

RECORD OF MEETING WITH AWB(I) ON 11 AUGUST 2004

Attendees:

Steve Sheridan AWB(I)
Dougal heath AWB(I)
Terry Charman WEA
Amelia Duck WEA

Purpose of Meeting:

1. The purpose of the meeting was for the WEA to:
 - understand the process used by AWB(I) in measuring and reporting on AWB Ltd's service delivery performance against the Services Agreement KPIs; and
 - examine contracts relating to sales made to Iraq under the UN Oil for Food Program.

Performance Measurement Process

2. There is a continual process of tracking AWB Ltd's performance against each of the KPIs.
3. AWB(I)'s Compliance Plan forms the basis of performance measurement and details:
 - the performance measure to be achieved;
 - the frequency of deliverables;
 - the management responsible for each KPI;
 - the nature of any breaches; and
 - any penalty for breaches.

The WEA viewed the draft 2004 Compliance Plan and will be provided with a copy as soon as it is endorsed.

4. On a monthly basis, each responsible manager has to attest to performance against their KPIs:
 - the attestation is performed electronically; and
 - managers are held accountable through the performance appraisal system for both performance and reporting.

AWB(I) provided printed copies of the performance and attestation forms.

5. Performance is independently verified by:
 - AWB(I)'s Compliance Manager, who reports directly to the General manager AWB(I); and
 - the Corporate Risk Unit.

6. On occasions, AWB(I) also commissions Price Waterhouse Coopers to perform random audits of performance against the KPIs and an audit of the process used to track performance.
7. The Corporate Risk Unit prepares reports, based on the monthly performance assessments against the KPIs, to AWB(I)'s Compliance Committee, which:
 - comprises the three independent Directors of AWB(I);
 - meets approximately every two months; and
 - also uses the performance reports to assess and review the adequacy of the performance measures and the checks and balances in the process.

AWB(I) agreed to provide a copy of any Compliance Committee documents which relate to recommendations and/or decisions on reviews of, or changes to, KPI performance measures in the new Services Agreement.

8. There are strong behavioural drivers in the process:
 - any manager who does not meet the required performance against the KPIs may be “called to account” by the Corporate Risk Committee and/or the Compliance Committee; and
 - this is of particular significance if a financial penalty is applied, as this will be considered in the manager’s individual performance assessment.
9. On an annual basis, AWB Ltd prepares a report on its performance, based on the monthly reports against the KPIs for consideration by the Board of AWB(I) - this report includes:
 - the identification of any performance breaches;
 - action taken to prevent further breaches and improve performance; and
 - any initiatives being undertaken to strengthen or improve pool performance and delivery of services to AWB(I).

Iraq Sales Contracts

10. AWB(I) provided a folder, for WEA perusal, which contained:
 - 17 sales contracts for the sale of wheat to Iraq under the UN Oil for Food Programme;
 - certification of export details by the Department of Foreign Affairs and Trade;
 - authorisation letters from the UN World Food Program (WFP) for each contract; and
 - any variations to the contracts.
11. The WEA read each document in the folder to verify that the details were consistent with information and data previously obtained by the WEA.

12. There were two letters dated 22 November 2003 from the WFP relating to contracts, A1670 and A1680, which stated that "WFP have been requested by the CPA [Coalition Provisional Authority] to deduct the after sales service fee of 10 percent on this contract":
 - this was the documentation that some media reports claimed was proof of 10 percent "kickbacks" to the Iraqi regime; and
 - the letters did not contain any reference to the rationale for the deduction nor any specific arrangements.
13. AWB(I) explained that the 10 percent deduction was the result of a blanket demand from the CPA of a 10 percent reduction on all contracts for food imports, including wheat:
 - the demand was unrelated to the alleged claims and was a move by the CPA to gain credibility from, and show value to, the Iraqis; and
 - AWB(I) considered that:
 - there was little choice but to comply, if the contracts were to be honoured;
 - there was sufficient risk dividend built into the contract price to allow for the deduction without significant detriment to the National Pool; and
 - a Russian supplier of food products refused to meet the demand and was unable to make a sale to Iraq.