

## **Introduction**

Company of its type: While Australian Wool Innovation Ltd (AWI) is a registered Australian public company it is required to meet accountability and reporting requirements above those of an equivalent, medium-sized company operating in the open market due to the nature of its business and funding model. As such consideration of its complexity, strategic objectives and global operating environment are important. As an industry owned, "for industry good" research development and marketing company, it is funded primarily through compulsory woolgrower levies, decided triennially by a democratic vote of all eligible levy payers at WoolPoll, and collected using the Australian Government's taxation powers and government matching payments.

## **Terms of Reference**

The review will consider the terms of reference below, which are in accordance with the Statutory Funding Agreement (SFA), and have been agreed in consultation with the Government, and report on AWI's performance and governance in delivering research, development, extension and marketing services and provide appropriate recommendations

## Performance Review

1. Consider AWI's performance in delivering research, development, extension and marketing services. This will include consideration of the performance of AWI in:
  - a. meeting its obligations under its Statutory Funding Agreement 2016-20 with the Commonwealth and the *Wool Services Privatisation Act 2000*
  - b. implementing governance arrangements and practices that ensure proper use and management of funds
  - c. meeting the planned outcomes and targets of its strategic plan
  - d. delivering benefits to woolgrowers and, where appropriate, the community in general (including the achieved value for money and return on investment and the contribution of its investments to increasing farm-gate returns)
  - e. engaging, consulting, and communicating with stakeholders, including the opportunities for levy payers and industry representative bodies regarding the investment of levies
  - f. monitoring and evaluation of investments (including whether its current framework is adequate and links to its current strategic plan)
  - g. cross-RDC collaboration.
2. Consider AWI's effectiveness in addressing and implementing the recommendations from the 2012-2015 performance review.

## Additional Matters

3. Consider whether AWI's corporate governance framework (including the Board Charter and the charters, codes of conduct and policies approved by the Board under its charter):
  - a. is appropriate for a company of its type

- b. is effective, transparent and accountable
  - c. has appropriately drawn upon the ASX Governance Principles (or other relevant better practice guides) when applicable to AWI
  - d. is appropriately documented and provides adequate guidance for company officers to effectively implement governance requirements (such as in avoiding and managing conflicts of interest and addressing potential breaches of the code of conduct)
  - e. has been appropriately implemented
  - f. provides for an appropriate definition of independent director and has effective procedures for determining the independence of directors.
4. In considering AWI Corporate Governance Framework, (term of reference 3), specifically consider whether AWI's Constitution:
    - a. is appropriate for a company of its type
    - b. appropriately covers the company's current activities
    - c. in conjunction with the SFA - supports the selection of a skills-based board with skills relevant to undertaking its roles and functions for the benefit of woolgrowers.
  5. Consider whether the replaceable rules in the *Corporations Act 2001* should apply under the AWI Constitution.
  6. Consider whether AWI's handling of proxies and reporting of proxies, and the manner in which board nomination committee members are selected is appropriate for a company of its type (as outlined above) and sufficiently transparent.
  7. Consider whether AWI's employment practices are appropriate, including whether the:
    - a. engagement of former staff as contractors is undertaken appropriately for a company of its type
    - b. redundancy benefits and policies are appropriate for a company of its type
    - c. executive level remuneration is appropriate for a company of its type.

#### **Notes**

Under its funding model, AWI has a statutory obligation through the Statutory Funding Agreement (SFA) to undergo triennial independent performance review and required to report to levy-payers and the Government prior to each WoolPoll event. Its income stream is determined each three years by eligible levy payers. Eligible levy paying woolgrowers who voluntarily decide to become shareholders of AWI, directly elect the board of AWI. Shares in AWI (determined by levy payments) are non-tradable, meaning the company has compulsory levy payers, in the intervening period between WoolPoll events.

AWI last underwent an independent performance review in 2015 - covering performance over the preceding 3 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 of the company's website, as well as recommendations, and AWI recommendation implementation plans.

According to this schedule an independent performance review is now due to be undertaken this year (2018), reviewing the three-year span 2015-2018, and reporting to woolgrowers and the Government prior to WoolPoll 2018.