

22 February 2002

Mr Col Dorber  
Managing Director  
Australian Wool Innovations Ltd  
Level 5  
47 York St  
Sydney NSW 2002

Dear Col

As you are aware, the Board of AWI moved "in camera" to conduct the scheduled review of the following

- your performance for the period 1 March 2001 to 21 February 2002
- bonus for the period 1 March 2001 to 21 February 2002
- salary for the period March 2002 to March 2003
- bonus for the period March 2002 to March 2003

There was acknowledgement that the Board had failed in its obligations to set Key Performance Indicators as per your contract for the first year.

A detailed discussion took place on the four items and at the outset, can I place on record that the Board considered you had excelled in the area of company set up, structure, staffing and operation from start up and that you were to be congratulated on your achievements in this area.

There were a number of issues that I was requested to draw to your attention that concerned some directors. They are happy to discuss them with you in more detail directly as a board or individually as directors. However they do not necessarily reflect the views of all directors. In providing these details I would like you to consider them in light of the company operation for the next year.

- **Strategic leadership, strategy development and implementation**  
Concerns were expressed that insufficient time was spent on strategic development of core business areas, in particular "on farm". The areas of fibre and textiles and sustainability had developed well but some peripheral projects, such as education, have appeared to have taken a great deal of your time and are not part of core business. Directors wished me to stress the need for you to concentrate on the overall strategic development and implementation of a robust group of projects that are critical to AWI core business. There was considerable comment made about the AWI process being "submission driven" whereas all program areas should be underpinned by comprehensive and well developed strategies. The area of sustainability and natural resource management was singled out as a program that should serve as a model for the other areas. The issue of "off farm" strategies did not cause the level of angst as that of "on farm" projects.
- **Style/Company profile** – there is a view among some directors that you have displayed an aggressive style that is inappropriate for the next phase of operation. They expressed concern that a dismissive attitude had led to a very poor relationship between AWI and peak farming organisations and representative bodies. The same concern was expressed in relation to research providers. Every effort must be made to ensure that full consultation with stakeholders occurs and that AWI demonstrates its willingness to retain open dialogue with all parties.

- **Investment Strategy and Return on Investment** – some directors considered that you had not articulated the AWI investment strategy with its return on investment goal of 15% indicating a lack of understanding of the commercial focus required of AWI. Their comments indicated that your enthusiasm for quick commercial victories combined with a level of naivety had prevented methodical and careful assessment of projects. They emphasised the need to see key performance indicators that demonstrated a corporate culture focussed on significant return on investment.
- **Team leadership/succession planning** – there is a perception that the company is dominated by the Managing Director and the operation focuses around your persona. Directors were keen to see the staff stabilise, mould into a working team and develop with responsibilities for their programs and operations enabling them to take a higher profile role. There is a need to focus on succession planning and ensure that this process is underway in the coming twelve months.
- **Processing time for projects** – there is a perception that considerable time is taken to receive, assess, process and return project applications made to AWI. Some complaints made to directors from research institutions signalled considerable unease with this system. This is an issue that you may wish to address at the next meeting of the Board.

From my perspective as Chair of the Board, I wish to record my personal thanks for what I consider has been a remarkable year of achievement, action and satisfaction with the level of research, information and briefing detail provided to the directors. I consider the start up performance by you and your staff to be exemplary.

The decision on the salary review is as follows:

- \$15,000 bonus before tax but can be taken as an alternate tax effective package.
- Base salary increase by 5% - \$12,250 pa
- No increase in superannuation or change to structure of vehicle package.
- Provision for a bonus up to 15% depending on the Key Performance Indicators.

As chair of the Board I have been delegated the task of drawing up the KPI's in consultation with you to be presented at the next meeting in April.

Should you wish to discuss/appeal the decision, you retain the right to do so in writing and/or in person at the next meeting.

Yours faithfully



Maree McCaskill  
Chair  
Australian Wool Innovation