

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 60

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: AWI Director's Report

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

What is the nature of the report provided to the Commonwealth on an “in confidence” basis as referred to in the Director's Report of 6 October 2010? (AWI Annual Report 2009/10, page 32)

Answer:

The report contained Australian Wool Innovation senior executive remuneration details, as required under 1(o) of Schedule 2 of the Statutory Funding Agreement 2010-13. Schedule 2 provides that such information “*can be provided to the Minister separately if so desired by the Company*”.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 61

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: Statutory Funding Agreement 2010-2013

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

1. In relation to the Statutory Funding Agreement 2010-2013, please outline:
 - a. The period of negotiation for the agreement
 - b. The dates of meeting between AWI and the Government
 - c. Who was present at the meetings
 - d. what variations were made from the previous Statutory Funding Agreement 2007-2010
 - e. In relation to any variation, please specify whether the variation was at the instigation of AWI or the Government
 - f. In relation to each variation, specify the reason/s that motivated the variation
2. In relation to each variation, what guarantee, if any, does the Government have that AWI will not breach the agreement?

Answer:

1)

- a) 1 April 2010 to 29 June 2010.
- b) Meetings were held on 1 April 2010, 14 April 2010 and 13 May 2010. In addition, further clarification and minor drafting matters were addressed via email and telephone.
- c) Australian Wool Innovation Limited (AWI) was represented by Stuart McCullough (Chief Executive Officer), Peta Slack-Smith (Corporate Affairs Manager) and Dominic Smith (Company Secretary); the Department of Agriculture, Fisheries and Forestry (the department) was represented by Allen Grant (Executive Manager, Agricultural Productivity Division), Simon Murnane (General Manager, Livestock Industries and Animal Welfare Branch), Susan Wishart (Livestock Industries and Animal Welfare Branch), Casey Dunn (Livestock Industries and Animal Welfare Branch), Julie Austin (Innovation, Productivity and Food Security Branch), and Hugh Dornan (Innovation, Productivity and Food Security Branch).
- d) The key variations from the 2007-10 AWI Statutory Funding Agreement (SFA) include:
 - i) extending the definition of “guidelines” to include the need for the company to take account of other priorities or directions communicated to the company from time to time by the Minister for Agriculture, Fisheries and Forestry in writing
 - ii) a requirement to consult with the Commonwealth on changes to the company’s constitution
 - iii) a requirement to implement a framework of good corporate governance practices in managing and investing the company’s research and development, marketing and

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 61 (continued)

- iv) Commonwealth matching funds (the funds), drawing on the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, second edition, August 2007, as appropriate, including in particular that the company aim:
 - (1) to structure its board to add value, as outlined in Principle 2 of the aforementioned ASX document
 - (2) for the establishment of a skills based board recommended by a nomination committee (subject to retirement and election requirements under the company's Constitution)
 - (3) to set in place processes for evaluating the performance of the board and its committees
- v) a requirement that the accounting systems, processes and controls to manage the funds take into account the risk management and fraud control plans of the company, with the annual compliance audits to include audit opinions on the effectiveness of the controls put in place
- vi) strengthened requirements for consultation with the department, levy payers and key representative bodies in the development of strategic plans
- vii) a requirement to consider a range of additional matters in developing annual operational plans, including:
 - (1) community and levy payer expectations and concerns in setting company executive remuneration packages
 - (2) investments to support the development and implementation of the National Primary Industries Research, Development and Extension Framework
 - (3) collaboration with other research and development corporations on priority research and development issues
 - (4) the establishment of a structured evaluation plan for the systematic evaluation of the costs and benefits of company investments in research and development
- viii) a requirement that risk management, fraud control and intellectual property management plans be developed in consultation with the department
- ix) a requirement that the company meet with key industry representative bodies at not less than 6 monthly intervals to review industry priorities for research and development and marketing investments and report on the company's performance against its plans
- x) strengthened requirements relating to performance reviews, including that the company:
 - (1) agree the terms of reference of performance reviews with the Minister
 - (2) provide to the Minister the board's response to the recommendations in the performance review report and a proposed implementation plan
 - (3) report to the Minister in the six monthly meetings on the progress being made in implementing the performance review report recommendations
- xi) a specific requirement to give effect to recommendation 11 in the *Australian Wool Innovation 3 Year Review of Performance: Final Report*, August 2009 for a formal review to be conducted 12 months after the three year performance review to assess the company's performance in addressing the recommendations in the three year performance review

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 61 (continued)

- xii) additional requirements, associated with the aforementioned changes, in respect of matters to be reported in annual reports.
 - e) The key changes to the requirements in the SFA were included at the instigation of government.
 - f) The government monitors and periodically reviews the operation of SFAs. At the time an SFA is re-negotiated, the government may update the requirements to take account of matters including the most recent performance review of the company, changes in government policy and priorities and developments in community and stakeholder expectations.
- 2) The 2010-13 SFA between AWI and the Commonwealth imposes obligations on the company and contains sanctions for breaches of those obligations (for details refer to responses 64 (1)(d) and (e) from the Additional Estimates February 2011).

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 62

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: Reports

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

1. Please advise what reports were received by the Government in relation to AWI from November 2007 to date. In relation to each, please specify:
 - a. The nature of each report
 - b. The author of each report
 - c. Whether the report included criticisms of AWI including performance and governance issues and conflict of issues matters
 - d. What actions did the Government require AWI to undertake in relation to each report
 - e. Whether AWI undertook such actions

Answer:

From November 2007 to date, the government has received, in chronological order, the following reports in relation to Australian Wool Innovation (AWI):

Annual Report 2006-07

- a. A report of AWI's operations during the 2006-07 financial year, as required under the *Corporations Act 2001 (Cth)* (the Corporations Act). The report details AWI's activities in that financial year and the financial position of the company.
- b. The report was prepared by AWI.
- c. The report did not contain any criticism of AWI.
- d. The 2007-10 Statutory Funding Agreement between AWI and the Commonwealth (the AWI SFA), which came into effect on 28 June 2007, required the company to provide the Minister for Agriculture, Fisheries and Forestry with four copies of its annual report at the same time as the Corporations Act required the report to be provided to shareholders.
- e. AWI provided the annual report, including audited financial statements, on 5 November 2007.

Audit Compliance Report 2006-07

- a. A report indicating whether the company had complied with its obligations under clauses 4, 5, 9 and 10 of the 2004-07 AWI SFA (relating to the management and application of funds and transferred items).
- b. The report was prepared by Pricewaterhouse Coopers.
- c. The report did not contain any criticism of AWI.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 62 (continued)

- d. The 2007-10 AWI SFA required the company to provide an audit compliance report to the Minister for Agriculture, Fisheries and Forestry within five months of the end of the financial year.
- e. AWI provided the audit compliance report on 5 November 2007.

Compliance Certification Letter 2006-07

- a. A report indicating whether the company had complied with its obligations under the *Wool Services Privatisation Act 2000 (Cth)* (the Wool Services Privatisation Act) and the AWI SFA during the financial year.
- b. The report was prepared by the Chairman, Mr I. McLachlan, and the Chief Executive Officer, Mr C. Welsh.
- c. The report did not contain any criticism of AWI.
- d. The 2007-10 AWI SFA required the company to give to the minister, within 5 months after the end of its financial year, a report signed by the chairperson and the chief executive officer of the company:
 - certifying whether the company had complied with its obligations under the Wool Services Privatisation Act and the SFA during the financial year;
 - stating whether, in their opinion, any non-compliances were material; and
 - if any non-compliances were, in their opinion, material, giving an explanation of the non-compliance.
- e. AWI provided the compliance certification letter on 5 November 2007.

Strategic Plan 2008/09-2010/11

- a. The strategic plan sets the broad direction and high level goals for AWI during the period covered by the plan.
- b. The plan was prepared by AWI.
- c. The plan did not contain any criticism of AWI.
- d. The 2007-10 AWI SFA required the company to prepare a strategic plan covering a three to five year period, review and update the plan as necessary at least once every year and provide a copy of the plan or updated plan to the Minister for Agriculture, Fisheries and Forestry.
- e. AWI provided the strategic plan 2008/09-2010/11 on 29 August 2008.

Annual Operational Plan 2008-09

- a. The annual operational plan summarises the intended operations of the company for the financial year covered by the plan.
- b. The plan was prepared by AWI.
- c. The plan did not contain any criticism of AWI.
- d. The 2007-10 AWI SFA required the company to produce an annual operational plan and provide a copy to the Minister for Agriculture, Fisheries and Forestry by 1 July of the relevant financial year.
- e. AWI provided the annual operational plan on 29 August 2008. AWI had written to the department on 20 June 2008 seeking an extension for the submission of its 2008-09 annual operational plan. The department agreed to extend the deadline until the end of August 2008 and conveyed this agreement to AWI in a letter dated 3 July 2008.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 62 (continued)

Annual Report 2007-08

- a. A report of AWI's operations during the 2007-08 financial year, as required under the Corporations Act. The report details AWI's activities in that financial year and the financial position of the company.
- b. The report was prepared by AWI.
- c. The report did not contain any criticism of AWI.
- d. The 2007-10 AWI SFA required the company to provide the Minister for Agriculture, Fisheries and Forestry with four copies of its annual report at the same time as the Corporations Act required the report to be provided to shareholders.
- e. AWI provided the annual report, including audited financial statements, on 22 October 2008.

Audit Compliance Report 2007-08

- a. A report indicating whether the company had complied with its obligations under clauses 6 and 7 of the 2007-10 AWI SFA (relating to the management and application of funds).
- b. The report was prepared by Pricewaterhouse Coopers.
- c. The report did not contain any criticism of AWI.
- d. The 2007-10 AWI SFA required the company to provide an audit compliance report to the Minister for Agriculture, Fisheries and Forestry within five months of the end of the financial year.
- e. AWI provided the audit compliance report on 22 October 2008.

Compliance Certification Letter 2007-08

- a. A report indicating whether the company had complied with its obligations under the Wool Services Privatisation Act and the AWI SFA during the financial year.
- b. The report was prepared by the Chairman, Mr W. B. Merriman, and the Chief Operating Officer, Mr J. J. Barry.
- c. The report did not contain any criticism of AWI.
- d. The 2007-10 AWI SFA required the company to give to the minister, within 5 months after the end of its financial year, a report signed by the chairperson and the chief executive officer of the company:
 - certifying whether the company had complied with its obligations under the Wool Services Privatisation Act and the SFA during the financial year;
 - stating whether, in their opinion, any non-compliances were material; and
 - if any non-compliances were, in their opinion, material, giving an explanation of the non-compliance.
- e. AWI provided the certification letter on 16 December 2008.

Intellectual Property Management Plan

- a. The Intellectual Property (IP) Management Plan details how AWI intends to manage risks and opportunities surrounding IP that is generated as part of research which AWI funds, and to which it may therefore hold the rights.
- b. The plan was prepared by AWI.
- c. The plan does not contain any criticism of AWI.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 62 (continued)

- d. Since 2004, AWI has been required under its SFA to implement an IP Management Plan and provide a copy of the plan and any updates to the Minister for Agriculture, Fisheries and Forestry. The plan must be formally reviewed at least every three years.
- e. AWI provided a revised IP Management Plan on 29 October 2008.

Annual Operational Plan 2009-10

- a. The annual operational plan summarises the intended operations of the company for the financial year covered by the plan.
- b. The plan was prepared by AWI.
- c. The plan did not contain any criticism of AWI.
- d. The 2007-10 AWI SFA required the company to produce an annual operational plan and provide a copy to the Minister for Agriculture, Fisheries and Forestry by 1 July of the relevant financial year.
- e. AWI provided the annual operational plan on 30 June 2009.

Australian Wool Innovation 3 Year Review of Performance: Final Report, August 2009

- a. The report of a performance review undertaken in accordance with the 2007-10 AWI SFA for 2007-10.
- b. The report was prepared by Arche Consulting Pty Ltd in association with Mr John McQueen, Ms Anne Skipper and Dr Bruce Standen.
- c. The report contained some criticisms of AWI, including in relation to performance, governance and procedures for managing conflicts of interest.
- d. The 2007-10 AWI SFA required the company, prior to any poll, to engage an independent organisation to undertake a performance review in accordance with the requirements of the SFA, prepare a report on all matters of the performance review, forward the performance review report to the Minister for Agriculture, Fisheries and Forestry, publish the report on the company's website and make available a copy of the report available to levy payers and bodies representing woolgrowers.
- e. The performance review report was provided on 9 September 2009.

Annual Report 2008-09

- a. A report of AWI's operations during the 2008-09 financial year, as required under the Corporations Act. The report details AWI's activities in that financial year and the financial position of the company.
- b. The report was prepared by AWI.
- c. The report did not contain any criticism of AWI.
- d. The 2007-10 AWI SFA required the company to provide the Minister for Agriculture, Fisheries and Forestry with four copies of its annual report at the same time as the Corporations Act required the report to be provided to shareholders.
- e. AWI provided the annual report, including audited financial statements, on 27 October 2009.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 62 (continued)

Audit Compliance Report 2008-09

- a. A report indicating whether the company had complied with its obligations under clauses 6 and 7 of the 2007-10 AWI SFA (relating to the management and application of funds).
- b. The report was prepared by Pricewaterhouse Coopers.
- c. The report did not contain any criticism of AWI.
- d. The 2007-10 AWI SFA required the company to provide an audit compliance report to the Minister for Agriculture, Fisheries and Forestry within five months of the end of the financial year.
- e. AWI provided the audit compliance report on 27 October 2009.

Compliance Certification Letter 2008-09

- a. A report indicating whether the company had complied with its obligations under the Wool Services Privatisation Act and the AWI SFA during the financial year.
- b. The report was prepared by the Chairman, Mr W. B. Merriman, and the Chief Executive Officer, Ms B. J. McGahan.
- c. The report did not contain any criticism of AWI.
- d. The 2007-10 AWI SFA required the company to give to the minister, within 5 months after the end of its financial year, a report signed by the chairperson and the chief executive officer of the company:
 - certifying whether the company had complied with its obligations under the Wool Services Privatisation Act and the SFA during the financial year;
 - stating whether, in their opinion, any non-compliances were material; and
 - if any non-compliances were, in their opinion, material, giving an explanation of the non-compliance.
- e. AWI provided the certification letter on 14 September 2009.

Risk Management Plan

- a. The Risk Management Plan details how AWI intends to identify, assess, manage and mitigate risks the company faces and may be faced with in the future.
- b. The plan was prepared by AWI.
- c. The plan does not contain any criticism of AWI.
- d. Since 2004, AWI has been required under its SFA to implement a Risk Management Plan and provide a copy of the plan and any updates to the Minister for Agriculture, Fisheries and Forestry. The plan must be formally reviewed at least every three years.
- e. AWI provided a revised Risk Management Plan on 26 February 2010.

Fraud Control Plan

- a. The Fraud Control Plan details how AWI intends to address the risk of fraud to the company, both as a victim of external perpetrators and through actions from its own employees.
- b. The plan was prepared by AWI, in consultation with the department.
- c. The plan does not contain any criticism of AWI.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 62 (continued)

- d. Since 2004, AWI has been required under its SFA to implement a Fraud Control Plan and provide a copy of the plan and any updates to the Minister for Agriculture, Fisheries and Forestry. The plan must be formally reviewed at least every three years.
- e. AWI provided a revised Fraud Control Plan on 26 February 2010.

Annual Operational Plan 2010-11

- a. The annual operational plan summarises the intended operations of the company for the financial year covered by the plan.
- b. The plan was prepared by AWI.
- c. The plan does not contain any criticism of AWI.
- d. Under the current SFA, AWI is required to provide a copy of its annual operational plan to the Minister for Agriculture, Fisheries and Forestry by 1 July of the relevant financial year.
- e. AWI provided the annual operational plan on 30 June 2010.

Strategic Plan 2010-13

- a. The strategic plan sets the broad direction and high level goals for AWI during the period covered by the plan.
- b. The plan was prepared by AWI.
- c. The plan does not contain any criticism of AWI.
- d. Under the current AWI SFA, the company is required to prepare a strategic plan covering a three year period. The company is also required to review, and if necessary update, the strategic plan by 30 June each year.
- e. AWI provided the strategic plan on 1 July 2010.

Annual Report 2009-10

- a. A report of AWI's operations during the 2009-10 financial year, as required under the Corporations Act. The report details AWI's activities in that financial year and the financial position of the company.
- b. The report was prepared by AWI.
- c. The report did not contain any criticism of AWI.
- d. Under the current AWI SFA, the company is required to provide the Minister for Agriculture, Fisheries and Forestry with four copies of its annual report at the same time as the Corporations Act requires the report to be provided to shareholders.
- e. AWI provided the annual report, including audited financial statements, on 25 October 2010.

Audit Compliance Report 2009-10

- a. A report indicating whether the company has complied with its obligations under clauses 6 and 7 of the 2007-10 AWI SFA (relating to the management and application of funds).
- b. The report was prepared by Pricewaterhouse Coopers.
- c. The report did not contain any criticism of AWI.
- d. The 2010-13 SFA, which came into effect on 29 June 2010, requires the company to provide an audit compliance report to the Minister for Agriculture, Fisheries and Forestry within five months of the end of the financial year.
- e. AWI provided the audit compliance report on 1 October 2010.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 62 (continued)

Compliance Certification Letter 2009-10

- a. A report indicating whether the company had complied with its obligations under the Wool Services Privatisation Act and the AWI SFA during the financial year.
- b. The report was prepared by the Chairman, Mr W. B. Merriman, and the Chief Executive Officer, Mr S.K. McCullough.
- c. The report did not contain any criticism of AWI.
- d. The 2010-13 AWI SFA requires the company to give to the Minister for Agriculture, Fisheries and Forestry, within 5 months after the end of its financial year, a report signed by the chairperson and the chief executive officer of the company:
 - certifying whether the company had complied with its obligations under the Wool Services Privatisation Act and the SFA during the financial year;
 - stating whether, in their opinion, any non-compliances were material; and
 - if any non-compliances were, in their opinion, material, giving an explanation of the non-compliance.
- e. AWI provided the certification letter on 1 October 2010.

AWI Senior Executive Remuneration 2009-10

- a. A confidential report on AWI senior executive remuneration for the financial year.
- b. The report was prepared by AWI.
- c. The report did not contain any criticism of AWI.
- d. The 2010-13 AWI SFA requires the company to give to the Minister for Agriculture, Fisheries and Forestry details of senior executive remuneration.
- e. AWI provided the report on 25 October 2010.

Report of AWI expenditure against the WoolPoll Marketing and R&D split

- a. A report identifying AWI's expenditure against the WoolPoll marketing and R&D split.
- b. The report was prepared by AWI.
- c. The report did not contain any criticism of AWI.
- d. The 2010-13 AWI SFA requires the company to give to the Minister for Agriculture, Fisheries and Forestry a report of expenditure against the WoolPoll marketing and R&D split.
- e. AWI provided the report on 25 October 2010.

Australian Wool Innovation Report for One Year on Review of Performance: Final Report, November 2010

- a. The report of a review undertaken in response to a recommendation in the Three Year Review of Performance of AWI (see above) and in accordance with a requirement in the 2010-13 AWI SFA.
- b. The report was prepared by GHD.
- c. The report found that progress had been made in addressing the recommendations in the three year performance review report and identified areas requiring further work.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 62 (continued)

- d. The 2010-13 AWI SFA required the company to agree the terms of reference of the follow-up performance review with the Minister for Agriculture, Fisheries and Forestry, engage a suitable organisation to undertake the follow-up performance review, forward the follow-up performance review report to the Minister by December 2010 and provide the Minister with a detailed board response to the recommendations of the report and a proposed implementation plan by the end of January 2011.
- e. AWI provided the One Year On Review Report on 22 November 2010 and the implementation plan for the One Year On Review on 3 February 2011.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 63

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: Appointments

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

1. I refer to the following extract from the Productivity Commission's Draft Report *Rural Research and Development Corporations*, September 2010 at p.194 regarding concerns about AWI's board selection processes

The Government has sought to address the concerns about AWI's board-selection processes in its recently-negotiated SFA, which includes new provisions on board governance (box 8.5). The Government has indicated its intention to also strengthen the governance requirements in SFAs with other IOCs. This has already occurred for HAL (sub. 101).

- a. Please outline the processes referred to above
- b. What provisions are in place to ensure AWI meets new board governance processes
- c. Given AWI's bad history of governance, what provisions are in place to ensure that AWI meets new board governance processes
- d. Given that the AWI board members who have been primarily responsible for governance problems, what guarantees does the government have that the board will implement and meet new board governance processes?

Answer:

1)

- a) Clause 4.1 of the 2010-13 Statutory Funding Agreement (SFA) between Australian Wool Innovation Limited (AWI) and the Commonwealth states:
"The company should implement a framework of good corporate governance practices in managing and investing the Funds drawing on the *ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, second edition, August 2007*, as appropriate. In particular, the company should aim:
 - (a) to structure its board to add value as outlined in Principle 1 of the abovementioned ASX Corporate Principles and Recommendations;
 - (b) for the establishment of a Skills Based Board recommended by a Nominations Committee (subject to retirement and election requirements under the company's Constitution); and
 - (c) to set in place processes for evaluating the performance of the board and its committees."
- b) Under the 2010-13 SFA the company must report to the Minister for Agriculture, Fisheries and Forestry, or his or her delegate, in the six-monthly meetings held under the SFA, on steps taken to improve board corporate governance in accordance with clause 4.1. The company is also required to report annually on the corporate governance practices in place during the financial year and, every three years, to engage an

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 63 (continued)

independent organisation to undertake a performance review in accordance with the requirements of the SFA.

- c) Refer to response to 1(b).
- d) Refer to response to 1(b).

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 64

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: Governance

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

1. I refer to the appearance by AWI Chairman Wal Merriman at the Senate Rural and Regional Affairs and Transport Legislation Committee in May 2010 where he acknowledged the existence of the three reports and to the following extract from the Productivity Commission's Draft Report *Rural Research and Development Corporations*, September 2010 at p.198

... Moreover, subsequent to the Arche review, three reports from external advisers on how to improve the organisation's governance have not been publicly released. This has added to a sense of a lack of transparency and the ongoing concerns that governance issues at AWI are not being adequately addressed.

Given the above, it will therefore be especially important for the Government to effectively monitor and enforce AWI's new SFA. This issue is considered further below in section 8.4 as part of a discussion of monitoring and enforcement.

- a. Has the government received any or all 3 of these reports
- b. If so, when were they received
- c. Given the scathing criticisms levelled at AWI in relation to performance and governance issues, has the government considered releasing the reports
- d. How will the government monitor and enforce AWI's new SFA
- e. What action will the government undertake if AWI fails to comply with the SFA

Answer:

- a) The government has not received any of these reports.
- b) Refer to answer a) above
- c) Refer to answer a) above
- d) Under its Statutory Funding Agreement (SFA) with the Commonwealth, AWI is required to provide to the Minister for Agriculture, Fisheries and Agriculture an annual report which is in compliance with the requirements of the *Corporations Act 2001* (Cth) and with other requirements set out in the SFA. AWI is also required to meet with:
 - the minister or his or her delegate, at not less than six-monthly intervals, to brief on the company's performance of its functions as the industry research body
 - officers from the Department of Agriculture, Fisheries and Forestry at least quarterly, to discuss matters relating to the SFA

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 64 (continued)

- key industry representative bodies at not less than six-monthly intervals to review industry's priorities for research and development and marketing investments and report on the company's performance against its plans.

Every three years AWI is required to engage an independent organisation to undertake a performance review in accordance with the requirements of the SFA. AWI must:

- seek agreement from the minister to the terms of reference of the review to ensure it will meet the requirements under the SFA
 - provide the minister with a copy of the report
 - provide the minister with a detailed response to the recommendations of the report, including a proposed implementation plan with dates and milestones
 - publish the report on the company website
 - make available a copy of the report to levy payers and industry representative bodies prior to each WoolPoll.
- e) The SFA includes sanctions for breaches of obligations under the SFA. Under the SFA, if the Commonwealth is not satisfied that any activities (including, but not limited to, research and development activities) carried out by AWI benefit Australian woolgrowers and/or the Australian community generally, the Commonwealth may, by giving written notice to AWI, require AWI to provide an explanation of how any activities specified in the notice are for the benefit of Australian woolgrowers and/or the Australian community generally, within 7 days of receipt of the notice. The Commonwealth may consult industry representative bodies on any explanation received from AWI; and/or publish the written notice and AWI's explanation. The Commonwealth may also, subject to conditions of notice, initiate other sanctions such as suspension or termination of any or all funds, issuing directions to AWI to deal with funds in a certain way or terminating the SFA.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 65

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: Governance

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

1. I refer to the appearance by AWI Chairman Wal Merriman at the Senate Rural and Regional Affairs and Transport Legislation Committee in May 2010 where he acknowledged the existence of the three reports and to the following extract from the Productivity Commission's Draft Report *Rural Research and Development Corporations*, September 2010 at p.198

... Moreover, subsequent to the Arche review, three reports from external advisers on how to improve the organisation's governance have not been publicly released. This has added to a sense of a lack of transparency and the ongoing concerns that governance issues at AWI are not being adequately addressed.

- a. Given the scathing criticisms levelled at AWI in relation to performance and governance issues, has the government requested AWI to publicly release these 3 reports? If not, why not.
- b. In relation to each report, please advise whether the government requested AWI to commission the report
- c. If so, when was such request made in relation to any or each of the reports
- d. The role of government associated with commissioning each report
- e. Was the draft of each report was provided to government and if so, when
- f. Was the final of each report was provided to government and if so, when
- g. To whom was any or each report provided

Answer:

- a) The government has not requested Australian Wool Innovation (AWI) to publicly release the reports. The government's requirements for the release of reports prepared for AWI are set out in the Statutory Funding Agreement.
- b) The government did not request AWI to commission the reports.
- c) Refer to answer b) above.
- d) Refer to answer b) above.
- e) The draft reports were not provided to government.
- f) The final reports were not provided to government.
- g) Refer to answer e) above.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 66

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: Correspondence

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

I refer to correspondence tabled at estimates hearings from Paolo Zegna to Wal Merriman dated 25 March 2010. Please outline what action has been taken by the government in relation to concerns raised in that correspondence.

Answer:

The government sought a briefing from Australian Wool Innovation (AWI) on the letter referred to in the question. This was provided at a statutory funding agreement meeting in April 2010. The government has continued and will continue to discuss stakeholder relationships with AWI on a regular basis.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 67

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: One Year On Review of Performance, Final report, November 2010

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

1. In relation to the Report for One Year On Review of Performance, Final Report, November 2010 by GHD (the GHD Report), please advise:
 - a. When was GHD commissioned to provide the report?
 - b. How was GHD engaged? Was this by contract directly with AWI?
 - c. What was the cost of the GHD Final Report?
 - d. Was AWI provided with a draft or drafts of the report? If so, please provide details as to the date each was provided to AWI.
 - e. Did AWI suggest any changes to any draft/s? If so, please provide details in relation to each change.
 - f. When was the Final Report provided to AWI?
 - g. Was the Final report considered by the Board? If so when?
 - h. Did the AWI Board edit or make any changes to the Final Report?
 - i. Did any AWI employee edit or make any changes to the Final Report?
 - j. Was any such change at the direction of the Board or any member/s of the board? If so, please provide details of who gave any such direction and when was it done.
 - k. In relation to any edit or change, please advise whether GHD accepted the same?

Answer:

- 1)
 - a) GHD was commissioned on 1 September 2010.
 - b) Clause 16.1 of the 2010-13 Statutory Funding Agreement (SFA) between Australian Wool Innovation Limited(AWI) and the Commonwealth outlines provisions for the one year review of performance. After discussions with the Department of Agriculture, Fisheries and Forestry, an invited tender was undertaken. Companies shortlisted for the 2006-2009 Review of Performance were invited to provide a proposal. An additional consultancy company who had previously been engaged by AWI was also invited to tender. The contract was between AWI and GHD Hassall.
 - c) AUD 42 705 (GST exclusive).
 - d) Two drafts were received on 18 and 27 October 2010.
 - e) Changes requested to be made by GHD predominantly related to either incorrect or inconsistent organisation or industry terminology. A change to the layout of the document was requested in the first draft, to facilitate greater ease of reading (ie the summary tables were requested to be inserted at the end of each chapter). These alterations and requests were accepted by GHD. No substantive requests were made to alter the conclusions of GHD.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 67 (continued)

- f) 9 November 2010.
- g) The final report was tabled for information to the Board on 18 November 2010.
- h) No.
- i) No.
- j) Refer to responses to (h) and (i).
- k) No change was made to the final report. Refer to response to (e) for edits to the draft report.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 68

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: 3 Year Review of Performance – Final report

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

1. In relation to each of the recommendations contained in the AWI: 3 Year Review of Performance – Final Report, please advise what changes have been made at AWI or to AWI structures or procedures to give effect to that recommendation.
2. In relation to each change, please advise what decision/s the AWI Board made to give effect to that change.

Answer:

- 1) A key recommendation of the 2006-2009 Review of Performance required Australian Wool Innovation Limited (AWI) to conduct a follow up one year review of performance. This was formalised in clause 16.1 of the 2010-13 Statutory Funding Agreement between AWI and the Commonwealth. AWI worked with the Department of Agriculture, Fisheries and Forestry to develop terms of reference for the one year review of performance to ensure all recommendations raised in the 2006-2009 Review of Performance were addressed.

The One Year Review of Performance Report reviews the actions taken by AWI against each of the recommendations in the 2006-2009 Review of Performance. The One Year Review of Performance Report provides detailed discussion of the actions implemented and is available on the AWI website at:

www.images.wool.com/pub/AWI_One_Year_Review_of_Performance_Final%20Report.pdf

- 2) The AWI Board endorsed the actions undertaken to implement recommendations. The AWI Board endorsed the One Year On Review of Performance Report.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 69

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: One Year On Review of Performance, Final Report, November 2010

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

In relation to the GHD Report, the review outcome for Recommendation 1 is “Review Outcome – Completed: Recommendation mostly completed with feedback from stakeholders in the future required to confirm success.” Page 2 of the Executive Summary states that the rating for “Completed” is “work to address recommendation completed and no further action required.” Please explain the discrepancy between the “review outcome - completed” and “recommendation mostly completed”.

Answer:

The One Year On Review of Performance Report indicates that the Australian Wool Innovation Limited (AWI) actions in respect of Recommendation 1 are complete, noting that overall AWI has defined its role as the industry’s research and development and marketing organisation and communicated this to stakeholders. The report also notes that more time and feedback from stakeholders will be required to determine if the actions undertaken are effective.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 70

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: One Year On Review of Performance, Final Report, November 2010

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

In relation to the GHD Report, the review outcome for Recommendation 6 is “Review Outcome – Completed: Recommendation mostly completed with continuing rationalisation of subsidiary companies into the future.” Page 2 of the Executive Summary states that the rating for “Completed” is “work to address recommendation completed and no further action required.” Please explain the discrepancy between the “review outcome - completed” and “recommendation mostly completed”.

Answer:

The One Year On Performance Review Report indicates that the Australian Wool Innovation (AWI) actions in respect of Recommendation 6 are complete, noting that AWI has restructured based on a formal review of structures, processes and subsidiary companies to align with the strategic plan and deliver cost savings. The report also notes that AWI will continue to rationalise its subsidiary companies, subject to all local laws and ownership of intellectual property being satisfied.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 71

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: One Year On Review of Performance, Final report, November 2010

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

In relation to the GHD Report, the review outcome for Recommendation 9 is “Review Outcome – In Progress: Recommendation completed.” Page 2 of the Executive Summary states that the rating for “In Progress” is “work in progress will address the recommendations before 2012.” Please explain the discrepancy between the “review outcome – in progress” and “recommendation completed”.

Answer:

The discrepancy reflects the nature of this type of review, the actions evaluated and the cyclical nature of their operations.

As required under the Statutory Funding Agreement, Australian Wool Innovation reviews and updates its risk, fraud and intellectual property (IP) plans on a cyclical basis and they are all currently up to date. The conclusion in the GHD Report reflects that the risk, IP and fraud plans have been reviewed and updated and provided to the department and the Minister for Agriculture, Fisheries and Forestry as required, however they are continually monitored as part of good business practice.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 72

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: One Year On Review of Performance, Final Report, November 2010

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

1. In relation to the statement in relation to Recommendation 8 that “the optimal skill sets for new directors will be determined by the Board and published when applications for directorship are sought”, please advise:
 - a. Has the Board formulated a skills set?
 - b. When does the Board intend to release the information about the skills set?
 - c. If the Board does not release the skills set, existing directors will have “inside information” for a time and will this not place potential directors at a perceived if not actual disadvantage? Is this not another example of conflict of interest issues persisting at AWI?

Answer:

1)

- a) The Australian Wool Innovation Limited (AWI) Board Charter, which was amended in 2008, states that “the Board shall ensure that, collectively, it has the appropriate range of expertise or has access to the appropriate range of expertise to properly fulfil its responsibilities, including in relation to:
 - (1) the Australian wool growing industry;
 - (2) the wool processing industry in Australia and overseas;
 - (3) accounting and/or finance;
 - (4) legal skills;
 - (5) business; and
 - (6) CEO-level experience.”

As noted in the One Year On Review of Performance Report, the board is revising the Board Charter to ensure alignment with the 2010–13 Statutory Funding Agreement (SFA) between AWI and the Commonwealth, which requires that the company aim for the establishment of a Skills Based Board recommended by a Nomination Committee. The SFA defines a Skills Based Board as a board that can demonstrate collective expertise against each of the following:

- corporate governance
- wool growing
- wool processing
- product promotion and retail marketing
- domestic and international market development and international trade

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 72 (continued)

- research and development (R&D), technology, technology transfer, commercialisation and adoption of R&D and innovation
- conservation and management of natural resources
- administration of R&D
- finance and business management.

The SFA also includes an expectation that the skills required to effectively manage the company be reviewed by the Nomination Committee before each selection process.

b)and c) AWI has reported that the Board is in the process of appointing the members of a Board Nomination Committee. Once this Committee is in place, the required skills set, consistent with that set out in the SFA, will be released.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 73

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: Levies

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

1. According to AWI's Annual Report 2009/10, there were 64,728 levy payers as at 30 June 2010 of which 29,347 were AWI shareholders. In relation to WoolPoll 2009, please advise the following:
 - a. The number of voting papers issued
 - b. The number of voting papers cast
 - c. The number of votes cast for each of the levy options – 0, 1, 2, 2.5 and 3 per cent

Answer:

1. AWI is required to ensure polls are conducted in accordance with the *Wool Services Privatisation (Wool Levy Poll) Regulations 2003 (Cth)*. Clause 5 (1) of the Wool Poll Regulations clearly defines voting eligibility and voting entitlements as:

5(1): An entity is eligible to vote in a poll if the entity has paid, other than as an intermediary, wool levy totalling at least \$100 during the last 3 financial years before the poll year.

6(1): An entity who is eligible to vote in a poll is entitled to 1 vote for each whole \$100 of wool levy the entity has paid, other than as an intermediary, during the last 3 financial years before the poll year.

- a. 43 637 voting papers were issued.
- b. 14 246 voting papers were cast.
- c. 73 per cent of votes cast were in favour of a levy of 2 per cent or more. Refer to table below:

WoolPoll 2009

Levy Rate	Number of Votes
0	92 322
1	78 265
2	412 505
2.5	23 614
3	28 146

Senate Rural Affairs and Transport Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Additional Estimates February 2011
Agriculture, Fisheries and Forestry

Question: 74

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: Shareholders

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

Please provide a breakdown of the AWI shareholding ranging from shareholders entitled to one vote to the maximum entitlement held by any shareholder/s.

Answer:

Voting Entitlement	No of Shareholders
1	1578
2-9	7553
10-49	12606
50-99	3516
100-499	1702
500+	38

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 75

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: Correspondence

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

Further to correspondence from Paolo Zegna to Wal Merriman dated 25 March 2010, please outline what efforts AWI has made to progress the matters referred to in that correspondence.

Answer:

Since May 2010 AWI has developed and executed a specific strategy to address the concerns expressed in the letter from Paolo Zegna. The strategy addresses the fact that the China, Japan and USA markets dominate consumption of luxury goods, but that consumption of these markets is heavily influenced by Western European markets (specifically Italy, France and the UK).

The strategy to address these issues consists of:

1. Heavy engagement with and subsequent acceptance of AWI's marketing plans and activities by leaders of the Italian Fashion industry
2. Development launch and successful implementation of the Gold Woolmark program which saw AWI help introduce top end Italian fabric producers into the Chinese retail market
3. Development and implementation of the "Merino Wool. No Finer Feeling" Ambassador Campaign, with a strong presence in media and Milano Unica of our initial ambassadors, Luciano Benetton and Margherita Missoni. Another person represented by the Zegna letter (Marzotto) has offered to be an Ambassador for AWI in this campaign to promote merino wool.
4. Implementation of the broader "Merino Wool. No Finer Feeling" Fashion campaign, which met with a standing ovation among all audience members of an IWTO meeting in Biella in October 2010.
5. Implementation of the "Merino Wool. No Finer Feeling" Partnership campaign, commencing with an Italian, then leading to a global partnership with Giorgio Armani. The global partnership is in the stages of final contract negotiation as therefore commercially in confidence. Other Italian brands Zegna (Gildo Zegna the CEO of Zegna), Piji Loropiana - have approached AWI to participate in the campaign.

All bodies and organisations represented in and by Paolo Zegna's letter have withdrawn their negative position, many have sent letters congratulating AWI for its launch of the new "No Finer Feeling" campaign. AWI CEO Stuart McCullough visited Italy recently and hosted the Australian Consul General, Simone Desmarchelier to the Biella region and was congratulated by Paolo Zegna, Pierluigi Loro Piana and many others for establishing the new campaign.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 76

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: Testing Laboratory

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

1. Please provide details regarding the closure of AWI testing laboratory in Italy including:
 - a. When the decision was made?
 - b. Outline the work undertaken at this laboratory.
 - c. Where will AWI undertake the work previously at this laboratory?
 - d. Specify the work undertaken at this facility regarding licensing issues?
 - e. What arrangements are in place to ensure alternative arrangements will assure licensing requirements will be met?

Answer:

1)

- a) In mid-2010, Australian Wool Innovation Limited (AWI) commenced a review of its operation. The decision to close the AWI testing laboratory Italy was made at the end of 2010.
- b) The AWI laboratory in Italy undertook routine Woolmark testing including:
 - i) testing Woolmark specifications
 - ii) tests related to troubleshooting for partners and licensees
 - iii) minimal involvement in the development of some new testing methods.
- c) AWI has come to an agreement with a private commercial state-of-the-art Woolmark accredited laboratory, also based in Biella. Testing is not AWI's core business, in contrast to the laboratory engaged to now conduct this function. This new laboratory is able to provide more efficient and cost-effective results. AWI will continue to accredit laboratories around the world to also perform this function in relation to testing Woolmark specifications.
- d) Woolmark is a quality assurance mark, not a trademark. AWI owns the Woolmark and is responsible for maintaining the integrity of Woolmark specifications. This new laboratory will undertake the required work, as directed by AWI, to ensure the integrity of the Woolmark brand is maintained.
- e) Please refer to responses previously provided for 1 c) and d).

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 77

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: Employee Expenses

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

1. In relation to employee expenses, please advise:
 - a. Total expenses for FY 2008/09
 - b. Total expenses for FY 2009/10
 - c. If there was a reduction in such expenses from FY 2008/09 to FY 2009/10, please outline how this was achieved. Was this undertaken through a net reduction in salaries and other expenses?

Answer:

- 1)
 - a) Total expenses for the financial year 2008–09 as shown in the annual report including board fees and agency temporary staff was \$20.585 million.
 - b) Total expenses for financial year 2009–10 as shown in the annual report including board fees and agency temporary staff was \$14.523 million.
 - c) The company undertook an organisational restructure in June 2009 resulting in lower staff numbers and therefore lower salary expenses for the financial year 2009–10.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 78

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: Directors Board Conditions

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

1. In relation to the AWI board directors' fees and other benefits, please outline the increase in fees and other benefits from FY 2008/09 to FY 2009/10 including:
 - a. The activities of each director including an indication of hours per week undertaken?
 - b. The reason for the increase in relation to each director?
 - c. What additional activities was each director required to undertake which may have warranted the increase from FY 2008/09 to FY 2009/10?

Answer:

Australian Wool Innovation Limited (AWI) has reported that there was no increase in directors' board fees or committee fees from 2008–09 to 2009–10. Directors' fees have been frozen since January 2009, with the last increase in fees being in mid 2008.

Changes in roles held by individual directors resulted in a difference in total remuneration for some individual directors. Refer to the Directors' Reports contained in the 2008–09 and 2009–10 AWI Annual Reports for further details www.wool.com/About-AWI_Shareholder-Information_Annual-Report.htm.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 79

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: Directors Board Conditions

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

1. In relation to the AWI board directors' fees and other benefits, please outline the increase in fees and other benefits from FY 2008/09 to FY 2009/10 including:
 - a. The attendance fee for each board meeting?
 - b. The attendance fee for each committee meeting?
 - c. Additional expenses paid for each such attendance?
 - d. Other fees or expenses for other activities?

Answer:

- 1) Refer to response to 78 (APD/AWI) from the Additional Estimates February 2011.
 - a) Australian Wool Innovation Limited (AWI) directors are paid annual fees covering their contributions to board and committee meetings as well as work performed as directors out of session, rather than an attendance fee for each board or committee meeting.
 - b) See response to (1)(a).
 - c) AWI pays expenses of travel and accommodation in Sydney to attend board and committee meetings for directors who reside outside of Sydney.
 - d) No other fees are paid, however AWI does reimburse directors for expenses incurred in carrying out AWI business, and pays each director's annual membership fee for the Australian Institute of Company Directors.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 80

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: Directors Board Conditions

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

Do AWI Board directors review their own fees? If so, is this not another example of a potential conflict of interest persisting at AWI?

Answer:

All Australian Wool Innovation Limited (AWI) directors' fee payments are reviewed by the AWI board. This is consistent with the provisions of the *Corporations Act 2001* and the AWI Constitution.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 81

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: Directors Board Qualifications

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

AWI 04 – Answer to question on notice (May 2010) indicates that the Marketing and Intellectual Property Committee no longer exists and that marketing issues are now dealt with by the entire board. Please provide details of what, if any, marketing qualifications each AWI board member has.

Answer:

A number of the directors have significant experience in marketing a range of wool related products in Australia and overseas, and in international market development. No current directors hold formal qualifications in marketing.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 82

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: Conflict of Interest

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

1. Please outline the circumstances that resulted in the approval of the Conflicts of Interest Directors and Officers including:
 - a. When did the board decide to make changes to the conflicts of interest policy?
 - b. What was the basis for such changes?
 - c. Did the media and other scrutiny of conflict of interest issues raised in relation to directors Meridith Sheil and Chick Olsson lead to or influence the board to change the conflict of interest policy?

Answer:

- 1)
 - a) The *Conflicts of Interest Policy – Directors and Officers* was approved by the Australian Wool Innovation Limited (AWI) Board on 24 September 2009.
 - b) The purpose of approving this policy was to formally document the commitment of AWI to proper management of conflicts of interest and to document processes which were already in place at the time but were not then demonstrable to others by reference to formal company policy.

The scrutiny of those outside the company indicated the need for such formal documentation to take place.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 83

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: Appointments

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

1. In relation to the appointment of marketing agency Euro RSCG, please advise:
 - a. The date of appointment?
 - b. The cost of the contract?
 - c. How long is the contract for?
 - d. The obligations of both AWI and Euro RSCG under the contract?
 - e. Does any director or member of his/her immediate family have any relationship with Euro RSCG?

Answer:

- 1)
 - a) 19 July 2010.
 - b)
 - i) Creative (non-digital) services contract: Fees GBP 303 750 & AUD 256 332, plus disbursements up to AUD 600 000
 - ii) Digital services contract and media services contract: No fixed fees. Fees and Costs to be determined on a project by project basis.
 - c)
 - i) Creative (non-digital) services contract: Initial period of 12 months. After the initial period, AWI can terminate at any time by giving four months written notice.
 - ii) Digital services contract: No fixed term. AWI can terminate at any time by giving 90 days written notice.
 - iii) Media services contract: No fixed term. AWI can terminate at any time by giving 90 days written notice.
 - d) EURO RSCG's obligation is to provide creative, digital, and media services to AWI, as AWI requests in pursuit of its 2010 to 2013 Strategic Plan. AWI's obligation is to pay for services rendered in a timely manner after due proof of service is provided.
 - e) No.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 84

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: AWI Director's Report

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

What is the nature of the report provided to the Commonwealth on an “in confidence” basis as referred to in the Director's Report of 6 October 2010? (Annual Report 2009/10)

Answer:

Please see answer to 60 (APD/AWI) from the Additional Estimates February 2011.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 85

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: Statutory Funding Agreement 2010-13

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

1. In relation to the Statutory Funding Agreement 2010-2013, please outline:
 - a. The period of negotiation for the agreement
 - b. The dates of meeting between AWI and the Government
 - c. Who was present at the meetings
 - d. what variations were made from the previous Statutory Funding Agreement 2007-2010
 - e. In relation to any variation, please specify whether the variation was at the instigation of AWI or the Government

Answer:

Please see answer to 61 (APD/AWI) from the Additional Estimates February 2011

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 86

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: Performance Management

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

1. I refer to the following extract from the Productivity Commission's Draft Report *Rural Research and Development Corporations*, September 2010 at p. XXXI in relation to changes to the RDC model and levy arrangements:

Notably, the current approach appears not to have been very effective in dealing with what are widely perceived to be significant and ongoing performance issues within Australian Wool Innovation (AWI). As well as concerns about the direct impacts on the returns to levy payers and the community from AWI's R&D investments, several stakeholders pointed to the potential for instability and unresolved performance issues within AWI to degrade confidence in the RDC model as a whole.

In the Commission's view, this situation should not be allowed to continue. AWI's recently renewed Statutory Funding Agreement and the 2009 independent review of its performance detail a range of specific issues that need to be addressed by AWI. If the next three-yearly independent performance review of AWI indicates that appropriate remedial action has not been taken — and if a meaningful intermediate sanction cannot be found — then the case for the Government to withdraw its funding for AWI would become compelling.

- a) Given this scathing assessment of AWI's performance, please advise what action, if any, has AWI undertaken to address each of the severe criticisms levelled at it by the Productivity Commission in the above quote.
- b) Given the significant and ongoing performance issues at AWI, why should the Government not withdraw AWI's funding?

Answer:

1)

- a) At the time of the draft report, AWI was undertaking the One Year on Review of Performance, which states:

“AWI has made a number of significant changes to its processes and operations based on the recommendations of the three year performance review. Additionally, positive changes have also been made by the Board and Management in response to opportunities identified during the most recent strategic planning cycle.”

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 86 (continued)

AWI notes that it has complied with the terms of its Statutory Funding Agreement (SFA) with the Commonwealth, both with the 2007-2010 SFA and, to date, with the 2010-2013 SFA.

AWI has also committed to undertake a further Review of Performance in 2010-11. AWI welcomes the opportunity this will bring to demonstrate its progress.

- b) The conditions under which the government can withdraw funding from AWI are set out in its Statutory Funding Agreement. These conditions have not been met to date.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 87

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: Performance Management

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

1. I refer to the following extract from the Productivity Commission's Draft Report *Rural Research and Development Corporations*, September 2010 at p.177 regarding supporting changes to the RDC model:

Ongoing concerns about the performance of Australian Wool Innovation (AWI) are damaging confidence in the RDC model. If AWI's next three-yearly independent performance review finds that the problems have not been satisfactorily addressed — and if a meaningful intermediate sanction cannot be found — then the case for the Government to withdraw its funding for AWI would be compelling.

Given this scathing assessment of AWI's performance, please advise what action, if any, has AWI undertaken to address each of the severe criticisms levelled at it by the Productivity Commission in the above quote.

Does AWI agree that its performance is damaging confidence in the RDC model?

Given the significant and ongoing performance issues at AWI and the fact that AWI's performance is damaging the RDC model, why should the Government not withdraw AWI's funding as suggested by the Productivity Commission?

Answer:

1)

- a) Please see answer to 86 (a) (APD/AWI) from the Additional Estimates February 2011.
- b) No.
- c) Please see answer to 86 (a) and (b) (APD/AWI) from the Additional Estimates February 2011.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 88

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: Performance Management

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

1. I refer to the following extract from the Productivity Commission's Draft Report *Rural Research and Development Corporations*, September 2010 at p.180 regarding supporting changes to the RDC model:

The remainder of this chapter outlines the specific changes that the Commission is proposing to support the principles listed in draft recommendation 8.1. The discussion is structured around four broad areas:

- *changes to goals and functions*
- *promoting effective communication*
- *improving governance and administration*
- *strengthening performance monitoring and enforcement.*

Some of the issues raised in these areas concern Australian Wool Innovation (AWI). As detailed in this chapter, there were widespread concerns among inquiry participants about ongoing governance and performance problems at AWI, and the potential for these to damage confidence in the RDC model. Hence, it is important for the integrity and ongoing health of all RDCs that the concerns about AWI be effectively addressed.

- a. Given this scathing assessment of AWI's performance, please advise what action, if any, has AWI undertaken to address each of the severe criticisms levelled at it by the Productivity Commission in the above quote.
- b. Does AWI agree that its performance is damaging confidence in the RDC model?

Answer:

1)

- a) Please see answer to 86 (a) (APD/AWI) from the Additional Estimates February 2011.
- b) No.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 89

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: Performance Management

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

1. I refer to the following extract from the Productivity Commission’s Draft Report *Rural Research and Development Corporations*, September 2010 at p.183 regarding marketing and industry representation:

The Commission accepts that there can be synergies not only between marketing and R&D, but also with industry representation. In practice, most independent businesses combine these functions under one roof without problems, and indeed encourage close liaison between them.

It is therefore notable that the recently-negotiated SFA for AWI prohibits it from promoting itself as an industry-representative body, which the SFA links to agri-political activity. Specifically, the SFA states that AWI:

... must not engage in, or use the Funds for, Agri-Political Activity. To avoid doubt, the Company must only spend the Funds on Marketing and Research and Development Activities. This does not include activities promoting itself as an Industry representative body or referencing information from which stakeholders would assume the Company is an industry representative body. (s. 7.4)

- a. Given the above comments, what actions has AWI taken to ensure that it’s Chairman and Board Directors do not contravene the provision of promoting AWI as an “industry representative body”?
- b. What action has AWI taken to ensure that material which offends the provision of “referencing information from which stakeholders would assume the company is an industry body” has been rectified?
- c. Please provide a list of publications “referencing information from which stakeholders would assume the company is an industry body”?
- d. In relation to the offending publications, what efforts has AWI made to withdraw them from circulation?

Answer:

1)

- a) Australian Wool Innovation Limited (AWI) has reported that:
 - the AWI Board is very much aware of its obligations under its 2010-13 Statutory Funding Agreement (SFA) with the Commonwealth and is careful to ensure that it does not promote the company as an industry representative body or engage in “agri-political activity”

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 89 (continued)

- the Strategic Plan and Operating Plan approved by the Board clearly link all activities of the company to its role as a research and development (R&D) and marketing services body
- when approving any action by the company the Board refers to its Strategic Plan. Further, should the Board be in doubt as to the classification of certain activities, it seeks the counsel of its internal advisors in ensuring it does not contravene the terms of the 2010-13 SFA.

- b) The issue of AWI's role as the R&D and marketing services body for the industry was raised in the 2006-2009 Review of Performance and followed up in the One Year On Review of Performance.

The One Year On Review of Performance Report found that overall AWI has defined its role as the industry's R&D and marketing organisation and communicated this to stakeholders. The role is generally accepted, although stakeholders are reserving judgement on the effectiveness of this role until:

- the company maintains its tighter focus for a sustained period of time
- the benefits of the revised strategy are starting to be actually realised.

- c) AWI has reported that, in all AWI publications and media releases, the company's role is clearly stated. At all relevant meetings with growers and industry stakeholders, AWI management reinforces what AWI's role is, and conversely what AWI's role is not.
- d) Refer to response to 1(c) above.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 90

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: Misconduct Issues

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

1. I refer to the following extract from the Productivity Commission's Draft Report *Rural Research and Development Corporations*, September 2010 at p.183 regarding the SFA and agri-political activity undertaken by AWI:

The SFA further notes that:

'Agri-Political Activity' means engaging in or financing any form of external or internal political campaigning, but does not include an activity required or authorised under the Corporations Act 2001 (Cwlth) or another law. (s. 1)

This requirement needs to be viewed in the context of widespread concerns about the governance of AWI (for example, Arche 2009; Australian Superfine Wool Growers Association, sub. 9; Burke 2009, 2010; Colin Agar, sub. 17; Dr John Keniry, sub. 80; Wool Producers Australia, sub. 48). In light of those concerns, it appears that the Government made a judgement that AWI had been unable to draw a clear line between industry representation and agri-political activity. AEC and APL do not appear to have had such difficulties. Hence, the Commission does not see the developments with respect to AWI as necessarily being indicative of the requirements that should apply elsewhere for marketing and industry representation. A sensible approach to industry representation, steering well clear of agri-political activity, may well have benefits for other RDCs.

- a. What is AWI's response to "widespread concerns"?
- b. Why have other RDCs been able to refrain from agri-political activity whereas AWI has been unable to do so?
- c. What measures has AWI put in place to ensure that its Chairman and Directors do not engage in agri-political activities? When were such measures put in place?
- d. Please list all public attendances by AWI directors since 2009 including the nature of the attendance, who attended and whether it was instigated by AWI or at the invitation of other person/s or organisation/s.
- e. Please list all media statements, interviews and comments made by AWI directors since 1 January 2009 including who made the statements and the nature of such statements

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 90 (continued)

Answer:

1)

- a) Australian Wool Innovation Limited's (AWI's) response to these concerns is detailed in its *Response to the Productivity Commission's Draft Report* (http://www.pc.gov.au/__data/assets/pdf_file/0014/104090/subdr232.pdf).
- b) AWI is not able to respond on behalf of other Research and Development Corporations (RDC).
- c) Please refer to response to 89 (a) (APD/AWI) from the Additional Estimates February 2011.
- d) Attachment 1 provides the detailed breakdown of attendance by AWI Chairman, CEO, Directors and staff at public functions since 1 January 2009. These were public functions, and AWI therefore attended as an invitee.
- e) All AWI official statements are available on the AWI website at: www.wool.com/Media-Releases.htm. Transcripts of interviews conducted are not kept. The AWI Chairman and Chief Executive Officer are the only authorised representatives to speak on behalf of AWI, however from time to time relevant staff members or management are authorised to be interviewed by the media. AWI does not keep a record of non-AWI official statements made by AWI directors.

[Attachment]

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 91

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: Expenses

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

1. In relation to WoolPoll 2009, please itemise all expenditure by AWI in relation to the same including:
 - a. Attendances by AWI directors and staff at meetings in the lead up to the poll
 - b. Where were those meetings
 - c. Who attended the meetings
 - d. The cost of each attendance
 - e. Were directors paid fees for each such attendance
 - f. Was any material distributed at each of those attendances? If so, please provide a copy of the material distributed
 - g. What activities were undertaken by each director to encourage a vote in WoolPoll
 - h. For example, in relation to the Wool Industry Day held on 20 May 2009 please advise:
 - i. When were the invitations issued?
 - ii. To whom were they issued
 - iii. The number of people who attended

Answer:

1)

- a) Attachment 1 provides the detailed breakdown of attendance by Australian Wool Innovation Limited (AWI) Chairman, Chief Executive Officer (CEO), Directors and staff at public functions since 1 January 2009.
- b) Attachment 1 provides the detailed breakdown of location of public functions attended by AWI Chairman, CEO, Directors and staff since 1 January 2009.
- c) The only records AWI has of attendees at these public meetings are AWI representatives. These are detailed in Attachment 1.
- d) AWI Directors are paid directors fees (listed on p60 2010 Annual Report) which cover their attendance at meetings where they are representing AWI. Consequently they are not paid additional fees for such activities. Standard transport and accommodation costs for AWI staff to attend these functions were paid by AWI.
- e) No – see response for 32d
- f) Material was not distributed however powerpoint presentations were usually delivered. The WoolPoll Voter Kit was mailed to shareholders on 25 September 2009 by the WoolPoll Panel, as required under the *Wool Services Privatisation (Wool Levy Poll) Regulations 2003*.
- g) AWI directors and staff used some of those public functions listed in Attachment 1 to encourage levy payers to participate in the WoolPoll, through speeches, individual

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 91 (continued)

discussions with levy payers and use of posters and promotional material providing information about the WoolPoll. In addition AWI commissioned advertising in local media to promote participation in WoolPoll under the guidance of the WoolPoll Committee. The total cost of WoolPoll advertising was A\$670 310.

h)

- i) Invitations were issued on the 8 May 2009
- ii) Invitations were sent to 106 growers in the following categories: grower representative bodies; major levy payers, nominated growers from areas that were felt to be under represented (eg: young growers; women; pastoral zone)
- iii) 59 levy payers attended the Woolgrower Forum.

[Attachment]

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 92

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: Consultations

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

1. I refer to the following extract from the Productivity Commission's Draft Report *Rural Research and Development Corporations*, September 2010 at p.188 regarding concerns about AWI's industry consultation:

The performance of AWI in consulting with and providing value for, industry stakeholders has been widely criticised as inadequate. An independent performance review (the Arche Review) found that AWI:

... has not had a consistent and transparent process for involving stakeholders in its strategy setting process. Industry stakeholders commented that consultation processes had been ad hoc, and focused on informing stakeholders of directions AWI is taking rather than involving them in the development of strategy and directions. (Arche Consulting 2009, p. 24)

- a. What is AWI's response to the criticisms referred to?
- b. Please explain the ad hoc nature of consultations?
- c. Please list all consultations that AWI undertook with stakeholders since 2009 including the nature of the consultations, the date that the consultation was sought, the reason for the consultation, who was invited to participate in each consultation, the programme for each consultation.

Answer:

1)

- a) This issue is covered in significant detail in the One Year Review of Performance (http://images.wool.com/pub/AWI_One_Year_Review_of_Performance_Final%20Report.pdf). Concurrent to the 2006-2009 Review of Performance, AWI reviewed its processes for engaging stakeholders. AWI accepts the conclusions made by Arche. Consultation undertaken during this timeframe was not as engaging as it could have been. In contrast an annual planning and consultation framework has now been developed to ensure consistent and strategic engagement with stakeholders.

The result has been a more formalised and structured approach, as summarised below in the figure. This annual consultation process has been further improved and expanded to include the annual planning cycle.

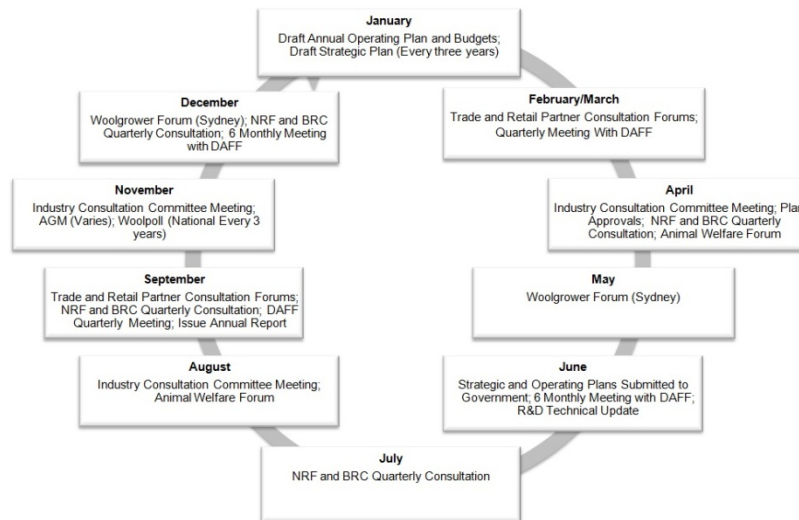
Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 92 (continued)



A key outcome of AWI's review of stakeholder engagement was the establishment of two groups - the Industry Woolgrower Consultative Committee (ICC) and the Animal Welfare Forum.

The ICC was established to ensure woolgrower representatives are formally consulted. The ICC meets 3-4 times a year allowing for AWI to seek input on the development of priorities and other key activities. The ICC also provides a forum for grower representatives to provide feedback to AWI.

The Animal Welfare Forum was established in 2009 to ensure that key animal welfare organisations and researchers are consulted on key issues. This forum meets twice a year with the main focus being on breech flystrike prevention.

In addition to these consultative groups, AWI consults and engages a wide range of stakeholders in areas across its business.

- b) Compared to other rural industries the wool industry has a large number of industry organisations. In addition to internal changes in management and organisational restructures, this contributed to ad hoc consultation of stakeholders. This was recognised and an internal review was underway concurrent to the 2006-2009 Review of Performance which identified this as an area of improvement. The 2009-2010 One Year review of Performance notes the improvements and progress made, but recognises this is an ongoing and dynamic function of business operations.
- c) The table below lists the consultation undertaken with domestic and international stakeholders since 2009. [Attachment 1](#) also identifies public events which were attended by AWI directors and staff during 2009 and 2010 and provided opportunities for stakeholder engagement.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 92 (continued)

AWI stakeholder consultation 1 July 2009 – 31 March 2011

Engagement	Planned consultation	Actual consultation
Woolgrowers	<ul style="list-style-type: none">▶ National Wool RD&E Strategy grower workshops in all wool growing areas▶ Woolgrower Forum▶ Key regional events including shows, field days and forums.▶ Wild Dog Advisory Committee▶ Wool Carbon Alliance	<ul style="list-style-type: none">▶ 2 pilot 3 hour workshops run at Wagin March 2010 (27 growers). 6 workshops (6 hr ea) – Hamilton, Merredin, Katanning, Longford, Young, Armidale (81 growers). QLD and SA remain to be surveyed.▶ Participation at 85 various regional and industry events.▶ Industry Woolgrower Consultative Committee meetings held in April, June & November 2010 and March 2011.▶ Ad hoc phone and email discussion on project proposals.▶ Consultation at two Wool Carbon Alliance (WCA) meetings, Nov 09 & 10 on the AWI Climate change and variability Strategy.▶ Woolgrower Forum held in May & December 2009; May 2010 and March 2011.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 92 (continued)

<p>Retailers and Brands</p>	<ul style="list-style-type: none"> ▶ Annual delegation to meet with British Retail Consortium (BRF) and National Retail Federation (NRF). ▶ Quarterly reports to British Retail Consortium (BRF) and National Retail Federation (NRF). ▶ Formal consultations and informal discussions on issues as they arise. ▶ Retailer & Brand consultation on product and innovation development Spinexpo New York & Shanghai; Milano Unica, Italy; Premiere Vision, Paris 	<ul style="list-style-type: none"> ▶ Delegation in December 2009 & September 2010 to provide an update on progress of flystrike R&D to BRF and NRF. ▶ Quarterly briefings of NRF & BRC conducted in June/July, Sept & Dec 2009, March/April, June, Sept and Dec 2010 and March 2011. ▶ AWI hosted Eric Autor (NRF) to Australia in April 2010 to meet with industry organisations, R&D scientists and welfare groups and government officials in order to gain an understanding of the industry and efforts to find alternatives to mulesing. ▶ Product development & Innovation workshops at all key trade shows as planned. ▶
<p>Manufacturers</p>	<ul style="list-style-type: none"> ▶ Annual product development and innovation workshops with key and influential manufacturing partners ▶ Regular informal discussions and workshops on technical issues as required ▶ Exploit IWTO forum to meet with early stag processors and manufacturers ▶ Contribute to the International Standards Organisation (ISO) industry committees to ensure the standards are not biased against 	<ul style="list-style-type: none"> ▶ Quarterly Product Development & Innovation workshops with key and influential retailers, brands manufacturing partners - around 200 participants each quarter. ▶ Workshops and discussions during July 2009 and February 2011. ▶ Ongoing informal discussions with partners along the supply chain. ▶ Industry workshop in Shanghai (Sept 2010) on environmental concerns facing wool manufacturing. Attended by companies from Asia and Europe. ▶ Participated in IWTO Conferences at India 2009 and Paris 2010 to discuss technical developments and innovations. ▶ Participated in ISO industry committees.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 92 (continued)

Government	<ul style="list-style-type: none"> ▶ Six monthly Ministerial meetings and Quarterly meetings with Department of Agriculture, Forestry and Fisheries (DAFF) 	<ul style="list-style-type: none"> ▶ Six monthly SFA meeting with DAFF on 22 December 2009, 17 June 2010 and 10 December 2010. ▶ Quarterly SFA meetings with DAFF on 27 July 2009; 1 April, 2 July & 29 September 2010; 25 March 2011.
R&D Vendors	<ul style="list-style-type: none"> ▶ Conference (Flystrike R&D technical update) ▶ Informal consultations on issues as they arise. ▶ Planning for Ag Insights biennial. Forum (AWI & MLA) to be held in 2011 ▶ National Wool RD&E Strategy Working Group ▶ National Wild Dog Management Advisory Group ▶ National Animal Welfare RD&E Strategy Steering Committee 	<ul style="list-style-type: none"> ▶ Bi-annual Flystrike R&D Update held in June 2010. ▶ Animal Welfare Forum held in August 2009, April & November 2010 and May 2011. ▶ Ag Insights held in March 2009 and March 2011. ▶ Participation in two National Wool RD&E Strategy Working Group teleconferences (Oct 2009 and May 2010) - sharing of objectives and priorities. ▶ Participation in the two National Wild Dog Management Advisory Group meetings - sharing of objectives and priorities ▶ Participation in 4 face to face Steering Committee meetings (Oct 2009 and Feb, May and June 2010) - sharing of objectives and priorities ▶ Participation in 2 face to face National Animal Welfare RD&E Strategy Steering Committee meetings (Oct 2010, March 2011) – planning implementation of the AW Strategy.

[Attachment]

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 93

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: Appointments

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

1. I refer to the following extract from the Productivity Commission's Draft Report *Rural Research and Development Corporations*, September 2010 at p.194 regarding concerns about AWI's board selection processes:

The primary concern expressed to the Commission about current board-selection processes relates to the arrangements used by AWI. That entity's most recent performance review found that the 'architecture of the constitution for the appointment of directors does not ensure that the AWI Board is skills based' (Arche Consulting 2009, p. x).

- a. What is AWI's response to the criticisms referred to?
- b. Given the criticism that the AWI is not a skilled based board, what efforts has AWI made to date to rectify this problem
- c. Does AWI intend to rectify the problem
- d. Has the AWI board considered the need date to rectify this problem
- e. What efforts have AWI made to change the constitution to rectify this problem

Answer:

1)

- a) Refer to Part 5 of the submission by Australian Wool Innovation Limited (AWI) in response to the Productivity Commission's Draft Report (available on the commission's website at: www.pc.gov.au/__data/assets/pdf_file/0014/104090/subdr232.pdf).
- b) AWI reports that its Board can demonstrate the collective expertise required for a skills based board in accordance with its Board Charter. AWI has agreed to put in place a Board Nomination Committee with responsibility for recommending to the Board necessary and desirable director competencies and identify those candidates with the necessary competencies standing for election. (See also the response to APD/AWI 13).
- c) AWI does not intend to put to its shareholders any changes to the current director election process set out in its Constitution.
- d) Yes, refer to responses to 1(b) to (c) above.
- e) Refer to response to 1(c) above.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 94

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: Appointments

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

1. I refer to the following extract from the Productivity Commission's Draft Report *Rural Research and Development Corporations*, September 2010 at p.194 regarding concerns about AWI's board selection processes

The new SFAs for AWI and HAL specifically refer to a document prepared by the ASX Corporate Governance Council (2007) — titled Corporate Governance Principles and Recommendations — as a guide to best-practice corporate governance, particularly with respect to the nomination committee. A revised version of that document will apply from 1 January 2011, including new requirements for board diversity, which may also be useful for the RDCs to follow (ASX Corporate Governance Council 2010).

- a. What practical measures has AWI put in place to implement the new governance processes
- b. What provisions are in place to ensure AWI meets new board governance processes
- c. Given AWI's bad history of governance, what provisions are in place to ensure that AWI meets new board governance processes
- d. Given that the AWI board members who have been primarily responsible for governance problems, what guarantees has AWI given to the government have that the board will implement and meet new board governance processes
- e. Given the criticism levelled at the AWI board to date, surely the most transparent course of action is for the entire board to resign and AWI be subject to the selection of a proper skills based board
- f. Has the board and have board members considered adopting this course of action. If not, why not

Answer:

1)

- a, b, c, d) Refer to responses to 72 and 93 (APD/AWI) from the Additional Estimates February 2011. In addition, Australian Wool Innovation Limited (AWI) has reported that each Board member has been provided with a set of governance documentation, including:
 - AWI corporate governance diagram
 - Board Charter
 - Charter of Committees of the Board
 - Code of Conduct – Directors and Officers

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 94 (continued)

- Conflicts of Interest – Directors and Officers
 - Code of Conduct – Obligations to Stakeholders
 - Corporate Governance Communications Strategy
 - Australian Institute of Company Directors – Code of Conduct
 - Director Expense Policy/Travel Policy
 - ASX Corporate Governance Principles and Recommendations
 - AWI Constitution
 - 2010-13 Statutory Funding Agreement between AWI and the Commonwealth.
- e) AWI does not intend to put to its shareholders any changes to the current director election process set out in its Constitution.
- f) AWI is not aware if the board or board members have considered resigning.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 95

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: Appointments

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

1. I refer to the following extract from the Productivity Commission's Draft Report *Rural Research and Development Corporations*, September 2010 at p.197 regarding board selection under AWI's new statutory funding agreement.
 - a. Given AWI's poor governance history and the scathing criticisms in the Arche Consulting, what practical steps has AWI undertaken to meet the new requirements
 - b. Given the current election processes for election of the board, how can AWI achieve a skills based board without a change to its constitution

Answer:

1)

- a) Please see answer to 72 (APD/AWI) from the Additional Estimates February 2011.
- b) Please see answer to 93 (1)(c) (APD/AWI) from the Additional Estimates February 2011.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 96

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: AWI Reports

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

1. I refer to the appearance by AWI Chairman Wal Merriman at the Senate Rural and Regional Affairs and Transport Legislation Committee in May 2010 where he acknowledged the existence of the three reports and to the following extract from the Productivity Commission's Draft Report *Rural Research and Development Corporations*, September 2010 at p.198

... Moreover, subsequent to the Arche review, three reports from external advisers on how to improve the organisation's governance have not been publicly released. This has added to a sense of a lack of transparency and the ongoing concerns that governance issues at AWI are not being adequately addressed.

- a. Given the scathing criticisms levelled at AWI in relation to performance and governance issues, why has AWI failed to publicly release these 3 reports
- b. In relation to each report, please advise whether AWI commissioned the report
- c. If so, when was each report commissioned
- d. The process associated with commissioning each report
- e. Who provided each report
- f. When was the draft of each report was provided to AWI
- g. Did AWI make any changes to the draft/s of each report
- h. The date of each final report
- i. Did AWI provide a copy of any or each of the report to government
- j. If so, the date that any or each report was provided to government
- k. To whom was any or each report provided

Answer:

1)

- a) The three reports referred to were reports commissioned to assist AWI with its corporate governance processes. AWI commissions such advice / reports from time to time and will continue to do so as required. The content of the reports has been provided for information to the Board only and has not been authorised for release by the Board, and in some cases by the consultant commissioned.
- b) AWI commissioned each of the three reports.
- c) The reports were commissioned between July 2009 and May 2010.
- d) The Company Secretary/Legal Counsel was responsible for the selection of these consultants on the basis of their expertise in the relevant field.
- e) The reports were provided by Cameron Ralph, Professor Bob Baxt and John Harrison.

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 96 (continued)

- f) There were no draft report/s.
- g) Please refer to 37 f).
- h) These reports were provided to the Board in 2010.
- i) No
- j) N/A
- k) N/A

Senate Rural Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2011

Agriculture, Fisheries and Forestry

Question: 97

Division/Agency: APD/AWI – Australian Wool Innovation

Topic: AWI Reports

Proof Hansard Page: Written

Senator Fierravanti-Wells asked:

1. I refer to the following extract from the Productivity Commission's Draft Report *Rural Research and Development Corporations*, September 2010 at p.204 regarding strengthening performance monitoring and enforcement.

The Government has recently decided to specifically require the IOCs to undertake ex post evaluations, and is phasing this in as individual SFAs are renegotiated. For example, the most recent SFAs for AWI and HAL include clauses requiring a structured program of evaluations, and participation in any evaluation project established for all RDCs. The Commission supports this move, and considers that the statutory RDCs should have a similar requirement.

- a. Given AWI's poor performance and governance history and the scathing criticisms in the Arche Consulting, what practical steps has AWI undertaken to meet the new requirements for structured evaluation programs
- b. What practical steps has AWI undertaken to meet the new requirements for participation in any evaluation project?

Answer:

1)

a & b) As noted in the One Year On Review of Performance Report, AWI commissioned PricewaterhouseCoopers to develop a comprehensive project evaluation framework. The framework allows the environmental, economic and social impacts of projects to be assessed, both qualitatively and quantitatively, via measures such as:

- Net Present Value;
- Internal Rate of Return;
- Benefit Cost Ratio; and
- Qualitative Scorecard.

The evaluation framework can be used either before a project is undertaken (ex ante), mid project or upon project completion (ex post). The evaluation framework is currently being implemented following calibration and development of supporting guidelines.

AWI also participates in the Council of Rural Research and Development Corporations' collective evaluation of the impact, effectiveness and return on investment from the research and development corporations.