



The Hon. David Littleproud MP

Minister for Agriculture and Water Resources
Federal Member for Maranoa

Ref: MS18-001952

Mr Walter Merriman
Chair
Australian Wool Innovation Limited
GPO Box 4177
SYDNEY NSW 2001

23 OCT 2018

Dear Mr Merriman

I am writing regarding Australian Wool Innovation's (AWI) Review of Performance Implementation Plan provided to the Department of Agriculture and Water Resources on 19 October 2018 by AWI's CEO, Mr Stuart McCullough.

I acknowledge the work that AWI has done to date to address the recommendations of EY's independent review. As I have said previously, it is essential that AWI can demonstrate to woolgrowers that it is serious about change and that it acts in the best interests of the organisation and levy payers, to better position AWI to support the wool industry for the future.

The review's recommendations go to substantive concerns identified by EY, which have been raised repeatedly with me by stakeholders since the report was released in July 2018. I have been consistent in my discussions with AWI that it is my expectation the AWI Board will demonstrate strong leadership and implement all 82 of EY's recommendations. I have also stressed the need for AWI's implementation plan to provide sufficient detail on the timelines AWI will meet and actions it will take to implement the recommendations.

I note that you are intending to put to shareholders several recommendations that EY did not recommend for shareholder consideration, namely:

- enhancing the definition of director independence in the Board Charter (recommendation 1.9.10)
- requiring Board members to direct open proxies in accordance with Board Nomination Committee (BNC) recommendations at Director elections – updates to the Rules and Procedures Governing the Election of Directors and the BNC Charter should reflect this change (recommendation 1.12.1)
- restriction on Board members campaigning for Director nominees, and former members of the BNC nominating as Directors for at least three years – updates to the Rules and Procedures Governing the Election of Directors and the BNC Charter should reflect this change (recommendation 1.12.4).

The implementation plan does not provide a justification for why AWI intends to put these recommendations to shareholders. In the absence of a clear justification, I expect that AWI would proceed to implement these recommendations as per the timeline laid out by EY. Addressing these issues will assist AWI to exhibit behaviours of good governance, which was an important issue identified by EY in their report.

The implementation plan is, in my assessment, short on detail and it is not clear whether AWI agrees with a number of EY's recommendations. This particularly applies to those instances where AWI have commissioned internal reviews. I am also unclear from AWI's implementation plan on how the

organisation is exactly proposing to handle EY's recommendation for a new BNC structure. I expect AWI to provide more detail on the changes to be made and the process for implementing those changes, so that shareholders are fully informed.

I request that AWI, as an act of good faith, provides additional information that addresses the issues I have outlined, and makes clear to woolgrowers that AWI's position is to support the implementation of all of EY's 82 recommendations. This information should be provided in writing to the Department of Agriculture and Water Resources by next Monday 29 October 2018, and be made publically available on AWI's Review of Performance information portal.

I also seek your assurance that the proposed Extraordinary General Meeting, at which AWI proposes to put a number of recommendations to shareholders, is held in the first quarter of 2019.

It is important that any reform of AWI is done in a bipartisan way. I have discussed this matter with my opposition counterpart, the Hon. Joel Fitzgibbon MP, Shadow Minister for Agriculture, Fisheries and Forestry, and we are in agreement on the approach outlined in this letter.

Yours sincerely

DAVID LITTLEPROUD MP