no business may be transacted unless a quorum is present at the commencement of the meeting.  Section 249T(2) sets out how quorum is determined. There is no similar provision in the AWI Constitution.  – Sections 249T(3) and (4) provide that if quorum is not present within 30 minutes after the meeting	<ul style="list-style-type: none"> <li>– Rule 11.2(a) be amended to require a quorum to be present “at all times during the meeting” (as opposed to only at the commencement of the meeting);</li> <li>– Section 249T(2) be included; and</li> <li>– Rule 11.2(b) be amended to be consistent with sections 249T(3) and (4)</li> </ul>	AWI acknowledges this recommendation and will bring forward a minor change to the organisation's constitution at an Extraordinary General Meeting (EGM) in early 2019.	31/01/2019



	time, the meeting is adjourned to the date, time and place as specified by the director (otherwise the same date, time or place). Rule 11.2(b) provides that the meeting is dissolved if quorum is not present within 30 minutes unless the Chairman adjourns the meeting. The adjourned meeting will be dissolved if no quorum is present at the adjourned meeting.			
<b>1.11.14</b>	Not contained in the AWI Constitution.	Section 249W(2) be included.	AWI acknowledges this recommendation and will bring forward a minor change to the organisation's constitution at an Extraordinary General Meeting (EGM) in early 2019.	<b>31/01/2019</b>
<b>1.11.15</b>	<p>Section 250E(1) provides that at a meeting of members of a company with a share capital, each member has 1 vote on a show of hands, and 1 vote for each share they hold on a poll. Rule 12.1(b) and Rule 5.3 provide that on a poll, each shareholder has 1 vote for each whole \$100 Rolling Wool Levy Amount registered by the Company at the time of the vote. The Board will make its determination not later than 35 days before the AGM.</p> <p>Section 20E(3) provides that the chair has a casting vote and any vote they have in their capacity as a member. Rule 5.3 provides that the Chairman does not have a second or casting vote if he or she is a shareholder.</p>	Rule 5.3 be amended so that the Board make its determination before any general meeting (as opposed to AGM only).	AWI acknowledges this recommendation and will bring forward a minor change to the organisation's constitution at an Extraordinary General Meeting (EGM) in early 2019.	<b>31/01/2019</b>
<b>1.11.16</b>	<p>Section 1072A(2) provides that the personal representative is entitled to the same rights as the deceased shareholder whether or not registered as a shareholder.</p> <p>Rule 9 contains similar concepts. However, rule 12.2 provides that the personal representative may vote at the general meeting if he or she satisfies the Board at least 48 hours before the general meeting that he or she is a personal representative.</p>	Rule 12.2 be amended so the personal representative can vote at the meeting as soon as they satisfy the Board that he or she is a personal representative.	AWI acknowledges this recommendation and will bring forward a minor change to the organisation's constitution at an Extraordinary General Meeting (EGM) in early 2019.	<b>31/01/2019</b>
<b>1.11.17</b>	Not contained in the AWI Constitution	Section 1972B be included.	AWI acknowledges this recommendation and will bring forward a minor change to the organisation's	<b>31/01/2019</b>

			constitution at an Extraordinary General Meeting (EGM) in early 2019.	
<b>1.11.18</b>	Not contained in the AWI Constitution	Section 1972D be included.	AWI acknowledges this recommendation and will bring forward a minor change to the organisation's constitution at an Extraordinary General Meeting (EGM) in early 2019.	<b>31/01/2019</b>
<b>1.11.19</b>	Section 1072F(4) provides that the directors may suspend registration of transfer of shares.	Rule 8 be amended to give the directors the flexibility to suspend registration of transfer of shares.	AWI acknowledges this recommendation and will bring forward a minor change to the organisation's constitution at an Extraordinary General Meeting (EGM) in early 2019.	<b>31/01/2019</b>

### 3. CONSULTATION

#### Executive Summary:

##### EY Theme 1: AWI’s purpose and role in the industry should be better defined

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

##### EY Theme 2: AWI should prepare a long-term Strategic Plan

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

##### EY Theme 3: Stakeholder consultation arrangements should be improved

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

#### AWI’s overall response re the Theme:

AWI notes the importance of the need for enhanced consultation with its stakeholders including key industry representative organisations and, in doing so, the need refine its organisational purpose and develop a long-term strategic plan to codesign the future of the research and marketing needs of the industry.

Ref No.	EY Finding	EY Recommendation	AWI Response	Timeline
1.1.6	<p>The Review notes AWI are compliant with clause 15.1 however the SFA is broad and not specific</p> <ul style="list-style-type: none"> <li>– 56% of sampled woolgrowers indicated that AWI communicates well with levy payers about what’s happening</li> <li>– 43% said that AWI gives me opportunities to have my say about what they do</li> </ul> <p>37% indicated that AWI listens to woolgrowers before making its decisions measures are provided. The review has identified a number of significant opportunities to improve engagement and consultation processes which are outlined in the engagement evaluation in Section 7.5. Submissions received by the Review and our independent woolgrower research indicated that there are</p>	<p>Strengthen engagement in line with recommendations and timeframes recommended in Annexure 1.5 Engagement assessment. These include:</p> <ul style="list-style-type: none"> <li>– 1.5.1 stakeholder engagement plan with measurements of performance</li> <li>– 1.5.2 review and update of the ICC to better incorporate the interests of stakeholders and levy payers</li> </ul> <p>This change should be implemented by 30th April 2019.</p>	<p>This recommendation highlights that while AWI is compliant with its SFA requirements, it can do more to improve communications and engagement with its levy payers.</p> <p>AWI will work with industry to develop a new consultation framework to ensure it meets industry standards and expectations.</p>	30/04/2019

	opportunities for AWI to develop more effective, respectful and meaningful engagements.			
<b>1.2.1</b>	<p>Independent woolgrower research indicated that ROI transparency is a key area of improvement for AWI:</p> <ul style="list-style-type: none"> <li>– 44% of sampled woolgrowers are concerned about the effectiveness of AWI investment of funds</li> </ul> <p>Of this, 30% indicated that investments should be reaping better returns, 29% asked for greater transparency on where the funds are being invested</p>	<p>Develop by 30th April 2019:</p> <ul style="list-style-type: none"> <li>– A ‘purpose statement’ that clearly outline AWI’s role in the industry moving forward as part of an industry-wide, longer term strategy. These should be developed through stakeholder consultations and focus on pre-competitive services</li> <li>– A consultation framework outlining how feedback from stakeholder groups will be sought and addressed in AWI’s future investment decisions, in line with Annexure 1.5 Engagement assessment</li> <li>– A collaboration plan with RDCs in cases where AWI and other RDCs can play to each other’s strengths and expertise in their respective industry, in line with Annexure 1.7 Collaboration assessment. This provides an opportunity to seek collaboration with MLA on a sheep production strategy</li> </ul>	AWI is committed to improving its consultation processes and enabling all woolgrowers the opportunity to provide feedback on the organisation's activities and operations. AWI will work with industry to develop a new consultation framework to ensure it meets industry standards and expectations.	<b>30/04/2019</b>
<b>1.3.4</b>	AWI’s current strategic plan does not provide a strategic long- term vision. The wool industry has not adopted a long-term view, which is different to RDCs in other industries (e.g., in addition to Dairy Australia’s own strategic plan, there is a 5- year industry plan in place (Dairy Moving Forward).	Develop a ten-year wool strategy to inform AWI’s three-year Strategic Plans. This will need to be developed with broad consultation across the industry, including levy payers and other RDCs. This will enable AWI to identify major long-term opportunities (e.g. sustainability, provenance, productivity improvement, partnerships and risks). AWI must also address how to mitigate industry risks, such as conducting a strategic risk assessment and allocating funds accordingly (e.g. for flystrike prevention research). This plan should reviewed regularly (e.g. every 3-5 years). This may result in a shift to fewer and higher impact projects and a need to move into the pre-competitive space and tackle bigger and higher return opportunities in a more sustained manner. This should be implemented by 31st July 2019.	AWI acknowledges this recommendation and notes it has been operating on a three-year strategic planning cycle to align with WoolPoll timing and the Statutory Funding Agreement. Additionally, AWI will convene a national strategic planning forum bringing together industry stakeholders to develop a 10-year strategy for the industry. At the request of the Australian Government, the Australian wool industry developed the National Wool Research, Development and Extension (RD&E) Strategy. The Strategy defines the priority objectives for the wool industry in the long-term, based on a national collaborative approach to all wool research, development and extension.	<b>31/07/2019</b>
<b>1.5.1</b>	AWI provides a stakeholder engagement plan to the public, available on its website. AWI has increased stakeholder engagement and consultation in the latest Strategic Planning period. However, submissions received by the Review and our independent woolgrower research indicated that there are opportunities for AWI to develop	<p>Develop by 30th April 2019:</p> <ul style="list-style-type: none"> <li>– Develop a stakeholder engagement plan that includes measurements of performance. This plan should be flexible enough to allow for modification to lift performance as required</li> <li>– Invest in multichannel stakeholder feedback consultation to facilitate two-way conversations and</li> </ul>	AWI is committed to improving its consultation processes and enabling all woolgrowers the opportunity to provide feedback on the organisation's activities and operations. AWI will work with industry to develop a new consultation framework to ensure it meets industry standards and expectations and in doing so effectively communicate	<b>30/04/2019</b>

	more effective, respectful and meaningful engagements.	more interactive dialogues (e.g. digital means, such as social media). Develop channels that enable AWI to become more explicit in terms of how decisions are formed	AWI's activities through a variety of communication channels - both traditional and digital.  AWI is currently reviewing its existing Measurement and Evaluation Framework to identify gaps in the current system and ways to improve how the organisation measures outcomes and communicates the results, measurable outcomes and information with its stakeholders.	
<b>1.5.2</b>	There is scope for AWI to improve its engagement and consultation feedback review process via standardisation. There is currently no standard process for documenting and reviewing feedback from stakeholders, nor notification to feedback providers of any action. This significantly inhibits organisational transparency.	Redefine the ICC arrangements to ensure a more independent advisory body. This upgraded advisory body should provide independent advice to AWI on investments made, and to identify and recommend opportunities for AWI to consider. The ICC should be renamed to signal these changes. This should occur by 31st January 2019.	AWI acknowledges this recommendation and is seeking industry advice and feedback on elements to be included in a new consultation model to ensure it meets industry standards and expectations.	<b>31/01/2019</b>



## 4. GOVERNANCE

### Executive Summary:

#### **EY Theme 6: Governance arrangements should be updated**

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

#### **EY Theme 7: The Director nomination and election processes should change to enable a broader skills-based Board**

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

#### **EY Theme 10: Risk and compliance practices should be strengthened**

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

### AWI's overall response re the Theme:

The recommendations related to AWI's governance are acknowledged and AWI is committed to strengthening the organisation's governance arrangements to ensure the best possible RD&M industry body. AWI notes the importance of these recommendations given the organisation's funding model and its industry position as the services body for the Australian wool industry. AWI will take relevant governance recommendations to its shareholders for their consideration.

Ref No.	EY Finding	EY Recommendation	AWI Response	Timeline
1.1.1	The Review was unable to assess section 4.8 of the SFA due to a lack of evidence to demonstrate that licence for material shared with the Commonwealth is obtained. AWI confirmed that their practice for complying with this obligation is that they do not licence any third-party intellectual property. However, this is not documented. Better and standard practice is for companies to maintain a register of third-party IP that outlines copyright and licences.	Document the current process of maintaining a register for licences and regularly review it to confirm that when material is shared with the Commonwealth that this obligation is satisfied.  Maintain a register for third party IP that outlines copyright and licences. Use this register to track licences obtained from third parties and confirm that licences have been obtained for the Commonwealth where this information is provided to the Commonwealth. This should be implemented by 31st July 2019.	AWI acknowledges this recommendation and is currently undertaking a review to identify what organisational measures may be adopted to satisfy the obligation.	31/07/2019
1.1.2	AWI does not fully comply with section 14.1 of the SFA as they do not adequately maintain, implement and regularly review a framework of good corporate governance practice (as assessed in	Strengthen corporate governance framework in line with the recommendations and timeframes 1.9.1 – 1.9.10 recommended in Annexure 1.9 Corporate governance. This needs to consider clear ownership of Board review,	On a continuous basis AWI reviews its framework of corporate governance documents, and AWI believes its governance arrangements broadly meet currently	31/07/2019

	section 7.9 Corporate governance). Governance documents are reviewed annually however this process is not documented and the Constitution has not been updated since 2011, which is prior to the introduction of the ASX Corporate Governance Principles in 2014.	government framework and approach to regularly refresh frameworks. It should be developed through extensive stakeholder consultations. Updates should be made available on AWI's website. This should be implemented by 31st July 2019.	applicable standards in the ASX corporate governance guidelines.	
1.1.3	AWI does not fully comply with section 14.2 of the SFA as the documented rules on board appointments and composition does not include requirements for diversity, renewal and succession planning.	Update the Board Charter to include requirements for diversity, renewal and succession planning. We recommend that diversity is an additional characteristic to be considered as part of the assessment of key skills for the Board. This should be implemented by 31st January 2019.	Since the report has been finalised AWI has developed, and the Board has approved, a Diversity Policy which has been adopted.	31/07/2019
1.1.4	AWI does not fully comply with section 14.3 of the SFA as the assessment completed of the board skills does not include legal and compliance.	Ensure that the skills being assessed are in alignment with those outlined in the SFA, and in conjunction with other recommendations relating to implementation of Board skills matrix. This should be implemented by 31st January 2019. Please also refer to recommendation 1.10.5 for recommended amendment to the Constitution.	Since the report has been finalised AWI has compiled a Board skills matrix which has been included in the organisation's 2018 Annual Report. The skills criteria in the matrix has included all matters set out in section 14.3 of the SFA. AWI's Board charter will be reviewed to ensure consistency with the requirements in the SFA.	31/07/2019
1.1.5	AWI does not fully comply with section 14.4 of the SFA as the Board Nomination Committee Charter conflicts with the requirements of the SFA as it does not have membership of a majority of Independent Directors. The BNC Charter states membership should have two independent Directors and three persons who are not Directors.	Amend section 14.4 of the SFA in line with recommendation 1.12.3 for the Board Nomination committee in Annexure 1.12 Assessment of proxies and Board Nomination Committee. This change should be implemented by 31st January 2019.	AWI complies with the current ASX Governance Principles requirements, and believes that all AWI Directors meet the currently applicable criteria for independence. AWI will take this recommendation to its shareholders for their consideration at an Extraordinary General Meeting (EGM) in early 2019.	31/07/2019
1.1.7	AWI does not fully comply with section 18.2 of the SFA as they did not agree the Terms of Reference for this performance review at least six months prior to the commencement of the Review. They did however commence negotiations approximately six months prior to the Review commencement	Agree Terms of Reference for the next performance review with the Commonwealth at least six months prior to the Review commencing. Amend the SFA to include an option to vary the Terms of Reference through agreement between AWI and the Department. Implement this change beyond 2019.	AWI acknowledges this finding and note that negotiations around the Terms of Reference for the Review of Performance had commenced with government in late 2017. However, due to the nature of broader industry and government discussions at the time, the subsequent Terms of Reference ROP were delayed.	-
1.1.10	AWI's internal SFA compliance reporting is not against all obligations and not all information	Strengthen compliance reporting against the Statutory Funding Agreement so that non-compliance is identified more proactively by AWI and actions are able to be	AWI has been reporting its compliance with the SFA to the government since 2012 through a regularly	31/01/2019

	required to demonstrate compliance is outlined in the reports.	taken sooner. This change should be implemented by the next reporting period following the review and by 31st January 2019.	updated compliance report that covers the majority, but not all, of the clauses in the SFA.  AWI has redrafted its SFA compliance report to ensure every clause in the Agreement is reported against.	
1.2.2	Independent woolgrower research indicated that 44% of sampled woolgrowers are concerned  Various stakeholder interviews also revealed some concerns on the lack of alignment regarding aspects of AWI's role within the Australian wool industry. For instance, some stakeholders questioned whether AWI has gone beyond its remit of a not-for-profit organisation with the development of the WoolQ. about the effectiveness of AWI investment of funds. Of this sample, 22% believed that AWI is investing in the wrong areas.	Develop definitions and boundaries on what kind of investment activities are considered within AWI's remit as a levy-funded, not-for-profit organisation.  This should be developed by 30th April 2019.	AWI is currently updating the documentation and policies regarding the definitions and criteria used to assess investments in line with AWI's Constitution, purpose, vision and mission statement.	30/04/2019
1.9.1	There is no maximum length of directorship for Board Members. Better practice indicates that leaping tenure can impact the independence of an individual. The ASX Corporate Governance Principles outline there should be consideration for the length of time someone has been the Director of the entity where his or her independence may have been compromised. It also outlines that after 10 years due consideration should be given to whether or not a director remains independent.	Implement maximum periods of Board Membership including for the Board Chair. We recommend ten years. We also recommend a minimum roll off period of two years (period of time Directors must remain off the Board before standing for re-election).  The fact that a Director has served on a Board for a substantial period can mean that they have become too close to management and previous Board discussions to be considered independent. This recommendation should be reflected in the Constitution and applied in practice during the next Director election cycle.	AWI complies with the current ASX Governance Principles requirements and believes that all AWI Directors meet the currently applicable criteria for independence. AWI will take this recommendation to its shareholders for their consideration at an Extraordinary General Meeting (EGM) in early 2019.	-
1.9.2	There is inadequate guidance for implementation of the Code of Conduct. There is no references made to external communication, social media channels. Further there are a lack of examples provided in plain language and mechanism for people to seek advice. No reference is made to a whistleblowing policy, mechanism and consequences.	Review and update the Code of Conduct to incorporate gaps identified from better practice:  <ul style="list-style-type: none"> <li>- Provide external communication</li> <li>- Provide social media channels</li> <li>- Provide examples provided in plain language</li> <li>- Provide a mechanism for persons to seek advice</li> <li>- Provide a reference to a whistleblowing policy, mechanism and consequences</li> </ul> These should be implemented by 31st January 2019.	AWI will complete a review of its Code of Conduct and Business Ethics and incorporate the recommendations as appropriate.	31/01/2019

1.9.3	<p>There is opportunity to improve the process followed in a potential breach of the code of conduct. In line with good governance principles, more transparency of the investigation and recommendations for a potential Code of Conduct breach by a Director would be expected. Independent reviews are commonly used for potential breaches of the leadership of large organisations.</p>	<p>Develop an escalation matrix to support treatment of potential breaches of the Code of Conduct. This should include specific guidance on processes and escalations dependent on the role of the person and the severity of the potential breach. The highest escalation of potential breaches, including for Board Members, should be the subject of independent investigation by a reputable third party. These updates should be made by 31st January 2019.</p>	<p>AWI will complete a review of its Code of Conduct and Business Ethics and incorporate the recommendations as appropriate.</p>	31/01/2019
1.9.4	<p>AWI has a document that outlines for each Director's skills against those in the SFA in their Board skills matrix. This is currently not publicly available; however, AWI indicated that this matrix will be included in its Annual Report 2017-18 and thereafter. As outlined in Annexure 1. 1 Legal compliance the skills are also not in alignment with those in the SFA.</p>	<p>Publicly disclose the Board skills needed by the Board. Consider if this is disclosed as a narrative, a table, or a combination of narrative and a table. The Board skills matrix should be publicly disclosed by 31st July 2019. As a minimum, ensure that the skills are in alignment with the SFA. This should be disclosed on the AWI website and the Board skills matrix should then be reviewed annually. [Please also refer to recommendation 1.10.4 and 1.1.4 for related recommendations about achievement of a skills-based Board.] This recommendation is in alignment with the practices of Dairy Australia which is included as an example in Annexure 14.</p>	<p>AWI has compiled a Board skills matrix which has been included in the organisation's 2018 Annual Report. The skills criteria in the matrix has included all matters set out in section 14.3 of the SFA. AWI's Board charter will be reviewed to ensure consistency with the requirements in the SFA.</p>	31/01/2019
1.9.5	<p>AWI currently engages the services of an independent governance advisor who provides advice to the Board on it being a skills-based Board. He also conducts the annual performance review of the Board as a whole and as against each individual Director (assessing also their skills).</p> <p>However, there is no documented guidance in terms of how to implement a skills-based Board. The process to assess the skills of the Board is not outlined and the current assessment is done at a high level.</p>	<p>Develop guidelines for implementation of a skills-based Board. These should include how the competencies of each Board Member should be reviewed and assessed, either following completion of a questionnaire by each Director or by some other method. This should be implemented by 31st January 2019.</p>	<p>AWI has undertaken a questionnaire method for each Director with peer and external review applied to the Board skills matrix 2018. AWI believes it meets current guidance in ASX Governance Principles. AWI's Board skills matrix has been included in the organisation's 2018 Annual Report.</p>	31/01/2019

1.9.6	<p>The Conflicts of Interest policy is outlined in the Code of Conduct and the Review identified the following opportunities for improvement based on better practice guidelines:</p> <ul style="list-style-type: none"> <li>– Has a brief definition and does not describe what real and perceived conflicts are. It does provide examples of when conflicts of interest may occur.</li> <li>– Does not provide an overview of Directors’ duties</li> <li>– Does not describe the process for disclosure including the register and a standing agenda item at Board meetings</li> <li>– Does not provide direction as the point at which conflicts are so material that they effectively prohibit the individual from performing in their roles</li> </ul> <p>Does not describe what is expected of a Director if the conflict is significant</p>	<p>Review and update the Conflict of Interest policy to incorporate:</p> <ul style="list-style-type: none"> <li>– More comprehensive definition of a conflict of interest</li> <li>– An overview of Directors’ duties</li> <li>– Point of contact for guidance on conflicts, including guidance on how to manage conflicts and consult when the situation changes</li> <li>– Description of the process for disclosure including the register and a standing agenda item at Board meetings</li> <li>– Direction as the point at which conflicts are so material that they effectively prohibit the individual from performing in their roles</li> <li>– Describe what is expected of a Director if the conflict is significant</li> </ul> <p>Current practice to manage conflicts of interest, including general and perceived conflict, can be further strengthened by providing greater clarity and transparency to growers. This should be implemented by 31st January 2019.</p>	<p>AWI will complete a review of its Code of Conduct and Business Ethics and incorporate the recommendations as appropriate.</p>	31/01/2019
1.9.8	<p>AWI largely complies with the ASX Corporate Governance Principles based on review of all governance documentation and activities, however they are lacking a board diversity policy. Note: the alignment of the Constitution with ASX principles has been assessed separately.</p>	<p>Where AWI does not align with the ASX Corporate Governance Principles, include documented statements in order to be transparent on where alternative approaches are intentionally being taken to achieve an equivalent outcome. Please refer to recommendation 1.1.3 for recommendation specifically relating to adding a Board Diversity Policy. This update should be implemented by 31st January 2018.</p>	<p>AWI has developed, and the Board has approved, a Diversity Policy which has been adopted.</p>	31/01/2019
1.9.9	<p>There is an opportunity to strengthen governance mechanisms of accountability of the board to levy payers</p>	<p>Strengthen the mechanisms of accountability of the Board to levy payers, including:</p> <ul style="list-style-type: none"> <li>– a new requirement in the Constitution regarding explicit Board performance criteria and a requirement for reporting on performance in the Annual Report. Performance measures should be both annual and strategic for the conduct and operation of the Board, relating to how it discloses its accountabilities to shareholders and levy payers.</li> <li>– modification of section 18 of the SFA to require the Review of Performance to be commissioned by the Department and the Terms of Reference to include an</li> </ul>	<p>AWI acknowledges this recommendation and has commenced a review of its suite of governance documents. There are some matters of which the approval of shareholders may be sought at an Extraordinary General Meeting (EGM) in early 2019.</p>	31/10/2018



		evaluation of Board contribution to performance This should be implemented by 31st October 2018.		
<b>1.9.10</b>	<p>The definition of an independent Director as outlined in AWI's Board Charter is generally compliant with the guidance outlined in the ASX Corporate Governance Principles. However, there are two areas where there are opportunities to strengthen this definition:</p> <ul style="list-style-type: none"> <li>– There is currently no clause that considers the length of directorship which is one of the considerations in the ASX Corporate Governance Principle</li> </ul> <p>AWI is slightly different to an ASX listed company as its shareholding is similar to a company limited by guarantee as opposed to a company limited by shares only. As the voting entitlement that fluctuates with the WoolPoll means that no individual shareholder could reach a 5% substantial voting entitlement test</p>	<p>Enhance the definition of an independent Director included in the Board Charter to:</p> <ul style="list-style-type: none"> <li>– Include a clause relating to the length of directorship in line with recommendation 1.9.1</li> <li>– Revise the clause relating voting entitlements to better reflect that a Directors role as a Woolgrower can impact their independence Include these changes in the Board Charter by 31st October 2018.</li> </ul>	AWI complies with the current ASX Governance Principles requirements, and believes that all AWI Directors meet the currently applicable criteria for independence. AWI will take this recommendation for a change in the definition of "Independent Director" to its shareholders for their consideration at an Extraordinary General Meeting (EGM) in early 2019.	<b>31/10/2018</b>
<b>1.12.1</b>	The use of open proxy votes can have the ability to change the outcome of resolutions, and the outcomes of elections of Directors. This is dependent on how many open proxies shareholders direct to the Chair of the meeting.	Open proxy votes allocated to sitting Directors for casting in elections of Directors should be exercised according to the BNC recommendation. The Rules and Procedures Governing the Election of Directors and the Board Nomination Committee Charter should be updated to reflect this change. This should be implemented at the 2018 AGM in preparation for the next cycle of Director elections in 2019	This recommendation intersects with the recommendation for open proxies to be cast as the BNC recommends. The issue may be taken to shareholders at an Extraordinary General Meeting (EGM) in early 2019.	<b>22/11/2018</b>
<b>1.12.2</b>	AWI does not disclose the number of open proxies received by the Chair and how these votes are cast in respect to a resolution. Disclosure of this information is not required by law but does it does provide transparency of the will of shareholders.	Increase the transparency of the use of open proxies. The Chair should disclose at the beginning of the meeting the number of proxies they hold, how many are directed and undirected and of the undirected ones how he or she intends to vote. This practice should be implemented for the 2018 AGM.	It is agreed for the Chair to announce on the floor of the meeting the number of open proxies held and his intention for how they will be voted.	<b>22/11/2018</b>
<b>1.12.3</b>	The current process for member selection of the Board Nomination Committee is inappropriate as the chair of the Board has a substantial influence over the membership of the Committee that then reviews potential candidates for director roles.	The Board Nomination Committee (BNC) should comprise: <ul style="list-style-type: none"> <li>– A Chair independent of the wool industry and independent from AWI, initially appointed by the Secretary of the Department of Agriculture and Water</li> </ul>	This recommendation is noted. A revised structure for the Board Nomination Committee is proposed and AWI will consult with Department of Agriculture and Water Resources on the revised structure.	<b>31/10/2018</b>

		<p>Resources. This individual should be an eminent person with experience in commerce or government but who has no commercial or family interests in the wool industry</p> <ul style="list-style-type: none"> <li>– One Non-Executive Director of AWI, other than the Chair</li> <li>– A person with significant experience in the wool industry [who should be nominated by the President of the National Farmers Federation]</li> <li>– A senior executive from an international executive search firm, who should be nominated by the CEO of AWI, and subject to approval by the independent Chair</li> </ul> <p>The intent of the BNC is to identify a pool of candidates that meet the requirements of the Board based on the Board skills assessment. For example, this would include the removal of any candidate who was assessed as not meeting sufficient requirements for the target skills sought by the Board. Potential candidates should be identified through a robust and transparent process including advertising for nominees. The BNC should also consider the independence of candidates in their review in alignment with updated independence criteria as per recommendation 1.9.10. The Board should have the opportunity to put forward candidates for the consideration of the BNC and will have the opportunity endorse the recommendations of the BNC prior to a Director election. The BNC should conduct an executive search function in addition to relying on nominations. The BNC should make a recommendation to shareholders which should be limited to the number of vacancies for Board positions. The Committee should be renewed prior to each election cycle and operate through consensus. The Chair of the Committee should have a casting vote to enable decisions to be made where the committee members are divided. Members should be remunerated according to applicable standards and parties responsible for nominating members of the BNC should consider diversity and other relevant standards for their appointees. The Chair of the BNC may decide to disclose the requisite skills gaps if they</p>		
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		<p>deem it suitable to do so. Open proxies should be used in alignment with recommendations of the BNC as per recommendation 1.12.1. The SFA and the Constitution should be updated to reflect these requirements as per recommendation 1.1.5. The recommendation does not intend for the BNC to remove the democratic rights of levy payers. This should be implemented by 31st October 2018 so that it is in operation for the next Director election cycle. Following the first election overseen by this model, the Independent Chair should work with AWI and Department to determine a long-term model for an independent BNC without requiring a nominee from the Department.</p>		
1.12.4	<p>The Board Nomination Committee selection process and Director elections are perceived by stakeholders to be 'controlled' by the current board.</p>	<p>Board members or AWI should not be allowed to campaign for Director nominees. They should, however, be able to note if the Board supports the assessment and recommendations made by the Board Nomination Committee.</p> <p>This does not restrict the ability for the Board to communicate with shareholders. Members of the BNC should not nominate to be a Director of AWI until at least three years after their membership of the BNC ceases. Additionally, participation on a previous BNC should be included in the Director nomination materials shared with members. This is in line with behaviours of good governance and updates to the Board Nomination Committee Charter and Rules and Procedures Governing the Election of Directors should reflect this change. This update should be implemented by 31st January 2019.</p>	<p>AWI acknowledges this recommendation and will bring forward a minor change to the organisation's Constitution at an Extraordinary General Meeting (EGM) in early 2019.</p>	31/01/2019
1.14.1	<p>WoolPoll can be a costly process for the same outcome, where more stability may be more beneficial for both AWI and levy payers.</p>	<p>Conduct an independent assessment of the WoolPoll mechanism with an eminent person and involve levy payer and government input. Reduce the frequency from three years to five years, with a further step to be considered in the future that would remove the mandate to hold the WoolPoll at regular intervals, and instead, only conduct the poll if sufficient needs exist, as determined by levy payers. This change could promote stability in levy payer funds and also reduce costs, which could enable better investments of levy payer funds. This shift may also pave the way for more strategic conversations between the Board and the industry,</p>	<p>AWI notes the Department of Agriculture and Water Resources has advised that this recommendation is for the government to respond to and action, and any changes to the WoolPoll mechanism are a decision for wool levy payers.</p>	1/01/2020

		increased focus on accountability of the Board to shareholders and thereby increase the level of shareholder engagement and participation. This should be implemented beyond 2019.		
1.14.4	Sources of, and use of funding, have emerged as issues that need to be addressed. A successful RDC would have access to stable sources of funding over the longer term in order to promote sustained investments in areas of greatest need.	The Department should consider how to enable AWI to access, utilise, and arrange sources of funding, and how this could be extended to include the ability to access private capital for relevant purposes, such as investment in agreed post-competitive platforms and technologies for commercialisation. A number of RDCs created separate accounts to provide transparency of management of investments and provide effective oversight. This should be implemented by 31st July 2019.	AWI acknowledges this recommendation and will explore funding models that seek to deliver stable funding sources to enable sustained investments in areas of greatest need.	<b>31/01/2019</b>

## 5. MONITORING EVALUATION & REPORTING

### Executive Summary:

#### **EY Theme 4: Monitoring and evaluation should be improved**

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

#### **AWI's overall response re the Theme:**

AWI accepts the opportunity to update and consistently apply the Monitoring and Evaluation framework across the organisation and recognises the requirement to deliver and introduce explicit requirements for achieving a minimum confidence level in evaluations of projects. AWI notes the importance of these recommendations given the organisation's funding model and its position as the services body for the Australian wool industry.

Ref No.	EY Finding	EY Recommendation	AWI Response	Timeline
1.1.8	AWI does not fully comply with section 30.2 of the SFA as its strategic plan does not include budget costs over the life of the plan.	Update the current Strategic Plan and ongoing Strategic Plans to include expected spending across the life of the plans. Review budget allocations with the ICC and publish these updates by 31st January 2019.	In future financial periods, AWI will include a budget forecast and supplementary budget notes for the full life of the organisations's Strategic Plan.	31/01/2019
1.1.9	AWI does not comply with section 31.1 and 31.2 of the SFA as they did not update its evaluation framework within six months of the agreement date.	Review and update the evaluation framework by 31st January 2019. The framework should be developed in consultation with the Commonwealth and AWI should participate in any Commonwealth or collective RDC evaluation projects relevant to its operations.	AWI is already underway with a comprehensive review of its Measurement and Evaluation Framework. This includes identifying gaps in the current system and ways to improve how the organisation measures outcomes and communicates the results, measurable outcomes and information with its stakeholders.	31/01/2019
1.3.1	Of the 97 strategic targets in AWI's previous Strategic Plan 2013-14 to 2015-16, AWI has indicated that in its 2015-16 Annual Report that it is on track for its strategic targets, except for 17 Partly Achieved targets and 2 strategic targets with Minor Slippage. In the sample of strategic targets provided to EY by AWI, we noted that AWI's progress reporting is generally consistent with the data they have provided.	Provide a progress update on all strategic targets, including those that were not considered to be achieved in line with previous Strategic Plans, in future Annual Reports. This should be based on AWI's Monitoring and Evaluation framework to ensure that a systematic process is in place for assessing and tracking progress, while ensuring that greater transparency to the public is provided. This change should be implemented by 31st July 2019.	Additional controls have been identified to ensure reporting to stakeholders via the annual report is complete. Included in this review of the Measurement and Evaluation Framework, AWI will investigate opportunities to update the progress achieved against the strategic targets via additional communication channels.	-
1.3.2	Some strategic targets have a large quantitative component (e.g. 'develop six new global partnerships for menswear and womenswear').	Quantify progress to date, especially for strategic targets with a quantitative component, in future Annual Reports, to provide greater transparency. These strategic	AWI is currently reviewing its existing Measurement and Evaluation Framework to identify gaps in the current system and ways to improve how the	31/07/2019



	Although AWI has provided qualitative evidence to support its progress, it is difficult to make inferences whether AWI will be able to deliver within the specified timeframe.	targets should be linked to benefits so that they are more meaningful to stakeholders. This change should be implemented by 31st July 2019	organisation measures outcomes and communicates the results, measurable outcomes and information with its stakeholders.	
<b>1.3.3</b>	<p>For AWI's current Annual Operating Plan 2017-18, 12 programs were identified where progress was not reported at the executive level in the latest Program Activity Report (PAR) dated December 2017:</p> <ol style="list-style-type: none"> <li>1. An additional 3.5 million kgs in new demand by 2019</li> <li>2. Grow the Alumni database by 60 new designers annually</li> <li>3. Grow media awareness and editorial coverage by \$10 million</li> <li>4. Grow the retailer partner network by 3 new retailers from a base of 11</li> <li>5. Additional 1.0 million kgs of new demand</li> <li>6. Effective assistance to producer groups to establish the basis for sustainable long-term vertebrate pest control programs</li> <li>7. Support for programs which enhance producers' ability to efficiently and effectively control Rabbits in the long-term Genetic Improvement</li> <li>8. Broad range of Merino types included in the MLP project representative of industry usage</li> <li>9. Assess and improve the understanding and application of data collected by sensor technology</li> <li>10. Develop software to maximise benefits of sensor technology for farmers</li> <li>11. Continue to provide strong and recognised support for over 50 wool industry events nationwide</li> </ol> <p>Development of train-the-trainer programs for greater and more efficient execution</p>	Ensure that status updates are provided for all strategic targets from the next quarterly PAR. This is especially important for new targets that were introduced in AWI's 2017-18 Annual Operating Plan (AOP) as there is no baseline data available to determine progress to date. AWI should also ensure that evidence is provided for each target in their future Annual Reports. Progress reports should be available ahead of all future reviews of AWI's Strategic Plans. This change should be implemented by 31st July 2019.	Additional controls have been identified to ensure reporting to stakeholders via the annual report is complete. Included in this review of the Measurement and Evaluation Framework, AWI will investigate opportunities to update the progress achieved against the strategic targets via additional communication channels.	<b>31/07/2019</b>
<b>1.3.5</b>	The targets set out in the Strategic Plan vary in the degree to which they are clearly meaningful to key stakeholders, in that they do not all provide a clear	Ensure that all strategic targets have a clear link between the target, the projects that will support achievement of the target and the impact to woolgrowers (e.g. how it	AWI will take measures in creating the next organisational Strategic Plan to incorporate clear measurable targets and ensure linkage to the impact	<b>31/07/2019</b>

	connection to the impact an individual target will have to a woolgrower's individual business.	will positively impact farm gate returns). This should be introduced from AWI's 2019-20 to 2021-22 Strategic Plan and should be linked to AWI's Monitoring & Evaluation framework in order to facilitate a systematic process for assessing and tracking progress on each strategic target. This should be implemented by 31st July 2019.	to woolgrowers. This work will be undertaken in conjunction with the work being carried out on the revised Measurement and Evaluation Framework.	
1.4.1	Despite a formal evaluation framework being in existence, benefits are not reviewed frequently enough to effectively communicate results of projects to industry stakeholders	Undertake a Post-Implementation Review at the completion of each project instead of at the end of Strategic Planning cycle. This should be implemented by 30th April 2019. This review should also include a calculation of the estimated and actual financial returns achieved on the investment using objectively assessable calculations.	AWI is currently reviewing its existing Measurement and Evaluation Framework to identify gaps in the current system and ways to improve how the organisation measures outcomes and communicates the results, measurable outcomes and information with its stakeholders.	30/04/2019
1.4.2	There is no clear documented view of the total value of investment and returns delivered to each stakeholder group. This information would enhance the ability of AWI to provide transparency of expenditure. According to the Review's independent woolgrower research, there are opportunities for AWI to increase transparency of benefits delivery:  – 47% noted that the effectiveness of AWI spending decisions is fairly evaluated  46% indicated that AWI is open and accountable about the investment decisions it makes	Identify key stakeholder groups, and subsequently develop a clear view of investment and return by these groups. Results should be published annually in the Annual Report. This should be implemented by 31st July 2019 for inclusion in the 2018-2019 Annual Report.	As part of the review of the Measurement and Evaluation Framework, standardised metrics will be introduced where possible. AWI will explore and deploy an appropriate system or database platform to centralise the capture of data and reporting information. Responsibility for reporting on the total value of the investment and returns has been assigned to AWI's CFO.	31/07/2019
1.4.3	Based on EY's analysis of documentation received and interviews with AWI stakeholders, it appears that the majority of reporting is manually prepared, with limited ability to easily access or understand performance at a program or whole-of-organisation level. This limitation restricts the ability of AWI to make high quality decisions in a timely manner.	As part of the future Monitoring and Evaluation framework, AWI should include a range of standardised metrics that are tracked and monitored, supporting timely and quality decision making. This should be completed by 31st January 2019.	As part of the review of the Measurement and Evaluation Framework, standardised metrics will be introduced where possible. AWI will explore and deploy an appropriate system or database platform to centralise the capture of data and reporting information.	31/01/2019
1.4.4	AWI's current Monitoring and Evaluation framework appears to be out of date and no longer in use. Although AWI have advised that a new framework is being developed and implemented throughout the current strategic planning period,	Update and publish the new Monitoring and Evaluation framework on AWI's website by 31st January 2019 and in line with recommendation 1.1.9. Also regularly release results achieved throughout the Strategic Planning periods in order to keep stakeholders informed	AWI acknowledges this recommendation and notes the revised Measurement and Evaluation Framework will be published on AWI's website (wool.com). Results achieved throughout the Strategic Planning period will be regularly updated and published on	31/01/2019

	EY have not been able to objectively assess or review any work in progress documentation to verify this.		AWI's website to ensure stakeholders and kept informed.	
<b>1.4.5</b>	<p>Although monitoring and evaluation is a core capability for R&amp;D organisations, no one in AWI is specifically appointed to own this framework. Further, there is no clear documented view of the total value of investment and returns delivered to each stakeholder group. This information would enhance the ability of AWI to provide transparency of expenditure. There is an opportunity for AWI to increase organisational transparency, particularly relating to benefit delivery. According to independent woolgrower research, of woolgrowers interviewed:</p> <ul style="list-style-type: none"> <li>– 29% need more information as to where the funds are being invested</li> <li>22% believe they are investing in the wrong areas</li> </ul>	<p>Develop by 31st July 2019:</p> <ul style="list-style-type: none"> <li>– Report on the value of investment and returns by stakeholder group in their Annual Report each year. This should be included in the 2018-2019 Annual Report</li> <li>– Appoint individuals within AWI to be accountable for understanding monitoring and evaluation of investment activities, and propagate this understanding in AWI and ensure that the M&amp;E framework is effectively implemented</li> <li>– Educate employees such that there is a consistent understanding of their obligations relating to monitoring and evaluation of investment activities across AWI</li> </ul>	As part of the review of the Measurement and Evaluation Framework, standardised metrics will be introduced where possible. AWI will explore and deploy an appropriate system or database platform to centralise the capture of data and reporting information. Responsibility for reporting on the total value of the investment and returns has been assigned to AWI's CFO.	<b>31/07/2019</b>
<b>1.6.1</b>	The Monitoring and Evaluation framework does not provide guidance on standardised metrics for projects and programs. As a result, this Review was not able to compare projects within the project portfolio and identify AWI's effectiveness in tracking and reporting on progress. This also limits AWI's ability to have a clear view of the returns being achieved on investments. In many cases, a high frequency is warranted in order to enable better reporting and assessment of AWI performance management and decision making. AWI has advised that a new Monitoring and Evaluation framework is current being developed.	Where possible, introduce standardised, quantitative performance metrics as part of the Monitoring & Evaluation framework to enable comparison across AWI's project portfolio and transparency regarding benefits delivered to woolgrowers. These metrics should be monitored and assessed against progress on a regular basis under AWI's new M&E framework to allow for systematic tracking of AWI's progress. This should occur by 31st January 2019.	As part of the review of the Measurement and Evaluation Framework, standardised metrics will be introduced where possible. AWI will explore and deploy an appropriate system or database platform to centralise the capture of data and reporting information.	<b>31/01/2019</b>
<b>1.6.2</b>	Analysis of return on investment is only completed at the end of the strategic period.	Calculate woolgrower related performance metrics on an annual basis and measure actual performance against estimated performance. This will provide insights to stakeholders on how the investments are performing against targets and enable AWI to reallocate funding and resources if necessary to maintain desired risk levels. This should occur by 30th April 2019.	AWI currently reports progress against targets on an exception basis. From the 2018/19 Annual Report more detailed performance metrics against the strategic targets will be included.	<b>30/04/2019</b>

1.6.3	The Monitoring and Evaluation framework does not have an explicit owner. As such, there are opportunities to encourage greater ownership of the framework within AWI to ensure that the framework is applied consistently. AWI has advised that a new Monitoring and Evaluation framework is currently being developed. AWI should provide greater transparency on ROI, BCR, detailed assumptions for the analyses conducted, and the economic effects on stakeholders other than woolgrowers. Other RDCs seem to be further progressed than AWI in this respect.	Develop by 31st January 2019: <ul style="list-style-type: none"> <li>– Introduce explicit requirements for achieving a minimum confidence level (e.g. 95%) in evaluations of projects</li> <li>– Establish governance of the M&amp;E framework and link the implementation of this framework to Executive performance to motivate greater ownership and responsibility amongst AWI Executives</li> </ul> Disclose methodology for evaluation of investment portfolios, assumptions for the analyses, and benefits on stakeholders on AWI's website to provide greater transparency	Responsibility for reporting on the total value of the investment and returns has been assigned to AWI's CFO. An internal Measurement and Evaluation Advisory Group has been established to ensure consistent application and transparency across the organisation.	31/01/2019
1.7.4	Measurement and evaluation data collection is primarily done manually and is not easily accessible to support cross-collaboration decision making.	Establish a repository to better capture research data and create knowledge for AWI and cross-RDC collaborations through sharing of research outcomes. This would ensure that AWI is not replicating research and enable output of research to be accessible by other RDCs. This should be implemented by 31st January 2019.	As part of the review of the Measurement and Evaluation Framework, standardised metrics will be introduced where possible. AWI will explore and deploy an appropriate system or database platform to centralise the capture of data and reporting information to facilitate cross-collaboration and decision making.	31/01/2019
1.14.2	There have been stakeholder concerns relating to investments being made in areas where there is no market failure (e.g. WoolQ). Clause 26.2 from the SFA refers to AWI being able to apply levy funds to 'Other Activities' related to the industry. This is defined as 'activities of AWI (other than Marketing Activities and Research and Development Activities) that are supported by levy payers and shareholders that relate to a function for which there is market failure'.	Provide greater levels of evidence and transparency that investments are being pursued pre-competitive areas (e.g. where investment would not have occurred by manufacturers). This should be included in both Annual Reports or relevant communication to industry stakeholders, such as through the renewed ICC. This should be implemented by 31st January 2019.	AWI acknowledges this recommendation and notes the revised Measurement and Evaluation Framework will be published on AWI's website (wool.com). Results achieved throughout the Strategic Planning period will be regularly updated and published on AWI's website to ensure stakeholders and kept informed.	31/01/2019

## 6. PEOPLE & CULTURE

### Executive Summary:

#### **EY Theme 9: Employment practices should be updated and strengthened**

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

#### **EY Theme 11: Implementation of the recommendations in this Review should be regularly assessed and reported upon**

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

### AWI's overall response re the Theme:

The need to develop and update policies and processes to strengthen and enhance organisational employment practices is acknowledged. The importance of these recommendations is recognised to support culture and behaviours that embrace uplift.

Ref No.	EY Finding	EY Recommendation	AWI Response	Timeline
1.9.7	The executive performance review process has no documentation provided that outlines this process and provides guidance to company officers. Evidence of the outcome of executive performance reviews was provided to the Review. It is the responsibility of the Remunerations and Appointments Committee to ensure AWI has an effective process as outlined in its Charter.	Develop documentation that outlines the executive performance review process and provides guidance to company officers. More generally AWI should review policies and procedures that support the implementation, transparency and effectiveness of governance arrangements. These updates should be implemented by 31st January 2019.	AWI will undertake a comprehensive review and revision of the organisation's Remuneration and Performance Management System Policies and commence formal implementation of the policies during the coming months to ensure a culture of high performance is consistently embedded across the company globally.	31/01/2019
1.13.1	AWI has no formal policy or process that outlines how contractors and engaged and managed	Update redundancy and procurement policy to include guidelines for potential future engagement of employees who are made redundant (e.g. an employee made redundant cannot be engaged through a contract for six months after they leave AWI)  Include policy for multiple contractors to be considered over a procurement value threshold. Another RDC indicated the threshold they applied was \$20,000 for this purpose  Increase transparency around engagement of former staff as contractors, redundancy decisions and executive	AWI acknowledges this recommendation. The review of AWI's redundancy policy is currently underway. The review will reflect the recommendation in relation to including guidelines for potential future engagement of employees who have been made redundant. The FY18 Annual Report for has been updated to show additional transparency regarding executive remuneration.	31/07/2019

		remuneration by increasing the disclosure of these in the annual report  These changes should be made by 31st July 2019.		
1.13.2	Based on a comparison with a selection of other organisations and standards, AWI's redundancy benefits and policy appears to be appropriate for an organisation of its type	Develop an appropriate delegation of authority regarding ex-gratia payments. This should include a cap on the financial amount on which the CEO should consult with legal counsel prior to making an ex-gratia payment. This change should be made by 31st July 2019.	Revision of AWI's redundancy policy is currently underway and will reflect the recommendations in relation to ex-gratia payments.	31/07/2019
1.13.3	At an aggregate level, AWI's executive remuneration is above the median when compared against matching positions in companies with an annual turnover between \$20 and \$100 million. Note this benchmarking was based on relevant domestic data and provides only an indication on the appropriateness of AWI executive level remuneration and does not consider matters such as specialised skills, roles and international staff.	Perform remuneration benchmarking against companies with (1) an annual turnover between \$80 and \$120 million or (2) employee headcount of 150-250 with a similar international reach on a regular basis (annually) so that it is consistent with AWI's remuneration strategy. This update should be implemented by 31st July 2019.	AWI will undertake an independent Executive Remuneration Benchmarking review. In future years, AWI commits to undertake salary benchmarking review on an annual basis.	31/07/2019
1.14.3	AWI does not have a Chief Operating Officer or Chief of Staff. However, AWI has made a number of changes to the senior roles with the aim of achieving an equivalence in line with recommendations in the previous performance review. Examples of related changes include:  1. Undertook a number of retrenchments to return autonomy to regional offices for Marketing and product development 2. Appointment of a manager Operations and Office  Rationalising the number of people with a direct reporting line to the CEO. The CEO currently has 18 direct reports.	Introduce the role of a Chief Operating Officer in line with the recommendation made in the previous performance review. This will allow the CEO to focus on more strategic activities. This should be implemented by 31st January 2019.	AWI acknowledges this recommendation and has created the position of General Manager Operations to allow the CEO to focus on more strategic activities. An appointment has been made to this role effective Monday 15 October 2018.	31/01/2019

1.14.5	AWI has extensive documentation to support their operations and there are many recommendations to update this documentation as part of this 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 implement by reforming the AWI business, rather than just seeing these matters of procedure or simply adding cost.	Exhibit cultural change required to make these changes successful. AWI needs to exhibit behaviours of good governance including accountability, transparency, integrity and stewardship. This should start with leadership agreement to the change followed by staff education and training. Surveys can be used to monitor the cultural change. This should be demonstrated by 31st July 2019.	AWI commits to conduct a global Employee Engagement survey. One of the key attributes that will be measured in this survey is organisational culture. AWI commits to conducting Pulse surveys annually, as required, to measure, monitor and track employee engagement.	<b>31/01/2019</b>
1.14.6	There are 82 recommendations included in this Review. To effectively and successfully implement them and the cultural change required to support them, capability uplift of staff is required.	Identify skills gaps relating to areas of significant change. Consider whether these gaps can be addressed through internal training or hiring of new staff and fill these gaps by 31st January 2019.	AWI acknowledges this recommendation and will complete a skills matrix for all portfolios in the business to identify key skills gaps. AWI HR will work closely with managers in the business, to identify appropriate measures to address these gaps and link to development plans and integrate into the annual performance review process.	<b>31/01/2019</b>



## 7. ROP RECOMMENDATIONS & IMPLEMENTATION

### Executive Summary:

#### EY Theme 12: AWI funding by levy payers

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

#### AWI's overall response re the Theme:

AWI notes the importance of these recommendations given the organisation's funding model, its relationship with its industry and Government stakeholders and its position as the services body for the Australian wool industry. AWI will take relevant constitutional recommendations to its shareholders for their consideration.

Ref No.	EY Finding	EY Recommendation	AWI Response	Timeline
1.8.1	Three recommendations are incomplete within the timeframe specified in AWI's Response & Implementation Plan. First, AWI has not addressed Conflicts of Interest in its Corporate Governance Policy (Recommendation 4). Second, although AWI has a Board Nomination Committee to assess candidate nomination, there is no evidence of a formal succession planning process in place to identify skill gaps for AWI's Board in the future (Recommendation 5). Third, the M&E framework is not sufficient to ensure that the process for measurement and evaluation is sustainably embedded into AWI (Recommendation 8). AWI has advised that it is considering mechanisms to inform Government on the progress against the 2015 Response & Implementation Plan.	<p>Implement each of the uncompleted recommendations from the 2012-15 performance review by 31st January 2019:</p> <ul style="list-style-type: none"> <li>– Conflicts of Interest in its Corporate Governance Policy (Similar to recommendation 1.9.6 in this Review)</li> <li>– Formal succession planning process in place to identify skill gaps for AWI's Board in the future (Similar to recommendation 1.1.3 in this Review)</li> <li>– The M&amp;E framework (Similar to recommendation 1.1.9 in this Review) –</li> </ul> <p>covered in ops below</p> <p>Each of these have been made as other recommendations as part of this Review.</p>	AWI notes the three recommendations and is progressing with actions to ensure their completion. Mechanisms to inform Government on the progress against the 2015 Response & Implementation Plan will be developed.	31/01/2019
1.8.2	Of the 8 recommendations in the 2012-15 performance review, one recommendation is complete. Specifically, AWI has incorporated communication of strategic benefits in its strategic plan and other engagement channels (Recommendation 2)	In AWI's next future Response & Implementation Plan, specify and report the underlying activities that are required to address each recommendation outlined in this Review. AWI should allocate accountability and responsibility to individuals, and link implementation progress of the Plan to Board performance evaluation in order to encourage individuals to take ownership by 31st October 2018.	AWI acknowledges this recommendation and has implemented a Review of Performance Implementation Portal (ROPIP) to report in real time on its progress implementing the 82 recommendations included in the independent review of performance report.	31/01/2019

1.8.3	Adjustments were made to five of the recommendations, such that AWI has made alternative arrangements to the development of a strategic benefit framework, Board skill matrix, the hiring of a COO / COE, and the Deed of Delegation (Recommendations 1, 3, 6, and 7). AWI has advised that post 2015 ROP period the Department streamlined its SFA meetings with the RDC's, to ensure consistency and appropriate monitoring and reporting against the SFA requirements. This included the requirement for AWI to report against its implementation and progress implementation to then previous ROP. In 2017 in discussion with the Department, AWI reported a change in its implementation plan.	Set out measurable and objective targets that can be tracked over time and communicate justifications for the adjustments of recommendations in this Review with both the Department and levy payers. AWI should communicate and agree the adjustments with the Department by 31st January 2019. Communication mechanisms may include reporting justifications in AWI's future Annual reports and to the ICC and the Department.	A Deed of Delegation for the CEO has been approved by the AWI Board.	31/01/2019
1.14.7	Ongoing dialogue should be maintained between the Department and AWI. This would provide significant value and support to the transformation outlined in the Review by providing clarification of the intent of the report, open dialogue on the timing of implementation and monitoring and management of risks.	Establish a governance forum for the purposes of the monitoring the implementation of these recommendations. This should include representation from AWI, the Department and industry. Any deviation from the recommendations made in this report should be approved through this forum. This should be established by 31st October 2018.	AWI agrees that the implementation of the recommendations outlined in this report must be timely and transparent and involve key stakeholders throughout the process. Throughout the review DAWR convened a weekly monitoring group to monitor progress of the review and enable timely action to be taken as required.  Additionally, AWI has developed the Review of Performance Implementation Portal (ROPIP), which can be found at <a href="http://www.wool.com/rop">www.wool.com/rop</a>	31/01/2019

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