



STRATEGIC PLAN 2019/20 TO 2021/22

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1. INTRODUCTION

1.1. Chairman's Statement



AWI exists because Australian woolgrowers believe they need to invest in research, development and marketing to help ensure the sustainability of their industry and increase the profitability of their wool-growing enterprises.

Recent years have been very positive for Australian woolgrowers. The wool market has seen extraordinary heights which have been driven by global demand for our wool – it's a fibre desired by processors, retailers and customers.

The next strategic period will see AWI evolve further as a business as we look ahead to the next generation of wool fibre consumers with a focus on innovation, traceability and sustainability.

We believe that the company can be most effective, accountable and productive when we have consulted and engaged with our levy payers and industry stakeholders – and when we work together. Good consultation is essential for the company.

We are very cognisant that the 1.5% WoolPoll levy vote and the impact of the drought will reduce AWI's revenue in the coming years. Let me assure you, this does not change our resolve to work in the best interests of all woolgrowers. As you adjust to the seasonal conditions, so will AWI adapt, and in doing this we will make certain our operations continue to be transparent, lean and efficient.

The company's highest priority in this new three-year strategic period is to ensure we invest in projects that will deliver outcomes that benefit all woolgrowers. We believe that delivering those outcomes is more important now than at any time in recent history because of the climate pressure on wool production and the changing demands of international markets.

As ever, there will always be challenges and opportunities, but you have my commitment that this company – your company – will operate for your benefit.

Colette Garnsey

1.2. CEO's Statement



During the period covered by its previous Strategic Plan, AWI has delivered significant results for Australian woolgrowers. Most notably, the strong and consistent demand for our fibre in global markets has resulted in record wool prices which are rewarding woolgrowers across Australia for their hard work, persistence during some tough conditions and loyalty to the fibre.

This new three-year Strategic Plan is based on woolgrowers' democratic choice at WoolPoll 2018. The 1.5% levy, along with the drought, has reduced AWI's revenue for the next three years. We have cut our cloth to manage these conditions.

This Strategic Plan, which has been created in consultation with woolgrowers and other stakeholders to ensure it meets their needs, details AWI's five portfolios through which we will implement 13 strategies and 29 programs. These seek to address key industry issues and opportunities across the global supply chain for Australian wool, from woolgrowers through to consumers.

The portfolios in this new Plan place a greater focus on cutting edge investments to take advantage of developments in the digital arena. In the on-farm area, agri-tech initiatives such as smart tags, artificial intelligence and taking another look at robotic shearing aim to take some of the hard work out of wool-growing and increase productivity. In marketing, we will adapt to the changing ways modern consumers now make their purchasing decisions by introducing technologies such as augmented reality in-store, and by applying data mapping to predict consumers' online buying behaviour.

A focus on traceability and the new online WoolQ platform form the foundations of this strategy, providing transparency and the tools to ease the flow of information to all parties up and down the supply chain. It's an exciting time to be in wool.

Stuart McCullough

1.3. About AWI

Who we are

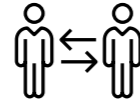
Australian Wool Innovation (AWI) is the research, development (R&D) and marketing organisation for the Australian wool industry. The company invests along the global supply chain for Australian wool – from woolgrowers through to retailers.

AWI was established by the Australian Government in 2001 to manage woolgrowers' collective investment in R&D for the benefit of the industry. In 2007, AWI acquired The Woolmark Company on behalf of woolgrowers and marketing activities re-commenced.

The Woolmark Company and its affiliates are the proud owner of the world-renowned Woolmark logo – the world's best known textile fibre brand. The Woolmark Company offices are strategically located to develop direct business relationships with global brands/retailers, textile manufacturers and fashion designers in key markets across Asia, Europe and the Americas.

Woolgrowers are at the heart of everything we do, and we work with the Australian Government through legislation (the Wool Services Privatisation Act 2000), regulations and a Statutory Funding Agreement.

What we do



Collaborate on research, development and marketing projects.



Invest in research, development and marketing.



Increase demand for wool globally.



Staff in 14 countries in key markets across the world.



Consult with woolgrowers, industry, government and key partners.

Our Vision

AWI is a highly valued contributor to a vibrant, profitable and sustainable Australian wool industry.

Our Mission

To make strategically targeted investments to:

1. Enhance the profitability, international competitiveness and sustainability of the Australian wool industry.
2. Increase demand and market access for Australian wool.

Our Goal

To increase the profitability and support the sustainability of Australian wool industry through strategically targeted investments in research, development and marketing designed to optimise return on investment.

Our Values



Innovative

AWI will drive a sustainable culture of innovation to deliver tangible solutions to research, development and marketing across the global wool industry.



Collaborative

AWI will engage in collaborative and supportive partnerships across our global supply chain.



Accountable

AWI, its staff and contractors are accountable to our stakeholders (internal and external) in all we do to provide the best return on their investment.



Transparent

In all our operations, AWI will be transparent about what, why and how we operate, and how we have performed, reporting measurable outcomes on investments and programs.



Integrity

Integrity drives our commitment to put growers first.



Respect

We will engage with each other and consult and interact with woolgrowers and other industry stakeholders in a professional and respectful way.

1.4. Measurement and Evaluation

AWI is committed to providing measurable and quantifiable returns on woolgrower and government funds. The role of the Monitoring and Evaluation (M&E) framework is to measure, analyse and report on the performance of AWI's investment of funds in the programs it invests in. The implementation of the M&E framework will enable AWI to sustainably measure and evaluate our programs, projects and

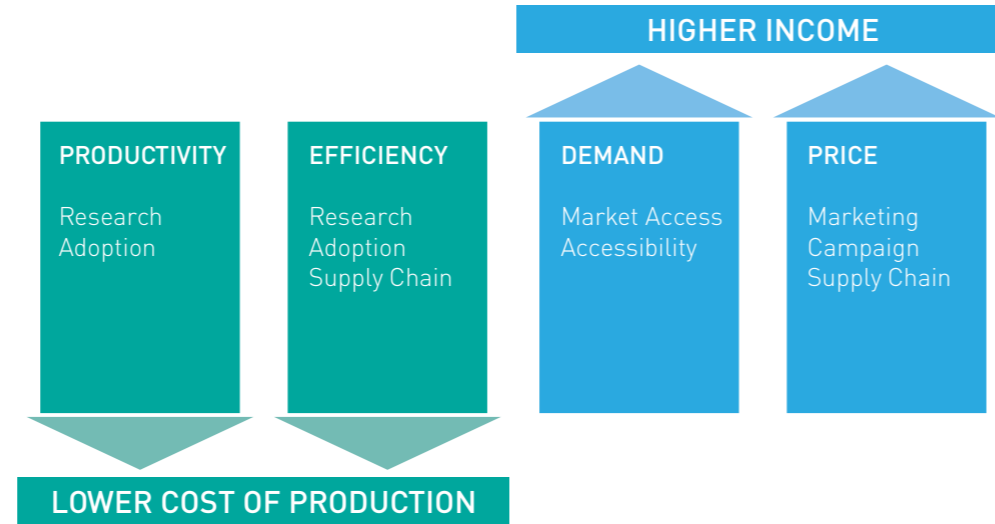
- overarching measurements of performance providing a robust framework for program and project measurement, evaluation and reporting
- development of robust measurements of project and program impacts and the benefits delivered to Australian woolgrowers
- provide transparency of AWI's accountability to woolgrowers and industry stakeholders
- develop and embed an internal culture of M&E to ensure the delivery of benefits to Australian woolgrowers.

During the next strategic period, AWI will sustainably embed a M&E framework into each of AWI's business areas to effectively measure and evaluate activity and investment.

To do this, AWI has identified Return on Farm Assets Managed (RoFAM) as a metric to act as a high-level, indicative measure of the commercial viability and attractiveness of wool growing. Using independently sourced data, the relative profitability of wool growing can be compared to other agricultural and commercial pursuits. RoFAM underpins the logic of AWI's M&E framework.

To impact RoFAM, AWI has identified four drivers:

1. Productivity – an increase in yield from a fixed asset
2. Efficiency – increases in outputs from a content level of inputs
3. Demand – demand and price are externally driven. Increasing demand for wool increases farm income
4. Price – increase in price of wool increases farm gate return By engaging one of the four drivers, value is derived for growers by lowering cost of production or increasing farm gate income.



These four drivers inform methods of measurement and evaluation for AWI's activities.

Productivity, Efficiency, Price and Demand are the key dimensions through which AWI can increase the profitability and sustainability of wool production in Australia.

Gains in Productivity and Efficiency reduce the costs of production – these benefits are particularly acute pre-farmgate. Increasing Price and Demand results in higher incomes through higher wool prices.

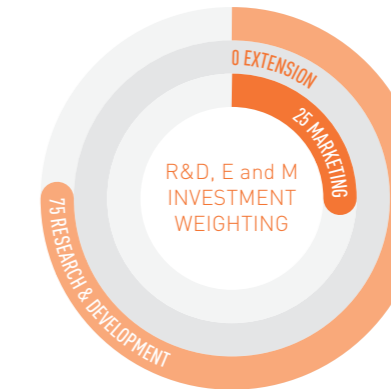
Each Program impacts at least one of the four aligning programs which results in incremental benefits to RoFAM and a benefit to woolgrowers.

Implementation and compliance of this framework ensures that AWI operations from Programs, the primary mechanism through which AWI's benefits are delivered, through to projects, the means by which change is affected, are aligned with AWI's purpose and four drivers.

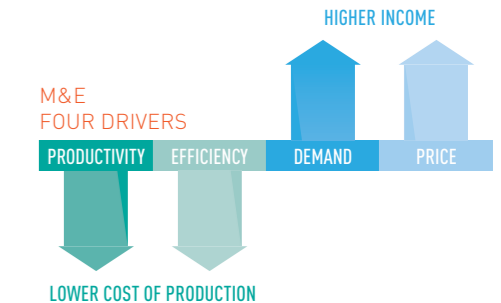
An internal culture of robust measurement and reporting delivers better results that are transparent to woolgrowers and AWI's stakeholders.

M&E throughout the Strategic Plan

M&E is included and referenced throughout this document. Each page dedicated to AWI's programs, specifically identifies the funding split in the bottom left corner between Research, Development, Education & Extension and Marketing. The bottom right corner indicates which of the four drivers the program impacts, indicating whether it aims to increase productivity, efficiency, demand or price. Impacting at least one of these drivers means benefits are delivered to woolgrowers.



Research, Development, Education & Extension and Marketing example



Four Drivers example

1.5. Strategic Plan 2019/22 Summary

SHEEP PRODUCTION, SCIENCE & TECHNOLOGY

OVERALL OBJECTIVE	Lower the cost of production of wool on-farm by increasing the productivity of sheep and land, and increasing the efficiency of use of inputs and resources while maintaining Australia's reputation for sustainability.		
STRATEGY	PROGRAMS	TARGETS	
HEALTHY PRODUCTIVE SHEEP	SHEEP HEALTH & WELFARE	<ol style="list-style-type: none"> Evidence of successful development of a flystrike vaccine prototype. <i>(OP)</i> Evidence of investigations into novel pain relief options. <i>(OP)</i> Developed integrated parasite management strategies to minimise the impact of chemical resistance. <i>(OP)</i> Evidence of successful development of wool bale biosecurity tools. <i>(OP)</i> 	<ol style="list-style-type: none"> Demonstrate a 10% increase in adoption of welfare improved practices. <i>(OC)</i> Demonstrate a 20% improved capacity of post-farmgate wool industry preparedness for an EAD. <i>(OC)</i>
	VERTEBRATE PESTS	<ol style="list-style-type: none"> Reduce the negative impacts of predation by 10% by 2022. <i>(OC)</i> Improve capacity to undertake pest animal control by 10% by 2022. <i>(OC)</i> 	<ol style="list-style-type: none"> Development of new rabbit bio-controls. <i>(OP)</i>
	REPRODUCTION & NUTRITION	<ol style="list-style-type: none"> At least 1,500 woolgrowers engaged in implementing beneficial feedbase guidelines and practices by 2022. <i>(OC)</i> Increasing Merino marking rates by 0.5% per annum. <i>(OC)</i> Complete the development of guidelines and extension workshops to improve reproductive rates that support the aim of 34% of ewes differentially managed to best practice by 2022. <i>(OC)</i> 	<ol style="list-style-type: none"> Improve the understanding of three key areas to address climate variability: effect of heat stress on reproduction performance, best practice for supplementary feeding and management of resilient pasture species. <i>(OP)</i>
	GENETICS	<ol style="list-style-type: none"> By 2022, 50% of Merino producers will be using genetic tools (eg Australian Sheep Breeding Values, Flock Breeding Values or wether trial data) in ram purchasing decisions. <i>(OC)</i> 	
AGRI TECHNOLOGY	HARDWARE & SOFTWARE DEVELOPMENT	<ol style="list-style-type: none"> AWI Smart Tag system delivers at least three practical functionalities driven by sensors, hardware is reliable and durable, and software is able to be updated remotely. <i>(OP)</i> 	<ol style="list-style-type: none"> Artificial Intelligence (machine learning) applied for data analysis delivering accurate predictions for at least two sheep traits or paddock events. <i>(OP)</i>
	MECHATRONICS	<ol style="list-style-type: none"> Proof of concept robotic shearing system delivered. <i>(OP)</i> 	
TRAINING & TECHNOLOGY UPTAKE	NOVEL APPLICATIONS	<ol style="list-style-type: none"> Proof of concept novel user interface application. <i>(OP)</i> 	<ol style="list-style-type: none"> Educational packages to increase technology adoption and digital literacy. <i>(OP)</i>
	SHEEP & WOOL MANAGEMENT SKILLS	<ol style="list-style-type: none"> 1,500 tertiary participants in AWI leadership and practical skills events. <i>(OC)</i> AWI leadership and practical skills events delivered to participants receive a net promoter score of at least 7.5/10. <i>(OC)</i> 	<ol style="list-style-type: none"> 30,000 views of AWI Education & Extension resources online. <i>(OC)</i>
	WOOL HARVESTING & QUALITY PREPARATION	<ol style="list-style-type: none"> 3,000 novice and intermediate level participants trained by AWI shearer and wool handler trainers. <i>(OC)</i> Ongoing retention rate of 75% of those trained yearly. <i>(OC)</i> 	<ol style="list-style-type: none"> More than 1,000 participants in shearer and wool handling competitions nationally. <i>(OC)</i> 15,000 views of AWI Wool Harvesting resources online. <i>(OC)</i>

OC – Outcome OP – Output

CONSULTATION

OVERALL OBJECTIVE	To build trust and transparency across the supply chain through an industry best-practice structured, targeted and measurable engagement model; and for this intelligence to influence, inform or contribute to AWI's business activities.		
STRATEGY	PROGRAMS	TARGETS	
WOOLGROWER	EXTENSION NETWORKS	<ol style="list-style-type: none"> 15,000 active participants in AWI extension initiatives. <i>(OC)</i> AWI workshops delivered to participants receive a net promoter score of 7.5/10. (evidenced by exit surveys). <i>(OC)</i> 	<ol style="list-style-type: none"> 50,000 views of AWI Network resources online. <i>(OC)</i>
	EVENTS & FORUMS	<ol style="list-style-type: none"> Support and engagement at more than 50 events and forums nationally. <i>(OP)</i> 	
INDUSTRY	MARKET INTELLIGENCE & COMMUNICATIONS	<ol style="list-style-type: none"> 70% of users of AWI's Market Intelligence find it of 'high value' or above (evidenced by AWI survey). <i>(OC)</i> Increase subscriber numbers by 20%. <i>(OC)</i> 	<ol style="list-style-type: none"> E-news click through rate of 35%. <i>(OC)</i> Market Intelligence area on AWI website receives 1,500 views per month. <i>(OC)</i>
	WOOLGROWER REPRESENTATIVE BODIES	<ol style="list-style-type: none"> WICP and WCG members report AWI consultation efforts have been maintained or improved at 8.9 (approval rating out of 10). <i>(OC)</i> 	

PROCESSING INNOVATION & EDUCATION EXTENSION

OVERALL OBJECTIVE	Increase the profitability and sustainability of the wool processing and manufacturing supply chain and educate students, trade and retailers about the benefits of wool.		
STRATEGY	PROGRAMS	TARGETS	
PROCESSING INNOVATION	TEXTILE & RETAILING TECHNOLOGIES	<ol style="list-style-type: none"> Proof of concept novel retail technology application. <i>(OP)</i> Proof of concept novel textile technology/fashion tech application. <i>(OP)</i> 	<ol style="list-style-type: none"> Educational packages to increase technology awareness, adoption and digital literacy. <i>(OP)</i>
	PARTNERED INNOVATION	<ol style="list-style-type: none"> Partner with six machinery companies for product or process development. <i>(OP)</i> Minimum of ten fully-fashioned garment product developments made commercially available. <i>(OP)</i> 	<ol style="list-style-type: none"> Minimum of five footwear developments made commercially available. <i>(OP)</i> Research and commercial trial of one wearable technology. <i>(OP)</i> Partnered product developments to increase by 20%. <i>(OP)</i>
EDUCATION EXTENSION	RETAIL EDUCATION	<ol style="list-style-type: none"> Deliver retail training programs across womenswear, menswear and sportswear to a minimum of 50 retailers/brands globally. <i>(OC)</i> 	<ol style="list-style-type: none"> Retail staff have successfully completed 200 retail training courses on the properties and benefits of Australian wool on the Woolmark Learning Centre digital platform. <i>(OC)</i>
	TRADE EXTENSION	<ol style="list-style-type: none"> Increase the number of supply chain partners contributing to The Wool Lab by 10% to drive demand. <i>(OC)</i> Increase swatch requests from The Wool Lab by 5%. <i>(OC)</i> 	<ol style="list-style-type: none"> Expand its Wool Resource Centres to USA (New York) to increase awareness. <i>(OP)</i> Increase engagement at the most influential international yarn, fabric, sports/outdoor, machinery and technical shows by 10%. <i>(OC)</i>
WOOLMARK	STUDENT EDUCATION	<ol style="list-style-type: none"> Increase participation in the Learn About Wool primary and secondary education program by 10%. <i>(OC)</i> Increase global participation in the Wool4School secondary design competition by 20% across Australia, Hong Kong, UK and Italy. <i>(OC)</i> 	<ol style="list-style-type: none"> Increase participation in tertiary education programs by 15%. <i>(OC)</i> Students have successfully completed 700 courses on the Australian wool and manufacturing industry through the Woolmark Learning Centre digital platform. <i>(OC)</i>
	QUALITY CONTROL	<ol style="list-style-type: none"> 1,200 branded product samples purchased and processed through the QA program to maintain the integrity of the Woolmark brand. <i>(OP)</i> 	
	LICENSING	<ol style="list-style-type: none"> Increasing use of the Woolmark logo on qualifying product by 10% as measured through the use of branded tickets and labels. <i>(OC)</i> 	

OC – Outcome OP – Output

1.5. Strategic Plan 2019/22 Summary (continuation)

MARKETING

OVERALL OBJECTIVE To continue to build demand for Australian wool by reinforcing its position in the market and solidifying a strong price to ensure a sustainable future for Australian woolgrowers.

STRATEGY	PROGRAMS	TARGETS
TRADE	FIBRE ADVOCACY	<ol style="list-style-type: none"> Increase trade leads by 2.5%. <i>(OC)</i> 5% active engagement rate on owned content. <i>(OC)</i>
	INTERNATIONAL WOOLMARK PRIZE	<ol style="list-style-type: none"> 300 new leads per year. <i>(OC)</i> Achieve 50% of surveyed alumni as continued wool advocates post-award. <i>(OC)</i> Five commercial partners retain alumni collections after initial season. <i>(OC)</i>
BUSINESS & TALENT DEVELOPMENT	WOOLMARK PERFORMANCE CHALLENGE	<ol style="list-style-type: none"> Increase digital engagement by 20% year on year. <i>(OC)</i> Increase competition entry rate by 10%. <i>(OC)</i> Increase webinar average attendance rate from 19. <i>(OC)</i>
	FIBRE ADVOCACY	<ol style="list-style-type: none"> 5% increase in active engagement on owned media channels. <i>(OC)</i> Increase Share of Voice (SOV) by 8% for The Woolmark Company and Merino wool. <i>(OC)</i> Increase in campaign-specific brand awareness by 5%. <i>(OC)</i> Increase in campaign-specific brand sentiment by 5%. <i>(OC)</i>
CONSUMER	BRAND PARTNERSHIP	<ol style="list-style-type: none"> Partner with five global brand partners. <i>(OP)</i> Increase purchase intent of Australian wool by 5%. <i>(OC)</i> Achieve 5% increase in units of clothing with five brand partners with a global presence. <i>(OC)</i>

TRACEABILITY

OVERALL OBJECTIVE To provide tools to ease the flow of information about Australian wool up and down the supply chain to all parties; to communicate wool's benefits, facilitate provenance and supply chain transparency.

STRATEGY	PROGRAMS	TARGETS
SUPPLY CHAIN INITIATIVES	WOOLQ	<ol style="list-style-type: none"> An increase of 5,000 woolgrowers adopting the WoolQ grower tools. <i>(OC)</i> 5% of all Australian wool traded via the WoolQ Market tool. <i>(OC)</i>
	FIBRE IDENTIFICATION & TRACING	<ol style="list-style-type: none"> Define new fibre-origin test method for adoption into the supply chain and use by laboratories. <i>(OP)</i> Draft protocols for the chain of custody of wool through the supply chain ready for review by global wool industry bodies. <i>(OP)</i>
FIBRE SCIENCE	HEALTH AND WELLNESS	<ol style="list-style-type: none"> Produce and publish evidence of specified next to skin Merino garments as beneficial for eczema. <i>(OP)</i> Produce and publish evidence of specified next to skin Merino garments as improving sleep quality. <i>(OP)</i> Generate new test protocols to measure wool's breathability in dynamic conditions. <i>(OP)</i>
	ECO CREDENTIALS	<ol style="list-style-type: none"> Produce and publish evidence how current environmental scoring of apparel disadvantages the value chains of natural and renewable biogenic carbon fibres compared to non renewable fossil carbon derived fibres. <i>(OP)</i> Produce and publish case studies on the environmental and economic impact of woolgrowers using regenerative farming practices. <i>(OP)</i> Complete a wool cradle to grave Life Cycle Analysis. <i>(OP)</i> Generate new knowledge for improving the on-farm carbon account. <i>(OP)</i>

OC – Outcome OP – Output



2. AWI'S ROLE AND GOVERNANCE

Australian Wool Innovation (AWI) is the industry services body for the Australian wool industry, as declared by the Minister for Agriculture and Water Resources under the *Wool Services Privatisation Act 2000*.

AWI is responsible for managing and investing the levy funds received from levy payers, and matching eligible research and development (R&D) contributions from the Australian Government, for the benefit of the Australian wool industry and the public good.

AWI invests in research, development and marketing (RD&M) across the supply chain to enhance the profitability, international competitiveness and sustainability of the Australian wool industry, and to increase demand and market access for Australian wool.

AWI is not an industry representative body, and it does not set policy on behalf of industry.

The AWI Board sets the strategic direction of the company – after consulting with growers and stakeholders on their priorities – within the requirements of the AWI constitution, the *Wool Services Privatisation Act 2000*, the *Corporations Act 2001* and the Statutory Funding Agreement.

The Board is committed to governance systems that enhance performance and ensure AWI operates according to accountability provisions required by various acts, regulations and guidelines such as the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations as required by the Australian Government.

To fulfil these requirements, AWI has a suite of policies and procedures covering areas including but not limited to remuneration, diversity, privacy, intellectual property and risk management.

To fulfil the expectations of AWI's stakeholders AWI has reframed its governance foundations with attention given to accountability, integrity, stewardship and transparency.

The Board has established four Board sub-committees and a Board Nomination Committee that monitor and guide specific activities in more detail. These committees assist the Board to implement, monitor and enforce appropriate corporate governance throughout the company.

The Board delegates responsibility for the management of the company to the Chief Executive Officer.

While a global organisation, AWI's staff in 14 countries are led by its head office in Sydney, with all staff accountable to Australian woolgrowers. Staff are reminded of the woolgrower test, which underpins the day-to-day operations of all AWI staff across the globe – '*would this action be acceptable to woolgrowers*'.

2.1. Statutory Obligations

As the designated Industry Services Body for the Australian wool industry, AWI collects woolgrower levies and matching Australian Government funds for eligible research, development and extension. A Statutory Funding Agreement (SFA) between AWI and the Australian Government is negotiated to ensure those funds are expended prudently and in line with levy payer and the Australian Government's expectations.

The Department of Agriculture manages the SFA on behalf of the Australian Government.

The SFA prescribes the following:

- The functions and role of AWI
- How AWI is to operate
- The management and expenditure of levies and funds
- Research and development activities eligible to attract matching Government funding

- Sanctions the Government can impose should AWI breach the SFA
- Activities AWI is prohibited from being involved in
- How, when and to whom AWI must report and consult.

The SFA requires AWI to commission an external consultant to conduct an independent Review of Performance (ROP) to provide woolgrowers with an independent assessment of the company's performance. The SFA outlines how this Review is to be conducted and who is eligible to conduct the review.

The levy rate determined by woolgrowers at WoolPoll forms the basis of the new SFA. In negotiating the SFA, both AWI and the Australian Government also consider the outcomes of the independent ROP, and changes to Government policy, to ensure ongoing improvements to the company's operations and return on levy payers' investment.

AWI business model

As wool was the first rural industry to identify the need for research and development, AWI is always mindful of its ultimate raison d'être – to invest in research, development & marketing (RD&M) to identify new practices and technologies to be adopted by woolgrowers to enhance farm gate returns.

The AWI model is the culmination of eighty years of significant industry change and subsequent institutional evolution within the wool research and marketing bodies in Australia. In recent decades, Australia has stopped 'riding the sheep's back' (although Australia continues to be the largest producer (90%) of global fine apparel wool, and wool is the largest rural and sixth largest commodity export from Australia to China). Against this background of a changing industry, the wool industry research and marketing bodies have been continually evolved and refined over time.

AWI as an entity has delivered a relatively long period of stability to industry service provision since its establishment, perhaps indicative that the right model has been achieved. Despite this period of stability, AWI has continued to evolve and improve since its establishment in 2001 ensuring it is 'fit for purpose' and responsive to industry and Government needs. Significant

change has occurred within the business particularly since 2009 when the company began marketing Australian wool on behalf of the industry, following the acquisition of The Woolmark Company by AWI in 2007.

If anything, history has taught us that a key feature of the industry and organisation is change; hence the need to be responsive and adaptive. AWI continues to look at ways of improving the business model on a regular basis to ensure it remains responsive to industry and Government.

Woolgrowers have the ultimate influence over their levies in AWI, through the ability to vote on the levy (including a zero option) at WoolPoll every three years; and through a thorough consultation and engagement plan to seek input on priorities and report on AWI's performance.

AWI believes that its business model is the beneficiary of the many lessons learned by the industry over 80 years. These lessons, the commitment of the Board to be responsive to industry, in addition to the statutory requirements of WoolPoll, the independent ROP and various reporting requirements, are driving a culture of performance and reporting within AWI at all levels of the business.

2.2. Independent Review of Performance

As part of AWI's three-year business cycle, an independent review of performance (ROP) of AWI is undertaken to assess the company's performance against its Strategic Plan, Annual Operating Plans, compliance with the Statutory Funding Agreement (SFA) and overview of operations. AWI is required to report the results of the review to wool levy payers and the Australian Government prior to each WoolPoll vote.

AWI welcomes the regular independent three-year review as the report assists AWI to refine its processes and approach to deliver long-term profitability for Australian woolgrowers.

The 'Independent Review of Australian Wool Innovation' (the Report) was based on the review conducted by Ernst & Young (EY) who were engaged by the Department of Agriculture and Water Resources.

In July 2018, AWI welcomed the Report that examined the company's performance and governance for the period 2015-2018.

The report included 82 recommendations in the areas of monitoring and evaluation, consultation and governance. The recommendations ranged in levels of importance from 'mandatory', 'critical' and 'recommended' and provided AWI with timing suggestions for completion helping to pave the way for greater consultation, transparency and accountability.

The report included important context about the scale of the Australian wool industry and the scope of AWI's research and development role, including:

- The significant contribution of the wool industry to the Australian economy, including a \$4.3 billion contribution to exports in 2017/18 (up from \$1.9 billion 2009/10) and the employment of 200,000 people. This has seen the gross value of the Australian wool clip double since AWI recommenced a focus on strategic targeted marketing investments to drive demand for wool.

- EY's finding of a gap between perception of AWI operations, policies and procedures, compared to the evidence they have reviewed. This has highlighted the need for AWI to focus on better explaining our processes and procedures and ensuring targeted open two-way consultation and communications.

- The range of forces impacting on the Australian wool industry and AWI's role, including changes in processing, consumer behaviour, design trends, digital disruption and emerging markets.

- The current healthy state of the wool market for Australian growers, assisted by the Marketing and R&D activities of AWI.

- The relatively low operational costs associated with the running of AWI.

The report stated that AWI should continue with its existing services and projects whilst addressing the report's recommendations.

In welcoming the Report, AWI acknowledged, there were areas where it can enhance the way it operates. The company is underway and committed to proactively addressing and implementing the intent of all 82 recommendations included in the Report, to deliver even better results for woolgrowers.

AWI has created an online ROP Implementation Portal (ROPIP) – available via the AWI website at www.wool.com/rop – to report to woolgrowers on the up to date progress of its implementation of the recommendations.

AWI thanks the Government, EY and all the woolgrowers and other stakeholders who contributed input to the ROP.

For woolgrowers, the report means that their company, AWI, is being rigorously evaluated every three years, so opportunities for AWI to do better can be identified and addressed.

The ROP's recommendations focused on three main areas:



Monitoring and Evaluation



Consultation



Governance

2.3. Risk Management

AWI is the research, development, extension and marketing company entrusted to invest woolgrower levies and matching eligible R&D funds from the government, to increase the profitability of the Australian wool industry.

In planning for the new strategic period, the 25% reduction in levy income (dropping from 2% to 1.5%) and the impact of the current drought on production has influenced the company's risk appetite. Therefore, AWI seeks to balance the risk position between:

- Investing in higher risk activities that may drive substantial growth in the demand for wool; and
- The need to remain a stable organisation with the capacity to continue to work for woolgrowers long into the future.

AWI's risk appetite, by necessity, is towards the middle of the risk-taking spectrum. Depending on results from year to year, the option to either increase or decrease the appetite for higher risk activities can be availed.

AWI's risk assessment considers the company's regulatory compliance, reputation, performance management, knowledge and IP, health and safety and, financial.



Regulatory Compliance

At AWI we commit to ensuring we have no regulatory compliance breaches across our global footprint.



Reputation

AWI will act with integrity and respect with all stakeholders and partners. There is zero tolerance, for fraud, corruption, facilitation payments or unsafe workplaces.



Performance Management

We assess the impact of investment across AWI to ensure we are delivering results to our stakeholders.



Knowledge & IP

AWI respects the value of the knowledge and intellectual property it develops.



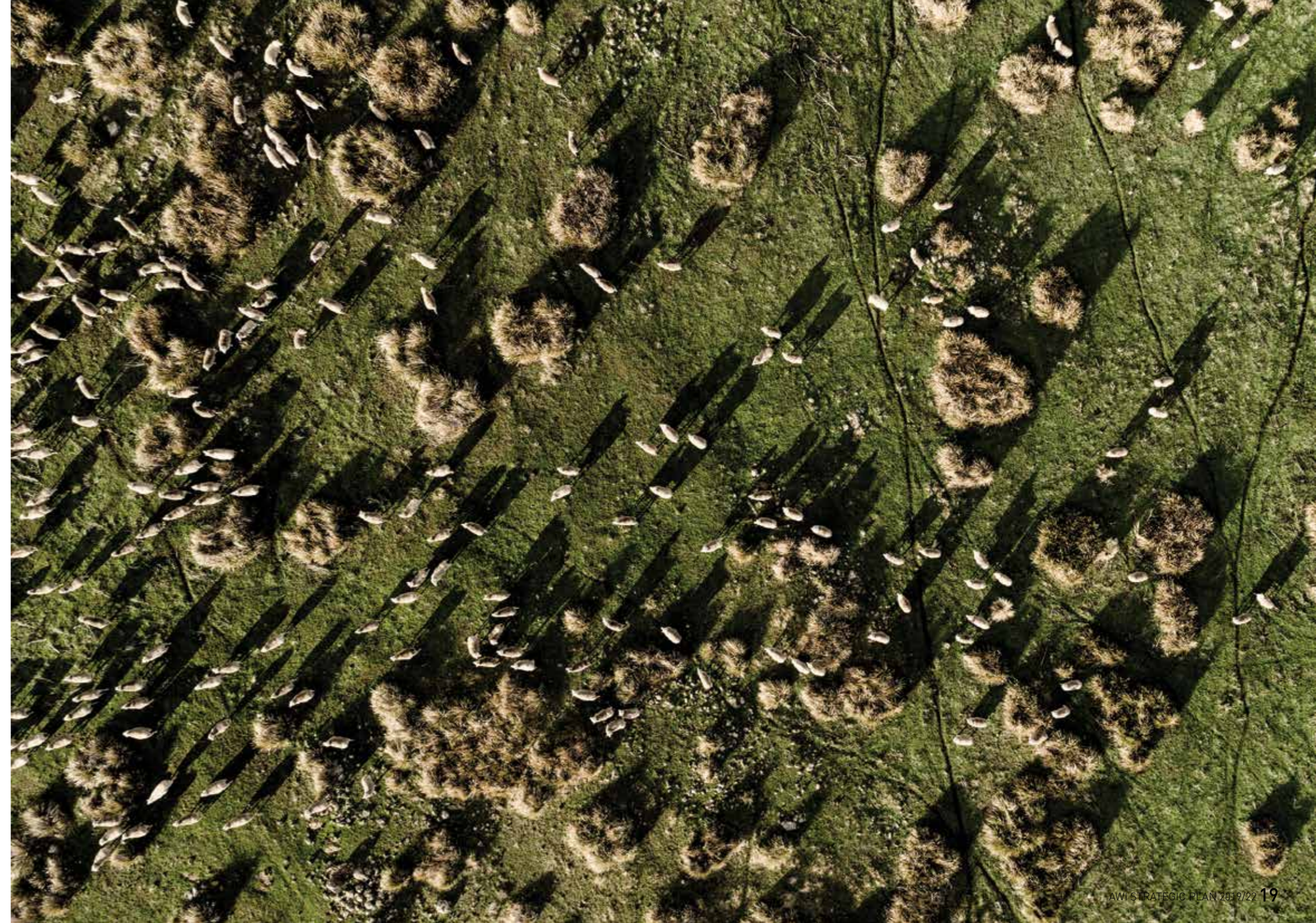
Health & Safety

AWI are committed to providing safe working environments.



Financial

AWI is the custodian of grower funds and will manage these prudently within the governance policies adopted.



2.4. Collaboration

Woolgrowers and the Australian Government, as investors in AWI's activities, expect collaboration with other Research and Development Corporations (RDCs), public and privately funded research institutes and the commercial sector.

This ensures sharing of knowledge, an increased funding pool, efficient research and development progress, enhanced reach and depth of education and progress on shared problems which otherwise may not be addressed.

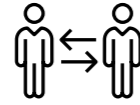
Wherever possible across all AWI's portfolios collaborators are sought for both cash or in kind contributions.

Leverage, adoption efficiency, maximising returns and research outcomes



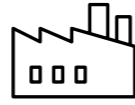
Farm Research

- RDCs
- CRCs
- Government
- Universities
- Private sector



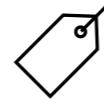
Extension & Education

- RDCs
- Government
- Universities
- Schools
- Private sector



Supply Chain Research & Development

- RDCs
- Government
- Universities
- Manufacturers
- Retailers
- Brands
- Private sector



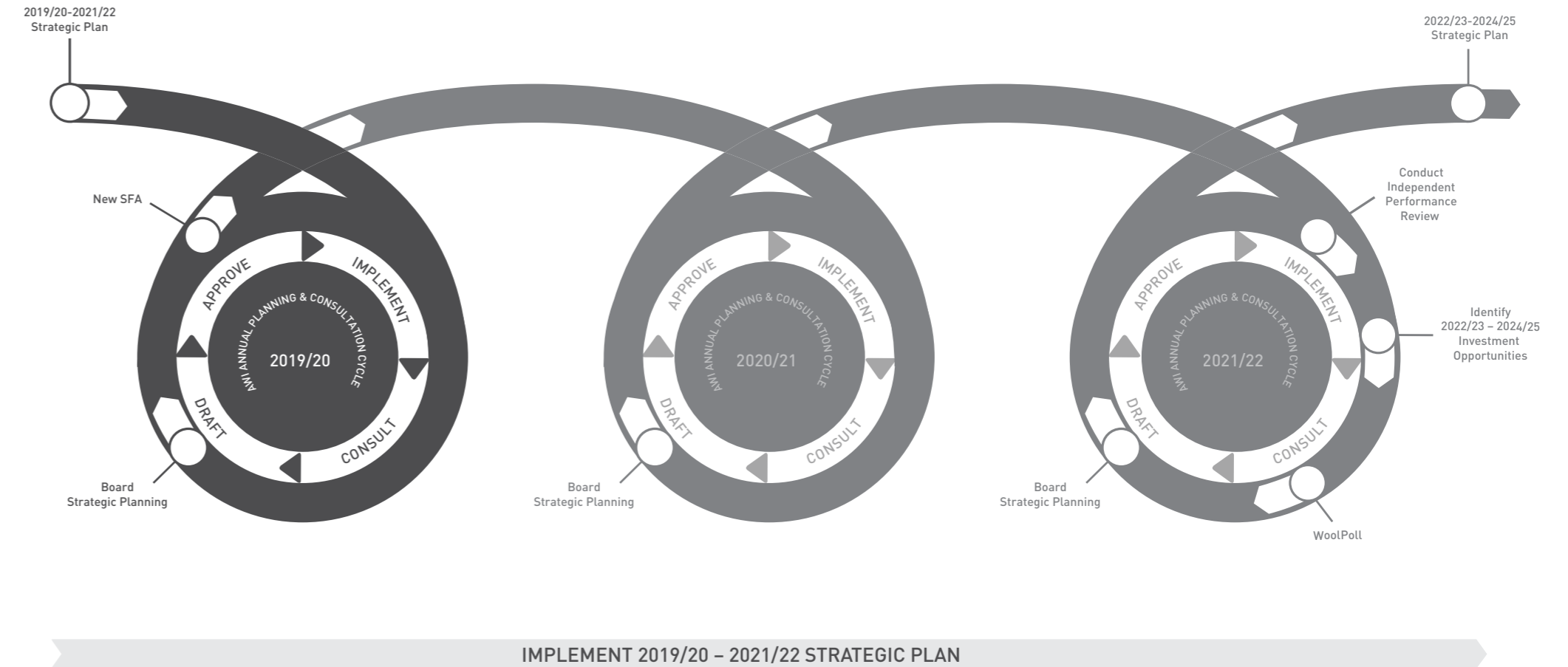
Marketing & Fibre Promotion

- Retailers
- Brands
- Other fibre organisations

Examples of Current Collaboration Projects

- | | | | |
|---|---|--|--|
| <ul style="list-style-type: none"> • Rural R&D for Profit Projects (all RDCs) • National Wild Dog Action Plan (livestock industries, MLA, governments) • Rabbit biocontrol (Centre for Invasive Species Solutions) • Australian Genebank (livestock RDCs) | <ul style="list-style-type: none"> • Best Wool/Best Lamb (MLA) • It's Ewe Time (MLA) • Woolmark Performance Challenge (116 Global Universities) • Wool4School (schools across Australia, UK, Hong Kong & Italy) | <ul style="list-style-type: none"> • Burton • Nagnata • P.E Nation • Global sports brands, eg adidas, APL • Nanshan – Wool Development Centre | <ul style="list-style-type: none"> • Erin Snow • Mini • Prada • Max Mara • STRATEAS CARLUCCI • Association of Venetian Gondoliers • Campaign for Wool |
|---|---|--|--|

2.5. Planning & Consultation Cycle 2019/20 – 2021/22



2.5. Planning & Consultation – Feedback

As part of the development of the AWI 2019/21 Strategic Plan, AWI considered feedback from woolgrowers and industry stakeholders as well as our own assessment of investment opportunities to identify the top issues where AWI investment should be focussed. In order to ensure the Strategic Plan meets industry's priorities, input from stakeholders across the supply chain is critical. These issues are summarised below and detailed in the following sections.

	THEME	FEEDBACK RECEIVED	HOW AWI HAS INCORPORATED THE FEEDBACK
1	MONITORING AND REPORTING AGAINST KPIS AND PROGRAM TARGETS See page 17.	<ul style="list-style-type: none"> How are you measuring the financial ROI? How are you measuring the success of the Marketing program? 	<ul style="list-style-type: none"> AWI will introduce a metric that will be used to measure the success of the new strategic plan in a way that is meaningful to woolgrowers – through a measure on return on-farm assets managed. The new three-year strategy will focus on audiences – trade, business and talent development and consumers – and tailor marketing to reflect global trends. The implementation of the M&E framework will enable AWI to sustainably measure and evaluate our programs, projects and investment.
2	CONSULTATION WITH INDUSTRY See pages 37 and 61.	<ul style="list-style-type: none"> How are you communicating the Marketing program to woolgrowers? Highlight MERINOSELECT. Investigate new pasture species for low rainfall/semi-arid areas. Ensure collaboration with other Research and Development Corporations (RDCs) wherever possible and leveraging investments. Use woolgrower groups to communicate programs and activities. Improve communication and consultation with woolgrowers. Develop communications strategy to assist woolgrowers coming out of drought to stay in/get back into sheep. Provide SMS communication to woolgrowers. Continue advertorial content. Continue face to face consultation. 	<ul style="list-style-type: none"> AWI is implementing a content strategy which has a focus on communicating marketing programs to woolgrowers – from fashion to farm. Issues being managed on-farm for AWI consideration. Consultation is a new strategic area focused on improving communication, engagement and consultation with stakeholders.
3	RESEARCH IS LOW RISK/ CONSERVATIVE See page 41.	<ul style="list-style-type: none"> Address labour shortages. Continue seeking alternatives to mulesing and investment in flystrike prevention. Investigate automated wool classing. Invest in genetics and genomics. Invest in shearing automation. Invest in lamb survivability. 	<ul style="list-style-type: none"> AWI will continue with its current focus on-farm in the areas of sheep health and welfare, farm automation, genetics and reproduction.

	THEME	FEEDBACK RECEIVED	HOW AWI HAS INCORPORATED THE FEEDBACK
4	WOOLGROWER EXTENSION SERVICES See page 57.	<ul style="list-style-type: none"> Provide extension services for newcomers to the industry. Add a welfare module to the shearer and wool handler training. Provide a positive impression of careers in shearing and shed handling. Provide wool classer training. Continue the National Merino Challenge program. 	<ul style="list-style-type: none"> AWI focuses on training and technology uptake including sheep and wool management skills and wool harvesting and quality preparation.
5	MIX OF SHORT TERM AND LONG-TERM INVESTMENTS See page 16.	<ul style="list-style-type: none"> Feedback highlighted the importance industry places on both short and long-term investments. 	<ul style="list-style-type: none"> AWI's RD&M investment portfolio considers a balance between short-term and long-term, low and high risk, strategic and adaptive research needs as well as consideration of regional variations across the industry.
6	ADDRESSING GLOBAL TRENDS See pages 76 and 87.	<ul style="list-style-type: none"> Address the issues around sustainability, synthetics vs wool, woollen blends and recycling of woollen cloth and garment etc. Address risks to supply chain integrity. 	<ul style="list-style-type: none"> Ongoing and constant interaction with designers and brands to understand trends from their perspective. Research into more eco-friendly processing technologies: such as waterless dyeing, natural dyes etc. Machinery awareness. Regional/Government restrictions to industry. Repurposing and recycling wool. AWI plans to create an eco-credentials program that addresses misconceptions around wool's environmental impact; this strategy will include owned content and brand collaborations which promote low impact innovations across the supply chain.
7	DIGITAL DEVELOPMENT See page 48.	<ul style="list-style-type: none"> Invest in more agri-tech to entice the next generation and reduce program overheads. 	<ul style="list-style-type: none"> AWI continues its investment in mechatronics, automated data collection and artificial intelligence.

2.6. Delivery of Government and Industry Priorities

AWI's Strategic Plan is closely aligned with both industry and Australian Government priorities. It responds to the Australian Government's Rural Research, Development and Extension Priorities, its Science and Research Priorities and also addresses priorities outlined in the National Wool Industry RD&E Strategy 2018-2022.

THE ALIGNMENT OF AWI'S STRATEGIC PLAN WITH GOVERNMENT AND INDUSTRY PRIORITIES:

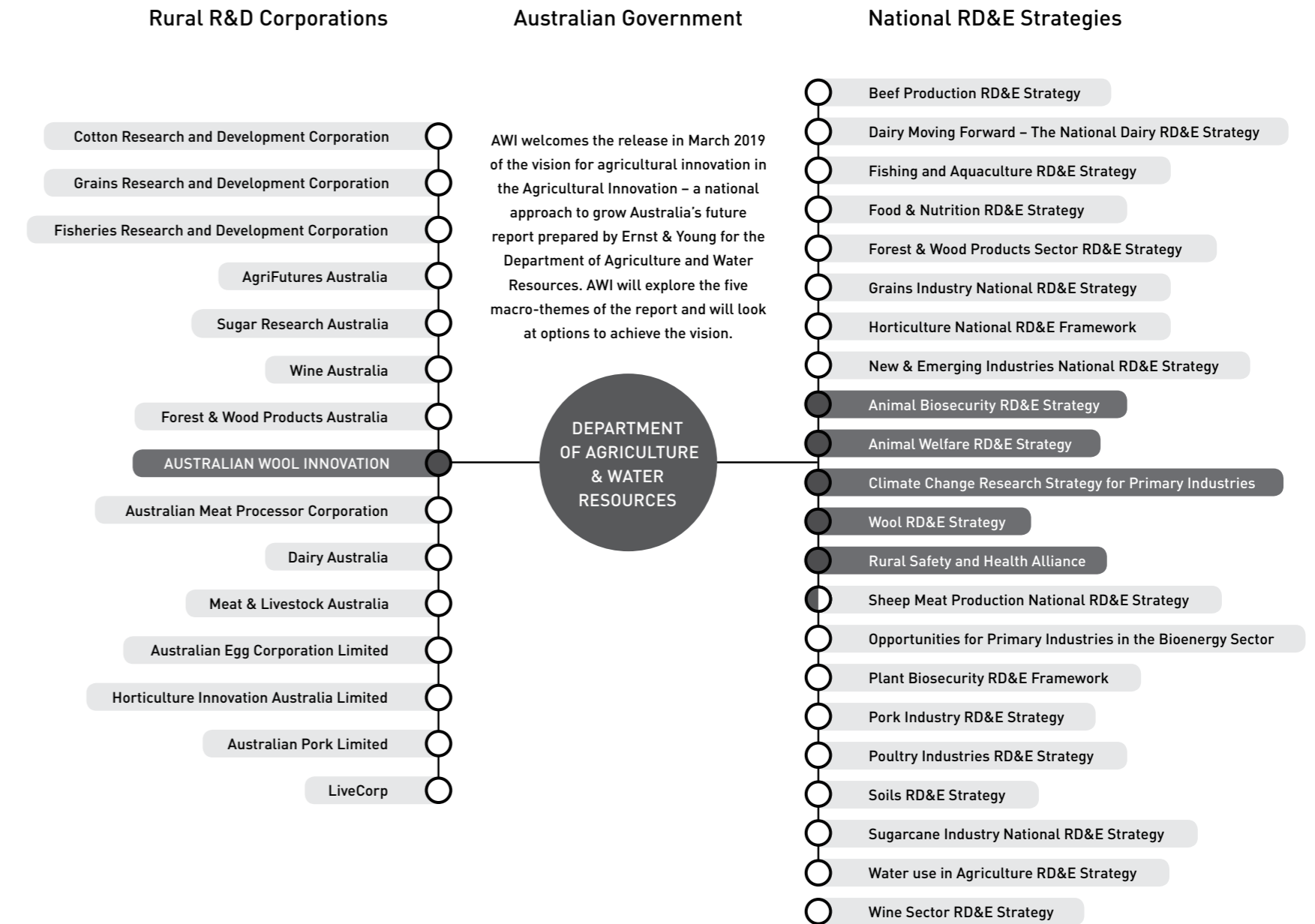
PORTFOLIO	STRATEGY	PROGRAM	AUSTRALIAN GOVERNMENT		
			RURAL RD&E PRIORITIES	SCIENCE & RESEARCH PRIORITIES	NATIONAL WOOL INDUSTRY RD&E STRATEGY 2018-2022 – PRIORITIES
SHEEP PRODUCTION, SCIENCE & TECHNOLOGY	HEALTHY PRODUCTIVE SHEEP	SHEEP HEALTH & WELFARE	<ul style="list-style-type: none"> Advanced technology Biosecurity Adoption of R&D 	<ul style="list-style-type: none"> Food Soil & water Environmental change 	<ul style="list-style-type: none"> Optimise Adoption Manage risks, exploit opportunities Strengthening the value chain
		VERTEBRATE PESTS	<ul style="list-style-type: none"> Biosecurity Advanced Technology Adoption of R&D 	<ul style="list-style-type: none"> Environmental change 	<ul style="list-style-type: none"> Increase productivity Optimise Adoption
		REPRODUCTION & NUTRITION	<ul style="list-style-type: none"> Soil, water & managing natural resources Advanced technology Adoption of R&D 	<ul style="list-style-type: none"> Soil & water Environmental change 	<ul style="list-style-type: none"> Increased productivity Optimise adoption Manage risks, exploit opportunities
		GENETICS	<ul style="list-style-type: none"> Adoption of R&D 		<ul style="list-style-type: none"> Increased productivity Optimise adoption
	AGRI TECHNOLOGY	HARDWARE & SOFTWARE DEVELOPMENTS	<ul style="list-style-type: none"> Advanced technology 	<ul style="list-style-type: none"> Advanced manufacturing 	<ul style="list-style-type: none"> Optimise adoption Build capacity & confidence
		MECHATRONICS	<ul style="list-style-type: none"> Advanced technology 	<ul style="list-style-type: none"> Advanced manufacturing 	<ul style="list-style-type: none"> Build capacity & confidence Strengthening the value chain
		NOVEL APPLICATIONS	<ul style="list-style-type: none"> Advanced technology 	<ul style="list-style-type: none"> Advanced manufacturing 	<ul style="list-style-type: none"> Optimise adoption Build capacity & confidence
	TRAINING & TECHNOLOGY UPTAKE	WOOL HARVESTING & QUALITY PRODUCTION	<ul style="list-style-type: none"> Adoption of R&D 	<ul style="list-style-type: none"> Advanced manufacturing 	<ul style="list-style-type: none"> Increased productivity
		SHEEP & WOOL MANAGEMENT SKILLS	<ul style="list-style-type: none"> Adoption of R&D 	<ul style="list-style-type: none"> Health 	<ul style="list-style-type: none"> Build capacity & confidence

PORTFOLIO	STRATEGY	PROGRAM	AUSTRALIAN GOVERNMENT		
			RURAL RD&E PRIORITIES	SCIENCE & RESEARCH PRIORITIES	NATIONAL WOOL INDUSTRY RD&E STRATEGY 2018-2022 – PRIORITIES
CONSULTATION	WOOLGROWER	EXTENSION NETWORKS	<ul style="list-style-type: none"> Adoption of R&D 	<ul style="list-style-type: none"> Health 	<ul style="list-style-type: none"> Optimise adoption Build capacity & confidence
		EVENTS & FORUMS	<ul style="list-style-type: none"> Adoption of R&D 	<ul style="list-style-type: none"> Soil & Water Environmental change 	<ul style="list-style-type: none"> Optimise adoption Build capacity and confidence
		MARKET INTELLIGENCE & COMMUNICATION	<ul style="list-style-type: none"> Adoption of R&D 	<ul style="list-style-type: none"> Soil & Water Environmental change 	<ul style="list-style-type: none"> Optimise adoption Build capacity and confidence
	INDUSTRY	WOOLGROWER REPRESENTATIVE BODIES	<ul style="list-style-type: none"> Biosecurity Adoption of R&D 	<ul style="list-style-type: none"> Health Soil & Water Environmental change 	<ul style="list-style-type: none"> Optimise adoption Build capacity and confidence
TRACEABILITY	SUPPLY CHAIN INITIATIVES	WOOLQ	<ul style="list-style-type: none"> Advanced technology Supply chain & markets 	<ul style="list-style-type: none"> Cybersecurity 	<ul style="list-style-type: none"> Strengthen the value chain
		FIBRE IDENTIFICATION & TRACING	<ul style="list-style-type: none"> Biosecurity Advanced technology 		<ul style="list-style-type: none"> Strengthen the value chain
	FIBRE SCIENCE	HEALTH & WELLNESS	<ul style="list-style-type: none"> Adoption of R&D 	<ul style="list-style-type: none"> Health 	<ul style="list-style-type: none"> Support wool's market position
		ECO CREDENTIALS	<ul style="list-style-type: none"> Soil, water & managing natural resources Adoption of R&D 	<ul style="list-style-type: none"> Environmental change Soil & water 	<ul style="list-style-type: none"> Support wool's market position

2.6. Delivery of Government and Industry Priorities (continuation)

PORTFOLIO	STRATEGY	PROGRAM	AUSTRALIAN GOVERNMENT		
			RURAL RD&E PRIORITIES	SCIENCE & RESEARCH PRIORITIES	NATIONAL WOOL INDUSTRY RD&E STRATEGY 2018-2022 – PRIORITIES
PROCESSING INNOVATION & EDUCATION EXTENSION	PROCESSING INNOVATION	TEXTILE & RETAIL TECHNOLOGIES	<ul style="list-style-type: none"> Advanced technology Adoption of R&D 	<ul style="list-style-type: none"> Advanced manufacturing 	<ul style="list-style-type: none"> Increase productivity Strengthen the value chain Support wool's market positioning
		PARTNERED INNOVATION	<ul style="list-style-type: none"> Advanced technology 	<ul style="list-style-type: none"> Advanced manufacturing 	<ul style="list-style-type: none"> Increase productivity
		RETAIL EDUCATION	<ul style="list-style-type: none"> Adoption of R&D 	<ul style="list-style-type: none"> Advanced manufacturing 	<ul style="list-style-type: none"> Support wool's market position
	EDUCATION EXTENSION	TRADE EXTENSION	<ul style="list-style-type: none"> Adoption of R&D 	<ul style="list-style-type: none"> Advanced manufacturing 	<ul style="list-style-type: none"> Build capacity & confidence Optimise adoption
		STUDENT EDUCATION	<ul style="list-style-type: none"> Adoption of R&D 		
		QUALITY CONTROL	<ul style="list-style-type: none"> Supply chain & markets 	<ul style="list-style-type: none"> Advanced Manufacturing Soil & water 	<ul style="list-style-type: none"> Strengthen the value chain
MARKETING	WOOLMARK	LICENSING	<ul style="list-style-type: none"> Supply chain & markets 	<ul style="list-style-type: none"> Advanced Manufacturing Soil & water 	<ul style="list-style-type: none"> Support wool's market positioning
		FIBRE ADVOCACY	<ul style="list-style-type: none"> Supply chain & markets 	<ul style="list-style-type: none"> Environmental change Health 	<ul style="list-style-type: none"> Manage risks, exploit opportunities Strengthen the value chain Support wool's market positioning
	TRADE	INTERNATIONAL WOOLMARK PRIZE	<ul style="list-style-type: none"> Supply chain & markets 		<ul style="list-style-type: none"> Support wool's market positioning
		WOOLMARK PERFORMANCE CHALLENGE	<ul style="list-style-type: none"> Supply chain & markets 		<ul style="list-style-type: none"> Support wool's market positioning
	BUSINESS & TALENT DEVELOPMENT	FIBRE ADVOCACY	<ul style="list-style-type: none"> Supply chain & markets 	<ul style="list-style-type: none"> Environmental change Health 	<ul style="list-style-type: none"> Manage risks, exploit opportunities Strengthen the value chain Support wool's market positioning
		BRAND PARTNERSHIP	<ul style="list-style-type: none"> Supply chain & markets 		<ul style="list-style-type: none"> Manage risks, exploit opportunities Strengthen the value chain Support wool's market positioning
CONSUMER			<ul style="list-style-type: none"> Supply chain & markets 		<ul style="list-style-type: none"> Manage risks, exploit opportunities Strengthen the value chain Support wool's market positioning

2.6. Alignment with Government and Industry Strategies



3. OPERATING ENVIRONMENT

AWI's revenue is largely dependent on wool levy income, which is determined by wool production volumes and prices. It is anticipated that wool levy income during the next Strategic Planning period will be significantly reduced, for two main reasons.

Firstly the impact of drought over much of eastern Australia has markedly reduced the size of the Australian flock.

Secondly, following the result of the three-year WoolPoll vote, the wool levy has been reduced from 2% to 1.5%.

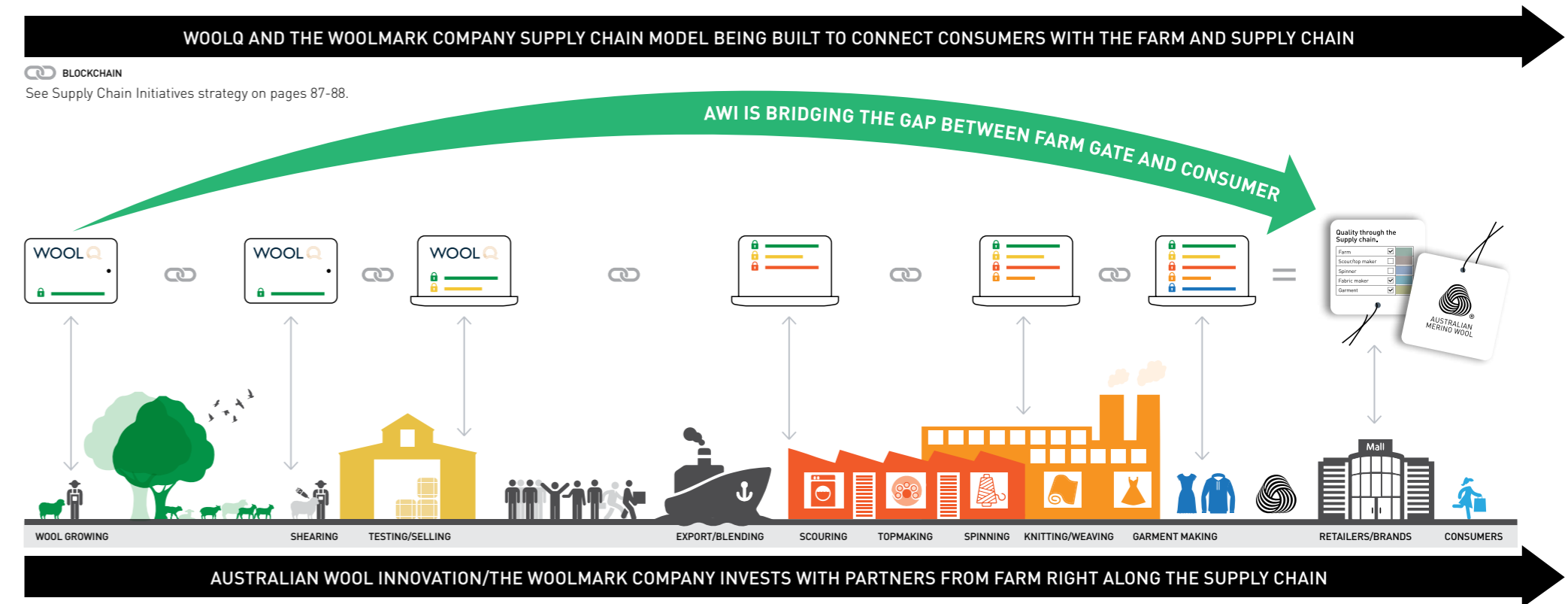
The wool levy percentage is fixed for the duration of this three year strategy, however the impact on production as a result of the drought is much harder to

predict. On this basis, AWI will continue to constantly monitor the impacts on revenue and adjust its operations and expenditure as appropriate.

AWI will utilise the cash reserves, prudently accrued over the last strategic period (2016/17 to 2018/19), to lessen the

impact of the revenue reduction and the company will cut its cloth to fit its new operating environment.

AWI will continue to work across the full wool supply chain, investing in opportunities that maximise returns to woolgrowers.



3.1. Production Environment

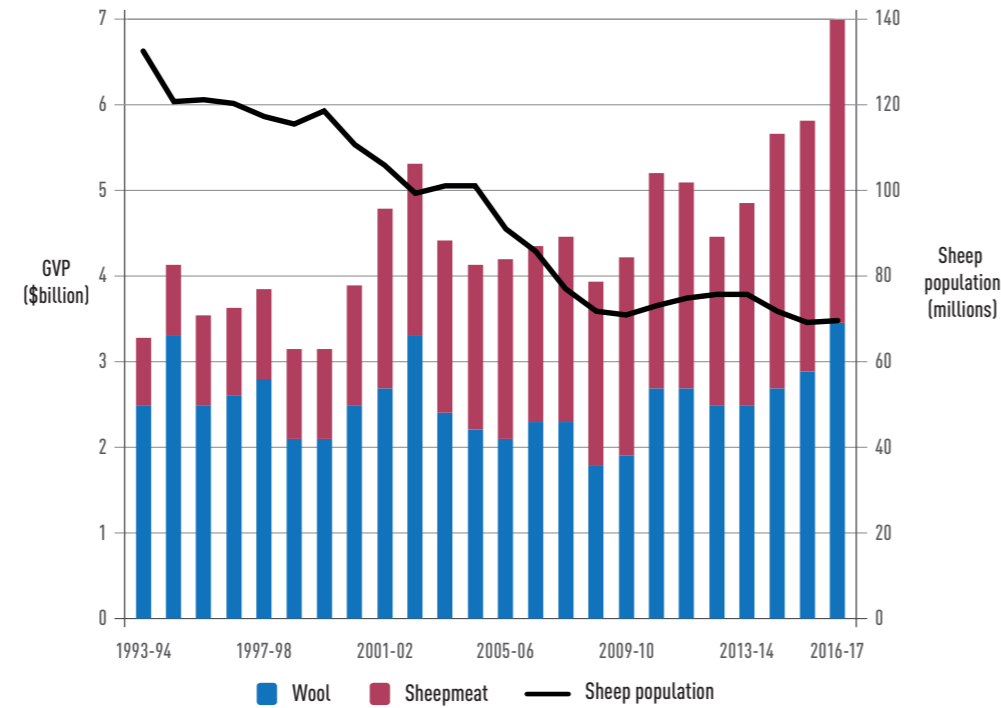
Australia's national sheep flock has declined dramatically since 1992-93. Wool's contribution to total sheep gross value of production (GVP) is currently just under 50%. While sheep numbers had stabilised, the recent drought has been reducing sheep numbers further. To maintain and grow wool's share of sheep GVP, productivity gains will be required. Productivity gains against static (real) production costs will lead to increased profits for farms growing wool.

The focus on increasing industry GVP acknowledges the need to align productivity developments across both wool and red meat production. While wool GVP is largely determined by the mean fibre diameter (MFD) and greasy fleece weight (GFW), meat GVP is largely determined by sheep turn-off rates and carcass weight (CWT). The key alignments for future investment will be in increasing lifetime weaning rates and lifetime wool cut as well as reducing weaner mortality. Opportunities also exist to increase productivity through the development of agri-technology and other labour saving technologies.

Of the 40,000 sheep businesses in Australia only 9,814 are Merino based operations (ABS Census, 2011). Sheep farms are overwhelmingly small family-based businesses – averaging 2.1 FTEs, with 85% of sheep business labour being family labour. The high labour intensity of Merino enterprises remains a major challenge.

It is anticipated that wool supply will remain tight into the future and unlikely that supply can increase significantly, given competing pressures (sheep turnoff for meat vs sheep retention for wool). Delivering increased industry productivity and GVP will require:

- Increasing the lifetime reproductive productivity per ewe, whilst maintaining fleece weight, and so reduce wastage and increase feed utilisation efficiency
- Development and adoption of agri-technology
- Proactively address welfare concerns, especially relating to invasive procedures
- Reducing costs and impacts of vertebrate pests, diseases and parasites.



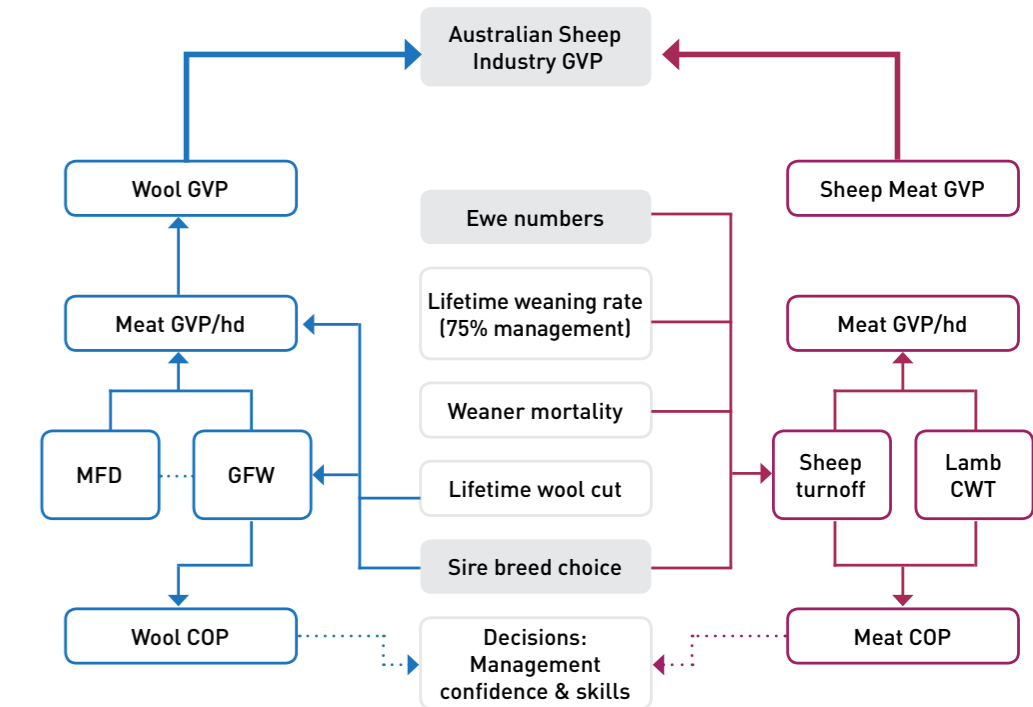
As wool continues to demonstrate leadership in land stewardship, there will continue to be a need to manage climate variability and manage pasture based resources to minimise the need for supplementary feeding. Adoption of proven feed management and pasture varieties will remain a priority for AWI investment as this represents significant potential for short term productivity gains across the industry.

There are many ways Australian woolgrowers connect with their research, development and marketing body. This connection is critical to the effective operation of AWI, both in informing woolgrowers and key stakeholders of developments through time and to obtain feedback relevant to our operation and investments. The Consultation portfolio aims to consolidate and manage our industry and woolgrower extension efforts. This will ensure our investment in this area is cost effective through time.

Being engaged with the industry it serves is vital to the ongoing health of wool research, development and marketing. Feedback to AWI activity will be used to help direct further investment and delivery of services. With

increased digital communication between AWI and the wool industry, this relationship will be strengthened and the transparency of AWI's activity will be increased leading to a better relationship between AWI and our woolgrowers who fund the organisation.

Discussing AWI's activities with woolgrowers and stakeholders will continue through a formal cycle of discussions. Informally, every year AWI speaks with and hears from the people it works for at hundreds of industry events and meetings across Australia. Having an on-the-ground presence matched with more focussed digital communication directly with woolgrowers will be an important feature for AWI and will underpin a close working relationship between AWI and the Australian wool industry.



3.2. Western Hemisphere

The Western Hemisphere – covering the key markets of the USA, UK, France, Italy and Northern Europe – is the largest consumption market for wool, buying around 45% of the world’s wool apparel.

The region has evolved from a wool manufacturing hub (pre China’s global dominance from the early 1980s) to now only buying 6.3% of the annual wool clip. However it does represent the most influential region yielding all ten of the world’s most influential global apparel brands (Lyst Index). The region has transitioned from a mixed manufacturing and consumption base to a small high quality manufacturer, such as in Italy and Turkey, to the most influential brand and consumption market.

The following areas of development have been highlighted, by country, for the 2019-22 strategic period:

- France – Improved targeting based on identified market segments – Paris fashion capital, French alpine sporty chic and emerging designers.
- USA – Global account approach, consumer education with a particular segment focus on sporting and athleisure.

- Italy – Focus on product innovation, retail sales activation optimisation and increased consumer and trade education. This is a mature market with gains now made through education and influencer campaigns.
- Northern Europe – Scandinavia sports and contemporary, German shoulder brands and retail/tertiary education. Scandinavia is emerging as a leading natural fibre fashion region.
- UK – Larger impactful projects, balance heritage and emerging designers, integration into fashion market infrastructure. Brexit market conditions make forward planning a challenge.

Western regional objectives for the 2019-22 strategic period include:	
Thought leadership	Innovation clusters, positional paper generation, lectures and research, collaborations
Eco positioning	Industry positioning, research leverage, Key Opinion Leader support and provenance strengthening
Activation optimisation	Digital, virtual, retail innovation, education, toolkits and enhanced measurement and evaluation
Laser segment focus	Balanced portfolio with delineated offense/defence deliverables and a global project approach
Growth opportunities	Emerging, Northern Europe (Scandinavia/German), and major international projects
Resource maximisation	Development, objectives’ alignment, learning/sharing culture, optimal cost to return modeling and an output focus

The Western Hemisphere will aim to focus on collaborative, strategically aligned, globally consistent, commercial projects with meaningful measurement and evaluation. There will be a focus on internal communications, staff education and development and efficient resource usage.

3.3. Eastern Hemisphere

The Eastern Hemisphere region – covering the key markets of China, Japan, Hong Kong, Korea and Vietnam – has been at the centre of the most important shift in wool product development and sales during the past decade, significantly impacting both price and scale of Australian wool exports and improving the long term commercial viability of wool production in Australia. The region as a whole received 88% of Australia’s total greasy wool exports for 2017/18.

China, which alone now purchases up to 80% of Australia’s wool, is not only the world’s largest producer of wool products, but is now also one of the largest and most important consumer markets in the world.

This shift has created new opportunities within the region with Vietnam and Mauritius becoming key wool manufacturing countries. In addition to this, many other smaller countries in the South Pacific and subcontinent are looking to seize the opportunity to develop and expand their wool manufacturing capabilities with the support of The Woolmark Company in this exciting growth region.

Key opportunities within the Eastern Hemisphere for the 2019-22 strategic period include:

- leveraging The Woolmark Company resources through cross company collaboration to develop broad scale, cross border initiatives with pre-agreed globally targeted partners tailored to each market
- a focus on rapid middle-class growth sectors and the education of the new key target markets
- consumer push for natural and eco-friendly products, aligning with aspirations regarding slow fashion and war on waste
- expansion of provenance and traceability capabilities, for both manufacturing and retail partners as well as end consumers
- increase in interest in fashion technology and wearable technology
- online retail as the most important connection to consumers now and into the future and using this medium to educate and inform
- further utilising the Wool Resource Centre and use it to build on The Woolmark Company global network.

Eastern regional objectives for the 2019-22 strategic period include:
Cement a provenance and traceability strategy with the aim to lead the way in this area as demand for real substance and traceability becomes the norm
Expanded and targeted education programs building on current efforts to capture a new and rapidly expanding audience of middle-income sectors in Asia
Unpacking target segments by expanding categories to include focused opportunities such as travel and uniforms
Growing our presence in the emerging markets of South East Asia, Africa and the subcontinent
Resource maximisation including staff development programs, heightened focus on sharing, and motivation through measurement

The Eastern Hemisphere will aim to focus on more collaborative, inclusive and globally focused projects and activities into the new strategic period and beyond.

3.4. Digital Landscape

Digital technology has transformed the way we live. New technologies, a truly connected global market and changing audience needs have created a more innovative and dynamic environment in which to conduct business.

Over the past few years we have undergone a process of digital transformation at AWI, modernising our digital infrastructure and systems and then moving towards building a culture of innovation that has allowed us to operate in a nimble and agile fashion within this ever-changing digital landscape, capitalising on new technologies and opportunities as they arise.

We have been fortunate enough to trial projects in all of the buzzwords: from artificial intelligence through to virtual reality, utilising the benefits of these new technologies to do what we have always done, tell the story of wool and better position it amongst digital natives and the wider community as nature's own technical fibre.

As we move into this next strategic period, we aim to continue this work, focusing on some of the following key areas.

Agri-Tech/Fashion-Tech

Agri-Tech is evolving at an ever increasing rate and it is important to ensure we stay at the forefront of this change to not only ensure Australian woolgrowers get access to the latest technical developments but that this technology becomes the first 'link' in a connected supply chain story that utilises technology like blockchain to tell the story in new ways.

At the same time, it is important to monitor and work on the Fashion-Tech space as consumers now consider this just as important as comfort in a garment. This doesn't mean putting wires into a jacket, it means working on new and innovative production, processing and connectivity elements that produce garments and fibres that enable consumers to do what they want while creating new demand for wool.

Data transformation

Data is the key ingredient in digital evolution and we are not only working to build up our databases, to enable us to better and more efficiently communicate our messaging, but mapping out the various data sources we have access to and how we can best use

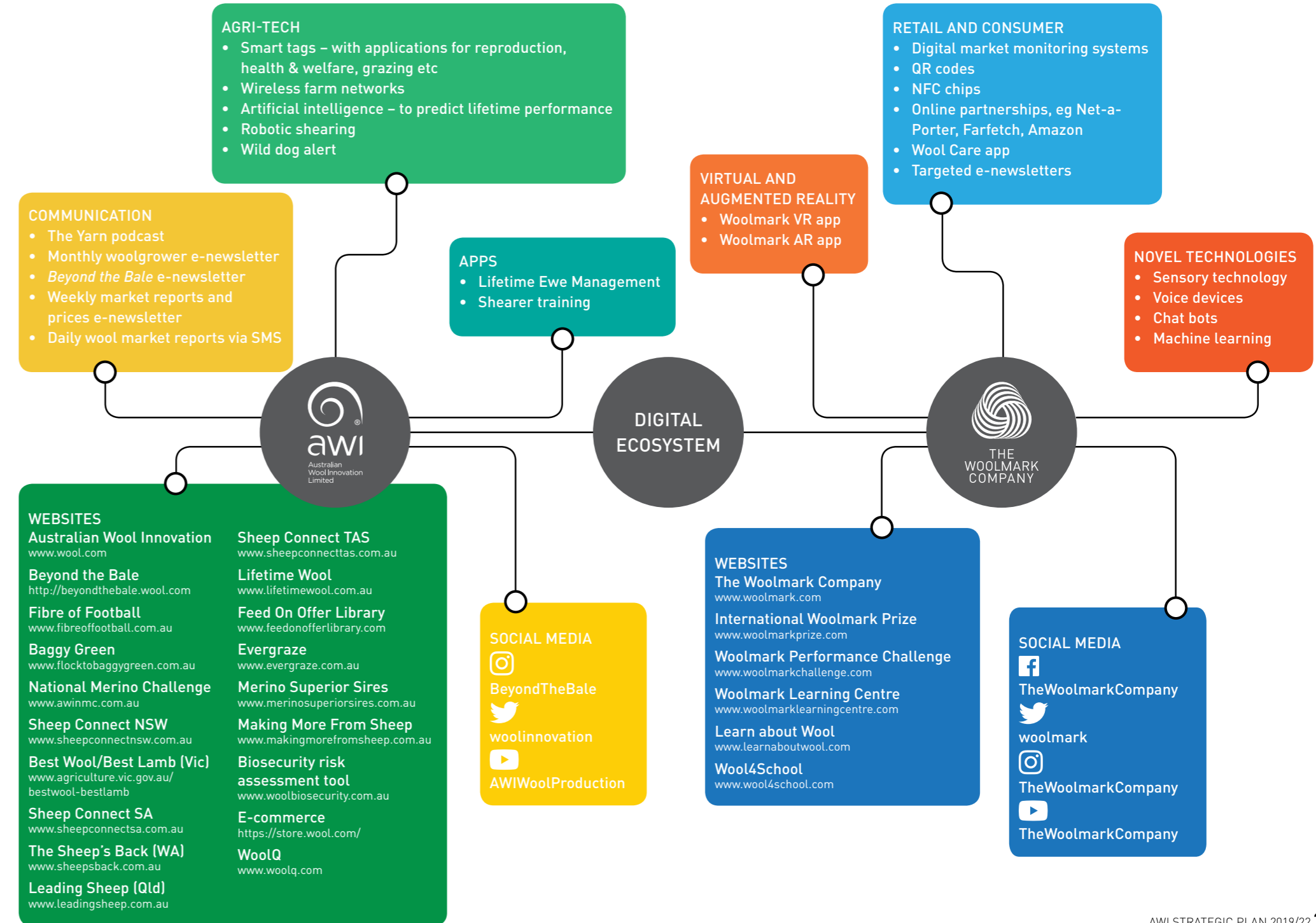
those to serve the needs of woolgrowers. Having a strong data strategy in place will allow us to do everything from facilitate more effective business conversations with potential clients through to predicting changing consumer needs and trends before they arise. This will further helping to strengthen wool's position in the global market.

Emerging retail technology

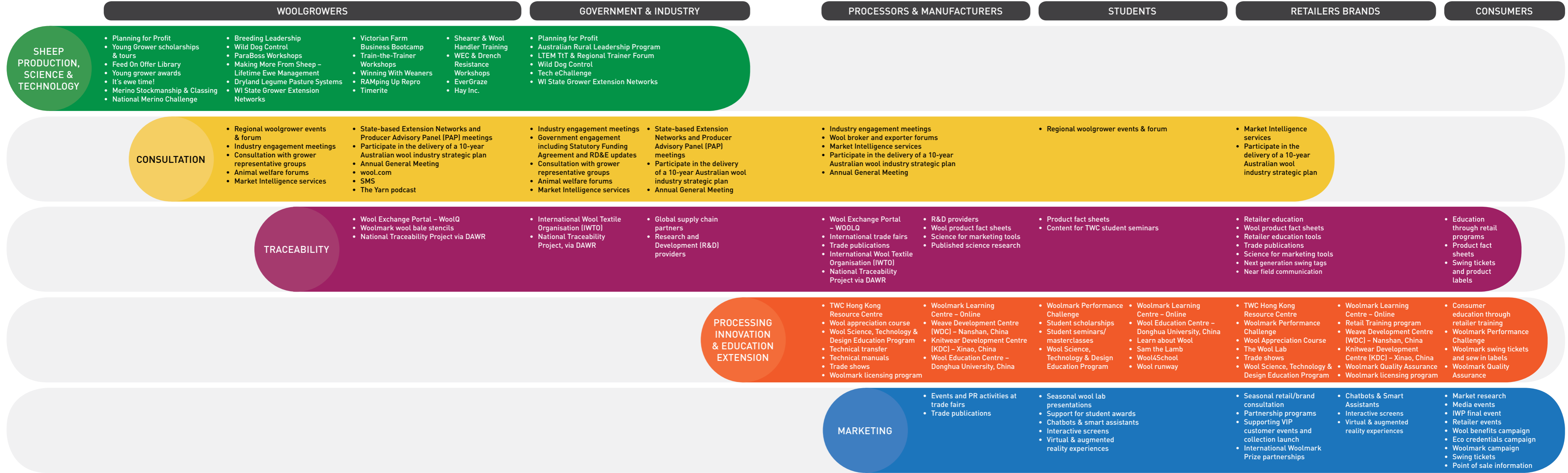
How consumers shop is changing; they are increasingly using their computers and smartphones to shop. This means traditional label turning and education from floor staff will not be as applicable in the future. We need to look at new and novel ways to engage with consumers, to educate them and make them aware of new technologies. This includes technology like NFC (near field communication), Augmented Reality and how traditional technology like tags and labels can evolve to become connected devices. This is a global change, driven out of the US and Asia and working with our partners we aim to be at the forefront of this new and exciting space.

In addition to the above, we aim to explore evolutions in sensory technology (allowing people to 'feel' fibres without fibres being present), the role of voice devices, chatbots and machine learning in educating consumers about wool and wool care and how the connected home (smart wardrobes and washing machines) will change how people interact with their garments.

The world is changing, customers are changing. The next generation has grown up in a truly digital, truly connected world and whether they end up being growers or consumers we want to ensure we are best positioned to communicate and connect with them in the ways they want, through the technology now available to us.

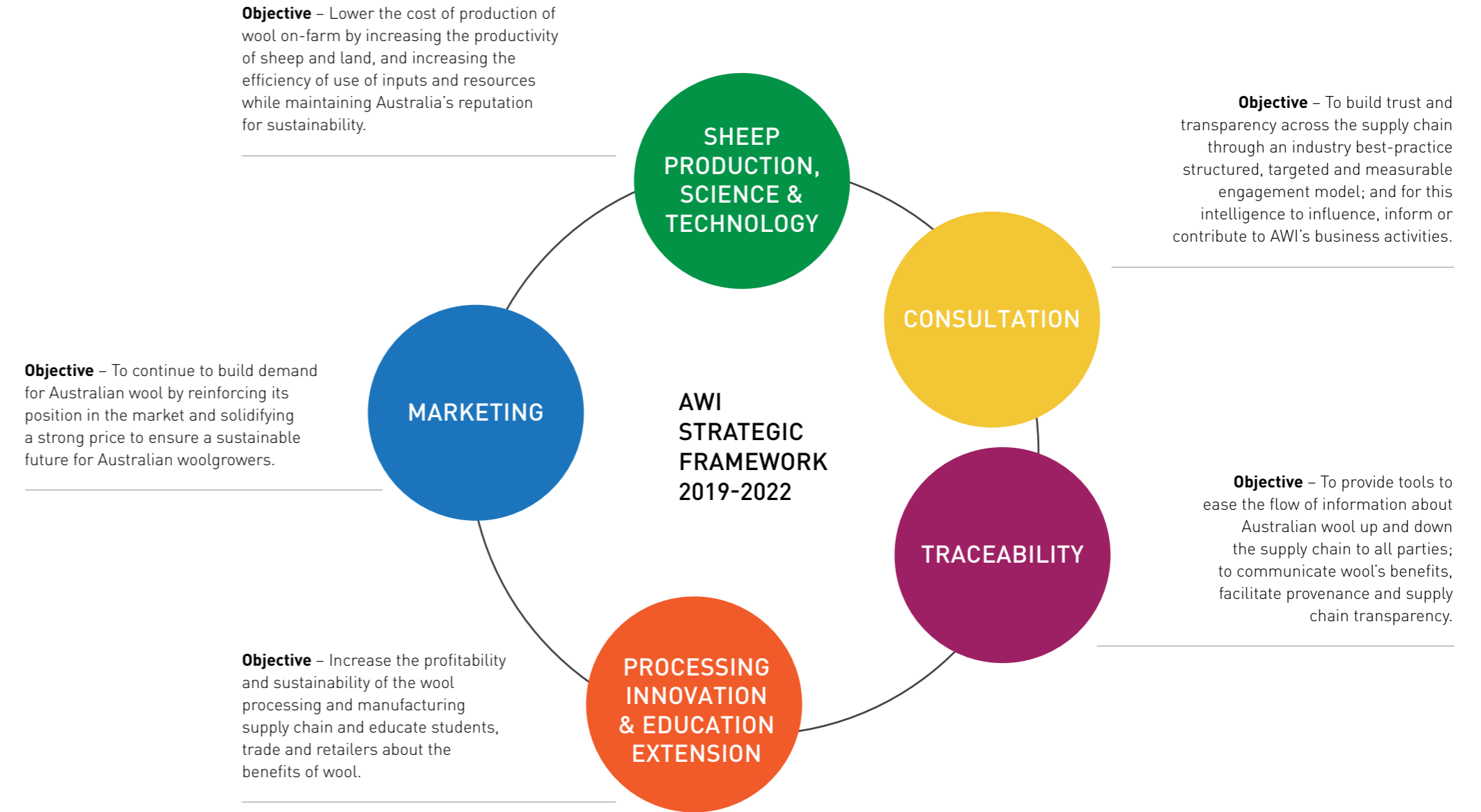


3.5. How We Engage



4. STRATEGIC FRAMEWORK

4.1. Portfolio Structure



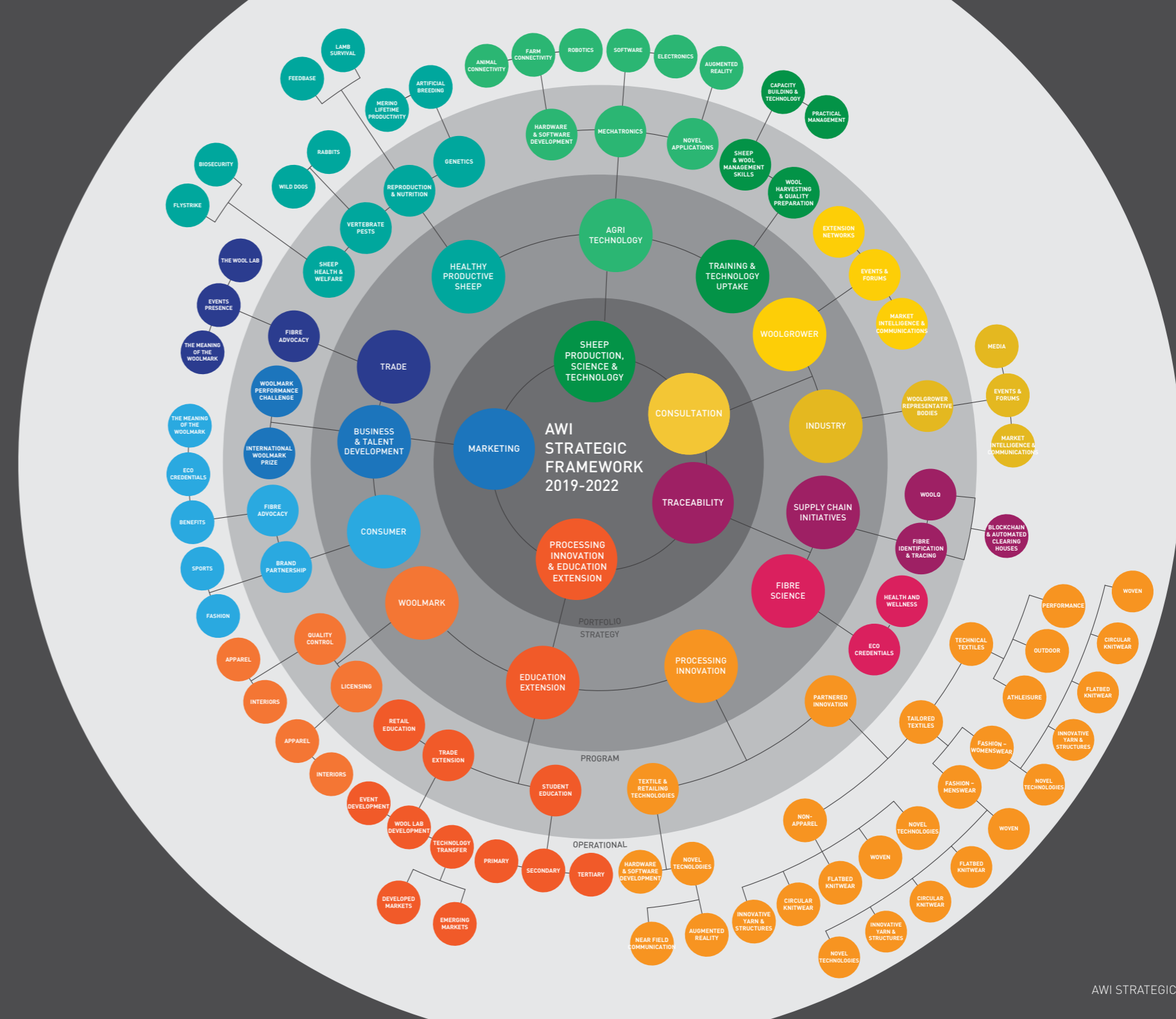
Across AWI's five portfolios we plan to execute 13 Strategies and 29 programs. These Strategies seek to address key industry priorities and opportunities.

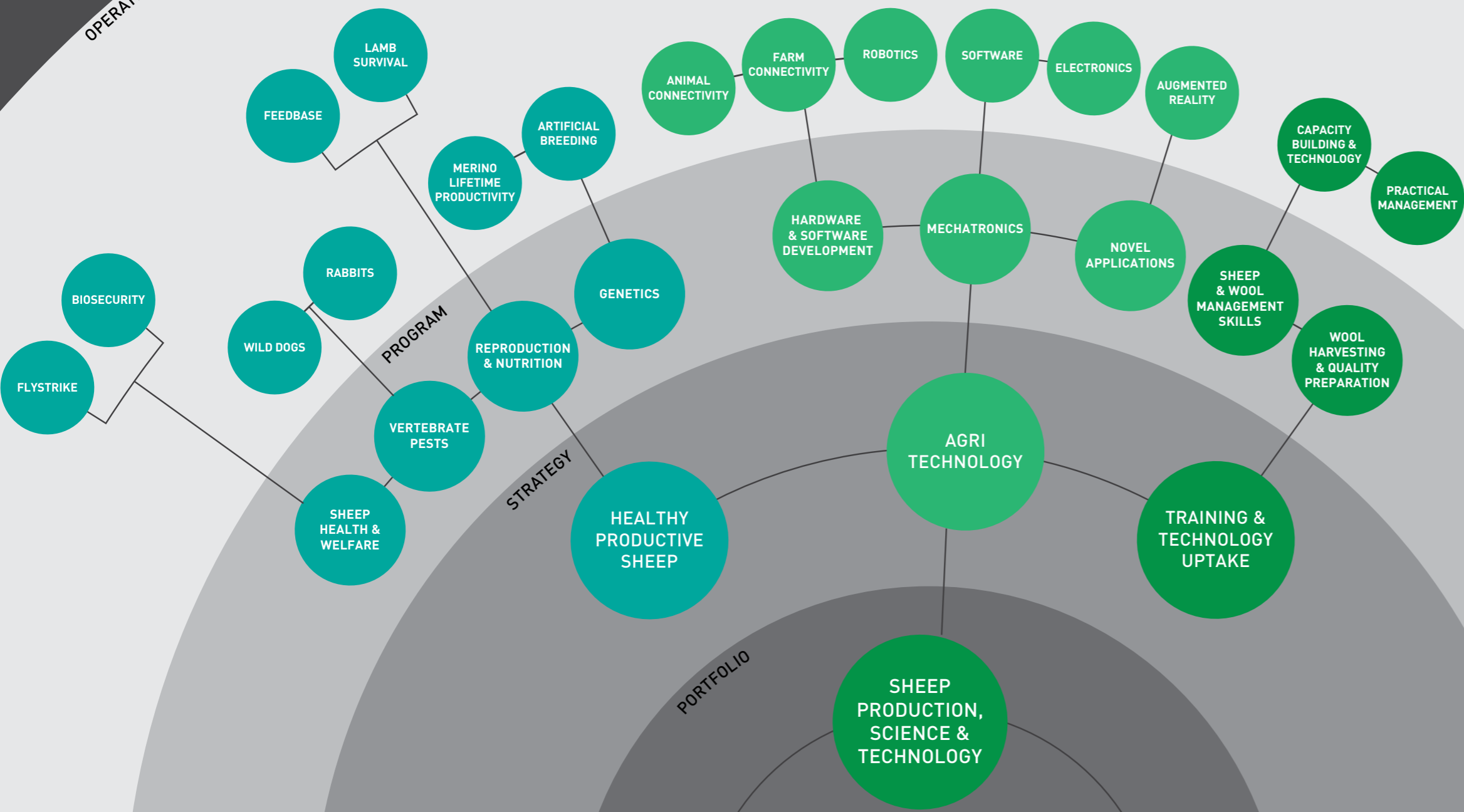
In developing the Strategic Framework for AWI's investment from 2019/20 to 2021/22 we were conscious of the need to better align our operations, at all levels, against the strategic intent that underpins the Strategic Plan. The Strategic Framework is based on a circular representation of AWI investment, from a high level strategic perspective to operations and tactics executed by staff, globally, on a day to day basis. Ensuring that there is a clear link between strategy and operations is a fundamental consideration in the design of our Strategic Framework.

The first ring of the AWI Strategic Framework reflects the five portfolios that have been developed to describe the key areas of AWI business operations. The second ring describes the thirteen strategies AWI intends to pursue to ensure the top issues identified across the wool supply chain can be effectively addressed.

The third ring describes the 29 individual programs that AWI intends to implement. These programs provide a narrower focus on opportunities within each portfolio to maximise benefits to Australian woolgrowers. In the following sections the investment intent of each program is detailed. We have developed targets under each program based on an expected investment budget of between \$91 million and \$94 million annually.

We have also articulated the investment focus for each program, which details the broad areas under which investment will be made. This investment focus effectively links our operations with our Strategic intent. This essentially adds a fourth ring to our Strategic Framework.





4.2. SHEEP PRODUCTION, SCIENCE & TECHNOLOGY

OBJECTIVE

Lower the cost of production of wool on-farm by increasing the productivity of sheep and land, and increasing the efficiency of use of inputs and resources while maintaining Australia's reputation for sustainability.

OUTCOMES

- Australian woolgrowers use tools and information to:
 - improve the lifetime welfare of their sheep
 - reduce predation impacts.
- Research and development provides evidence for improved flystrike prevention, rabbit biocontrol, differential ewe management, improved feedbase practices, wool disinfection and genetic evaluation.
- Development of agri-technology provides evidence for improved labour efficiency and lower cost inputs.

Sheep Production, Science & Technology Strategies



HEALTHY PRODUCTIVE SHEEP

The challenges are to efficiently achieve lifetime sheep health and welfare, timely pasture growth and more lambs without compromising future productivity. When woolgrowers succeed through genetic benchmarking or adjusting inputs or their management, they want to ensure their gains are not decimated by predators.



AGRI TECHNOLOGY

Automation will bring efficiencies in farm data collection, analysis and decision-making using smart sheep tag hardware, sheep to sheep connectivity, sheep to farm connectivity and augmented reality interfaces. Safe (or soft) robotics are working with humans in other industries which is an opportunity for improving the wool harvesting process.



TRAINING & TECHNOLOGY UPTAKE

To be recognised as a valuable contributor to the profitability and sustainability of Australian woolgrowers, through the provision of a broad range of grower-facing communication, engagement and training initiatives.

Strategy: Healthy Productive Sheep

PROGRAM: Sheep Health & Welfare

Improving lifetime welfare, and particularly reducing the risk and incidence of breech flystrike remains our priority. The development of new flystrike controls will be targeted in an integrated pest management approach to sheep parasites.

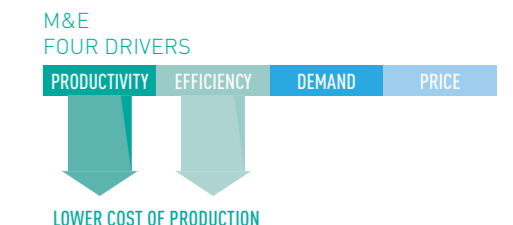
The wool industry has made significant progress towards greater Emergency Animal Disease (EAD) preparedness to minimise disruption to exports of Australian wool and achieve the most rapid return possible to normal business in the event of a significant EAD. Pilot projects in improving post farm gate capacity will be broadened and tested in the coming strategic period.

INVESTMENT FOCUS

- Integrated flystrike prevention management toolkit enhanced and extended.
- Novel pain relief options investigated.
- Wool biosecurity toolkit enhanced.

TARGETS

1. Evidence of successful development of a flystrike vaccine prototype. *(OP)*
2. Evidence of investigations into novel pain relief options. *(OP)*
3. Developed integrated parasite management strategies to minimise the impact of chemical resistance *(OP)*
4. Evidence of successful development of wool bale biosecurity tools. *(OP)*
5. Demonstrate a 10% increase in adoption of welfare improved practices. *(OC)*
6. Demonstrate a 20% improved capacity of post-farmgate wool industry preparedness for an EAD. *(OC)*



Strategy: Healthy Productive Sheep

PROGRAM: Vertebrate Pests

Rabbits: Rabbits cause more than \$200 million in losses each year to agriculture and threaten the survival of more than 300 Australian native flora and fauna species. Warren destruction and poisoning complements biological control.

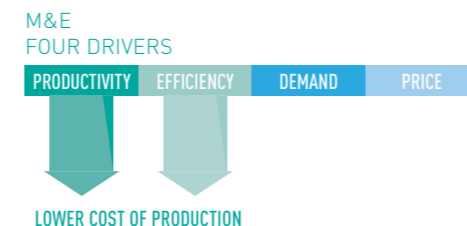
Wild dogs: Best practice landscape scale community driven integrated pest management is needed to reduce sheep death and injury, production loss, woolgrower mental illness and threats to fauna. Livestock producers need support from coordinators as they lead the community-wide engagement. Wild dog suppression by 70%-80% can produce a sustainable check to the reproduction rate for a population of wild dogs then low-cost maintenance should be funded by producers in the region.

INVESTMENT FOCUS

- Industry co-funded independent wild dog coordinators and facilitators.
- Develop community capacity through training and support to reach and maintain zero (or minimal sheep predation).
- Digital developments to capture predator activity: interprets, alerts and advises and then records management activities and outcomes.
- New community groups or those with a wild dog crisis given help towards achieving sustainable management.
- Development of new rabbit biocontrols.

TARGETS

1. Reduce the negative impacts of predation by 10% by 2022. *(OC)*
2. Improve capacity to undertake pest animal control by 10% by 2022. *(OC)*
3. Development of new rabbit bio-controls. *(OP)*



Strategy: Healthy Productive Sheep

PROGRAM: Reproduction & Nutrition

Woolgrowers want reproductive productivity and risk improved through tools and guidelines that use their on-property data and include climate variability. Research will inform the influences on reproductive efficiency of Merino ewes to inform best practice management for future years.

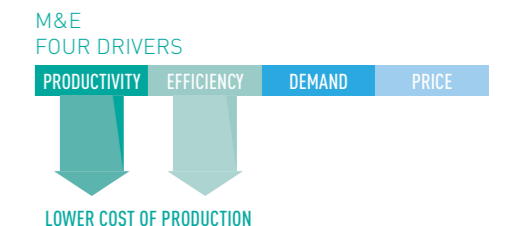
The Eastern states are looking for drought recovery and resilience strategies to rebuild and support their flock. The West needs to fill its summer feed gap while integrating into a crop program. Therefore, a similar style feedbase training program will be piloted in support of Lifetime Ewe Management (LTEM).

INVESTMENT FOCUS

- Development of a new feedbase management extension model.
- Decreasing reproductive wastage by improving lamb survival.
- Increase the collection and use of data to increase ewe reproductive efficiency.
- Reducing the impact of climate variability on reproductive performance.

TARGETS

1. At least 1,500 woolgrowers engaged in implementing beneficial feedbase guidelines and practices by 2022. *(OC)*
2. Increasing Merino marking rates by 0.5% per annum. *(OC)*
3. Complete the development of guidelines and extension workshops to improve reproductive rates that support the aim of 34% of ewes differentially managed to best practice by 2022. *(OC)*
4. Improve the understanding of three key areas to address climate variability: effect of heat stress on reproduction performance, best practice for supplementary feeding and management of resilient pasture species. *(OP)*



Strategy: Healthy Productive Sheep

PROGRAM: Genetics

Individual woolgrowers have diverse breeding objectives for varied enterprises and environments. They need access to a range of quality genetic benchmarking tools and informed sheep selection practices for productivity and profitability particularly in non-visual, lowly heritable traits or antagonistic relationships across fleece, growth rate, reproduction and animal welfare traits.

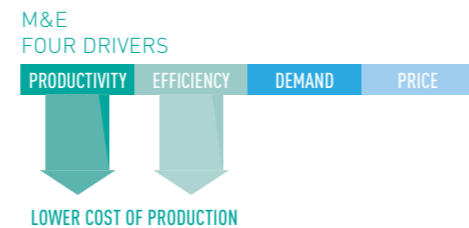
The MLP research project will help the Australian Merino industry better analyse and select for improved lifetime performance. This research flock is the Merino industry's most valuable current investment with \$15.5 million of cash and in kind across 15 projects.

INVESTMENT FOCUS

- Support for wether trials, central test sire evaluation, MERINOSELECT and sheep selection skills; this varies from boosting older age data and improving analysis methodology to extension and training.
- The genetics and economics of lifetime disease resilience, components of reproduction efficiency and feed intake and efficiency.
- Cervical artificial insemination with frozen and sex sorted semen and higher conception rates from improved ewe fertility protocols.

TARGETS

1. By 2022, 50% of Merino producers will be using genetic tools (eg Australian Sheep Breeding Values, Flock Breeding Values or wether trial data) in ram purchasing decisions. *(OC)*



Strategy: Agri Technology

PROGRAM: Hardware & Software Development

Automated data collection and analysis systems, such as AWI Smart Tags, could give real time information on relationships between rams and ewes and ewes and lambs enabling decisions on oestrus, mating, feeding, lambing, pedigree and sheep selection. This system could also give information on paddock and pasture use efficiency, water point access, theft, health and predation for a mob or an individual.

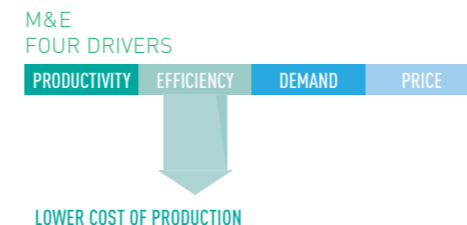
Digital signatures from sensors in tags interpreted to detect individual sheep behaviour and mob behaviour will be further developed and will link to novel applications for a useable in-paddock information rich interface and alert system.

INVESTMENT FOCUS

- Digital signatures from AWI's Smart Tags for reproduction, health and welfare and grazing.
- Testing the reliability and functional life of the AWI Smart Tag system.
- Artificial Intelligence technologies for data analysis.

TARGETS

1. AWI Smart Tag system delivers at least three practical functionalities driven by sensors, hardware is reliable and durable, and software is able to be updated remotely. *(OP)*
2. Artificial Intelligence (machine learning) applied for data analysis delivering accurate predictions for at least two sheep traits or paddock events. *(OP)*



Strategy: Agri Technology

PROGRAM: Mechatronics

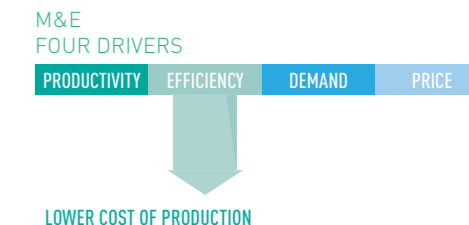
Fully or semi-autonomous wool harvesting can access off the shelf robotics equipment and machine learning algorithms and adapt them to the various stages in the process from sheep delivery to a shearing position through to isolating black wool from the fleece and baling wool. Artificial Intelligence technology can be developed for automation at any point along the wool harvesting process. It is envisaged that robots could assist a shearer by working closely with him/her or robots could work in a pipeline with shearers.

INVESTMENT FOCUS

- Robotic shearing.

TARGETS

1. Proof of concept robotic shearing system delivered. *(OP)*



Strategy: Agri Technology

PROGRAM: Novel Applications

Many technologies deliver a mass of data to woolgrowers. However, most woolgrowers need data presented as analysed and summarised information that makes their decision-making and management faster and easier. They need it in real time and accessible in a “mobile office”. New technologies from other industries can be adapted to woolgrower user interfaces, such as augmented reality in novel devices beyond a hand-held phone.

All these digital technologies have the potential to increase the productivity and profitability of the Australian wool industry.

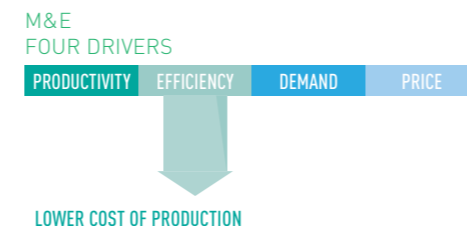
Therefore, increasing the digital competency of Australian woolgrowers is essential to apply these current and emerging technologies and to contribute to the agricultural innovation ecosystem.

INVESTMENT FOCUS

- User interface applications.
- Increase digital awareness and accelerate the adoption of technologies.

TARGETS

1. Proof of concept novel user interface application. *(OP)*
2. Educational packages to increase technology adoption and digital literacy. *(OP)*



Strategy: Training & Technology Uptake

PROGRAM: Sheep & Wool Management Skills

Through the provision of a broad range of training initiatives, we aim to continue to be a valuable contributor to the profitability and sustainability of Australian woolgrowers.

Continued encouragement and support of the next generation of wool industry workforce participants is critical to the growing prosperity of the Australian wool industry. Our programs in this area continue to expand and aim to help improve the engagement and motivation of

young people, thereby developing and retaining skills the wool industry needs to be innovative in response to new challenges.

Existing and future workers also have the opportunity for a solid base of hands-on practical skills and development pathways, through a suite of AWI programs and initiatives that train, encourage and motivate.

INVESTMENT FOCUS

Extension networks

- Enhanced delivery of AWI priorities through increased utilisation of AWI's state grower networks and other grower group structures. Focus will be on segments of the industry which have not previously been targeted in this area (eg young growers, technology), whilst maintaining traditional activities.

Practical management information

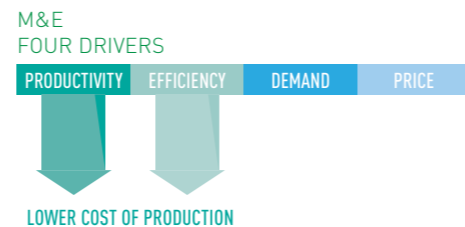
- AWI will continue to develop and make available key industry resources on best management practices and existing technologies across all facets of sheep production. Resources will be made available through a range of mediums including print, App development and AWI websites.

Capacity building & technologies

- Retention of wool industry participants through access to skills building opportunities to increase their capacity in leadership, business, industry promotion and their confidence in the future of their industry. Address shortfalls in practical hands-on and entry level training initiatives specific for wool and sheep management.

TARGETS

- 1,500 tertiary participants in AWI leadership and practical skills events. *(OC)*
- AWI leadership and practical skills events delivered to participants receive a net promoter score of at least 7.5/10. *(OC)*
- 30,000 views of AWI Education & Extension resources online. *(OC)*



Strategy: Training & Technology Uptake

PROGRAM: Wool Harvesting & Quality Preparation

Adequate numbers of highly skilled professional staff to harvest and handle a high quality Australian woolclip in a timely and efficient manner is key to the profitability of the Australian wool industry. We remain committed to attracting and retaining the best new entrants into the harvesting industry, building the capacity and longevity of staff and increasing returns to woolgrowers through improved shearing, wool handling and clip preparation practices.

We continue to fund hands-on practical training for shearers and wool handlers in the shed, aimed at increasing their skills, wellbeing and professional development. The training for harvesting staff will cover a wide range of experience – from novice to elite levels.

INVESTMENT FOCUS

Shearer and wool handler schools and workshops

- Developing and delivering shearer and wool handler training workshops that provide a continuity of training and development, provided by leading coaches to give participants the knowledge, skills and aptitude to continue in the wool harvesting industry. Linking these workshop participants to ongoing support of trainers and shearer contractors will be a priority to ensure longer-term retention.

In-shed training

- Providing on the job training for novice and intermediate shearers and wool handlers will further help develop their knowledge and skills in a workplace environment. Wool quality, professionalism and OH&S will be a major focus of this training.

Innovative in-shed practices and technologies

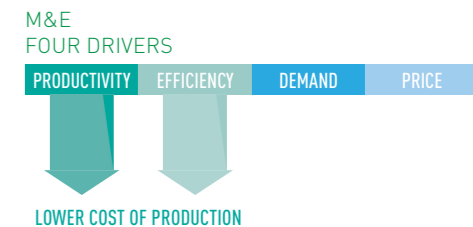
- With the broader adoption of innovative approaches to wool harvesting, such as upright and mobile shearing, multi-purpose sheds, improved infrastructure and easier catch/drag/release methods, AWI will work with industry to develop and deliver applicable resources and training components.

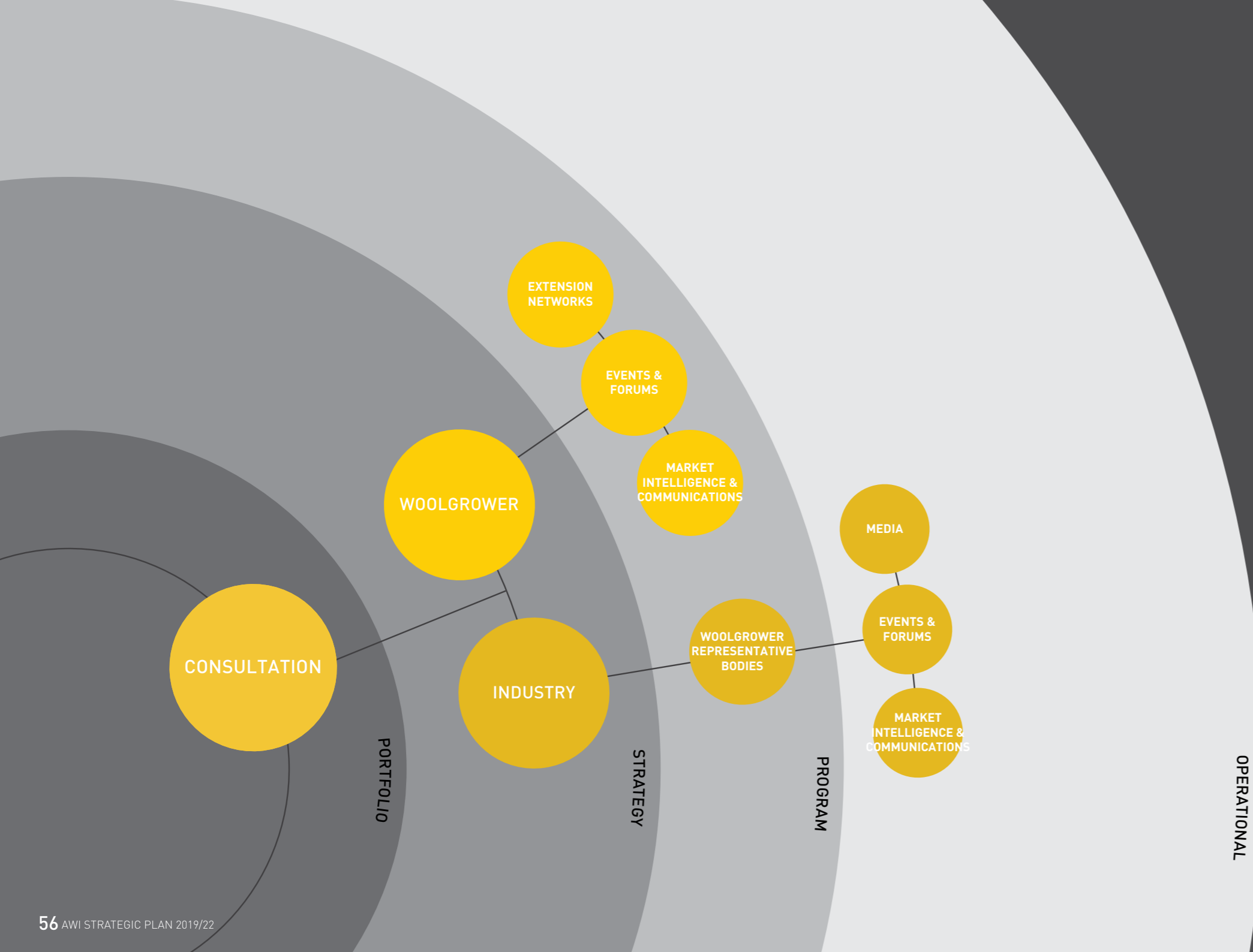
Promote elite shearing and wool handling

- AWI will continue to recognise elite shearing and wool handling through communication and promotion initiatives, as well as regional, state and national competition support.

TARGETS

- 3,000 novice and intermediate level participants trained by AWI shearer and wool handler trainers. *(OC)*
- Ongoing retention rate of 75% of those trained yearly. *(OC)*
- More than 1,000 participants in shearer and wool handling competitions nationally. *(OC)*
- 15,000 views of AWI Wool Harvesting resources online. *(OC)*





4.3. CONSULTATION

OBJECTIVES

To build trust and transparency across the supply chain through an industry best-practice structured, targeted and measurable engagement model; and for this intelligence to influence, inform or contribute to AWI's business activities.

OUTCOMES

- Measurable contribution to future-proofing the industry, in terms of retaining and attracting the next generation to the industry; and to maintaining and building the Australian Merino flock.
- Accountability to woolgrowers by listening to and acting upon on-farm and regional challenges that are communicated via a structured and enhanced industry consultation model, and in turn leverage this feedback loop as a means of achieving improved awareness and understanding of AWI business activities by its levy payer base.
- Demonstrable positive increase in woolgrower sentiment toward AWI, via an annual survey, as a highly valued contributor to a vibrant, profitable, innovative and sustainable Australian wool industry.
- Deliver an innovative, practical and tailored project suite that lifts non-shareholder levy payer awareness of AWI activities to a level where woolgrowers within this group see value in converting to an AWI shareholder.
- Provide opportunity for reducing knowledge gaps between supply chain partners by an enhanced market intelligence function, and by acting as a conduit between sectors.

Consultation Strategies



WOOLGROWER

Australian woolgrowers are the reason AWI exists. Australian woolgrowers and the future health of their operations will always be the business' priority focus, in terms of woolgrower levies that fund AWI activities, and in managing these funds prudently to deliver strategic, relevant, sophisticated, and measurable outcomes that contribute to a vibrant, profitable, innovative and sustainable Australian wool industry.



INDUSTRY

AWI looks to work in a structured, transparent and collaborative way with the plethora of industry bodies, and for the intelligence gleaned from this engagement to influence, inform or contribute to AWI business activities.

Strategy: Woolgrower

PROGRAM: Extension Networks

AWI extends its research, development and training to woolgrowers across Australia via its unique state-based networks which act as a hub for delivering localised industry information and events, and ultimately achieving measurable adoption and practice change. Leverage and efficiencies are achieved through AWI's Train the Trainer workshops that upskill external network teams to deliver regionally.

Specific and tailored relevance is delivered by seeking advice from the network members which is in turn converted to AWI's involvement and participation in local field days,

events, conferences, meetings and workshops, targeted and specific information and training. AWI works with the following state networks: Sheep Connect NSW, Sheep Connect South Australia, Sheep Connect Tasmania, The Sheep's Back (in Western Australia), BestWool/Best Lamb (in Victoria) and Leading Sheep (in Queensland).

The inherent feedback loop will be further enhanced, consistent with AWI's new consultation model and extends to each network being directed by a Producer Advisory Panel (PAP) of 6-8 woolgrowers, who meet biannually to guide AWI investment and report on activity in accordance with their project objectives.

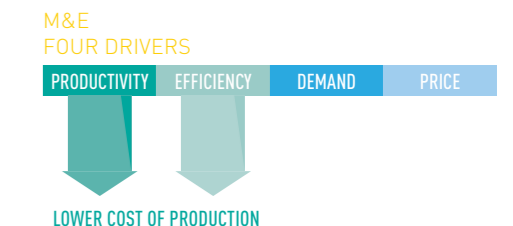
New digital technologies to enhance management, coupled with increased demand for workshops surrounding management and stockmanship are being met by AWI's education and training resources for a new generation of woolgrowers entering or returning to the industry.

INVESTMENT FOCUS

- AWI will continue to develop and disseminate key industry resources on best management practices and existing technologies across all facets of sheep production, with these readily available in both digital and print format.
- Participants through access to skill-building opportunities to increase capacity in leadership, business, industry promotion and confidence in the future of the industry.
- Address shortfalls in practical hands-on and entry level training initiatives specific for wool and sheep management.
- Seeking new networks to engage with in order to reach woolgrowers, particularly in cropping zones where renewed interest in sheep exists. Examples: Grains Industry Association, WA; Birchip Cropping Group, Vic; Mallee Sustainable Farming, Vic, SA; Grassland Society, NSW.
- Increased consultation with extension group PAPs and increased engagement with woolgrowers through events, workshops and conferences.

TARGETS

1. 15,000 active participants in AWI extension initiatives. (OC)
2. AWI workshops delivered to participants receive a net promoter score of 7.5/10. (evidenced by exit surveys). (OC)
3. 50,000 views of AWI Network resources online. (OC)



Strategy: Woolgrower

PROGRAM: Events & Forums

AWI will continue to have a strong presence and contribution to woolgrower and industry events and forums across Australia. Opportunities to listen to, and work with woolgrowers include conferences, field days, stud and commercial sheep events, sheep shows and tours; to more specific events based on specific regional production issues such as MLP field days, flock competitions, webinars and demonstration days.

AWI will reinforce its efforts on direct connection to the woolgrowers it serves by contributing to event organisation, sponsorship opportunities, and addressing events.

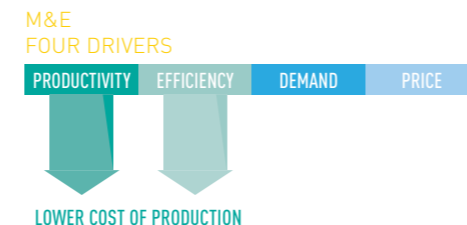
Increased measurement and evaluation of AWI's engagement at events and forums will seek to gather and act on feedback between AWI and woolgrowers.

INVESTMENT FOCUS

- Focus on future-proofing the industry in terms of the Merino flock, next generation and new technologies.
- Direct and collaborative support and presence at events.
- Increase current reach to engage with more commercial woolgrowers, young woolgrowers and potential woolgrowers, via existing or new events.
- Ensure feedback is gathered, and acted upon wherever possible, to inform the business on regional priorities and to continually sharpen relevance to woolgrowers.

TARGETS

1. Support and engagement at more than 50 events and forums nationally. *(OP)*



Strategy: Woolgrower

PROGRAM: Market Intelligence & Communications

AWI will enhance its market intelligence service, to help ensure Australian woolgrowers remain informed of activity across the global supply chain, including market prices, sentiment and trends. Through its global network, AWI is in the unique position to provide insights gleaned from regional offices, trade partners and Woolmark licensees.

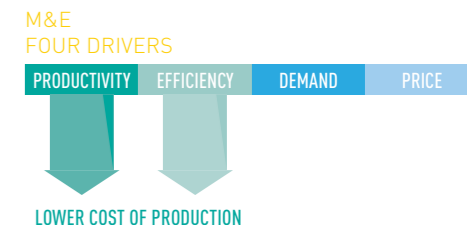
AWI's suite of information will include daily and weekly SMS reports on the Australian wool auction results, a weekly email summary report, monthly market intelligence reports and market insights across a variety of platforms, including AWI's flagship magazine *Beyond the Bale*.

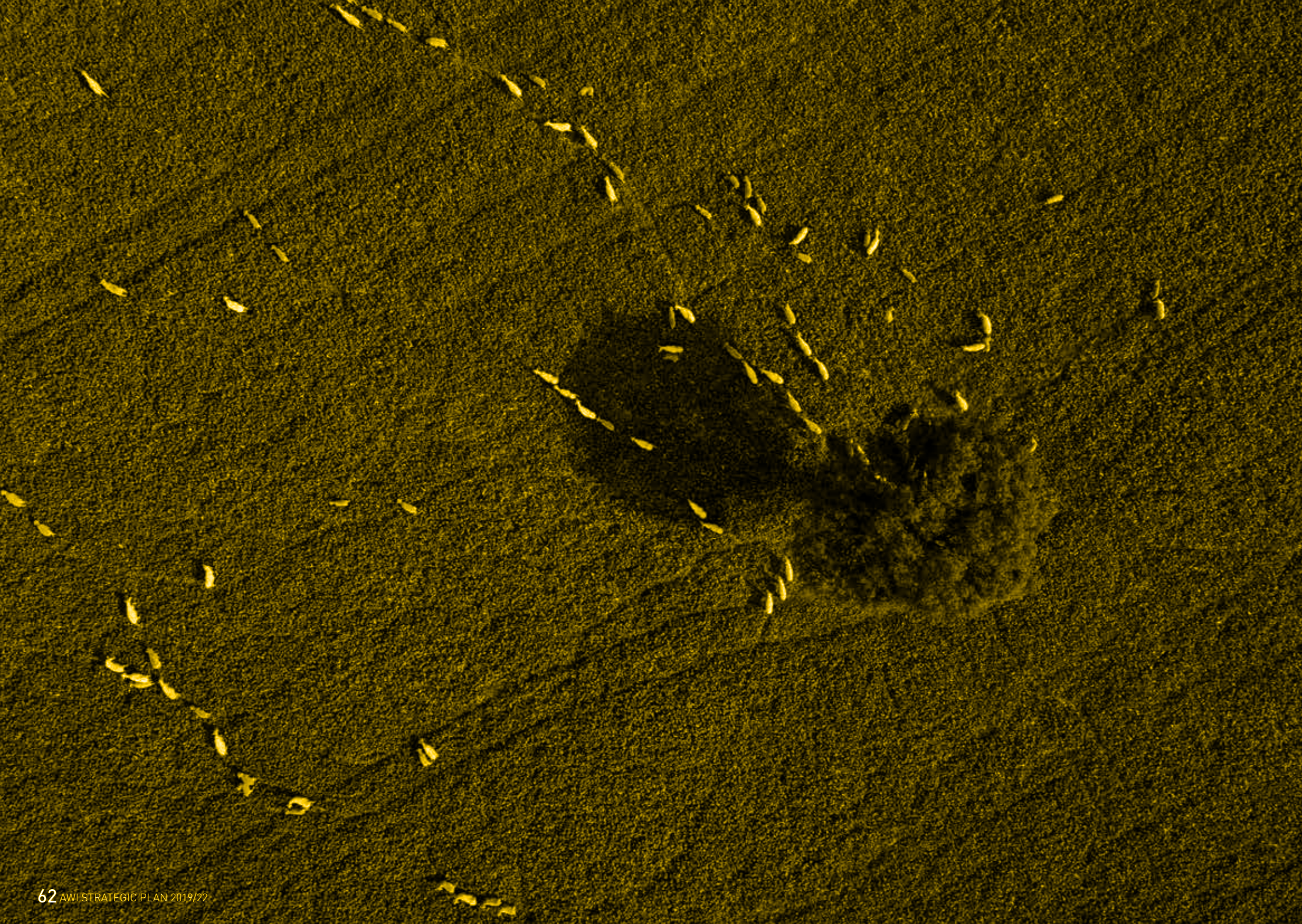
INVESTMENT FOCUS

- Create the most valued market intelligence in the wool industry.
- Build demand and subscriber numbers as an indication of quality, well presented and sought-after information.
- Provide forecast analysis and insights into global trends to inform business owners of threats and opportunities across the supply chain.

TARGETS

1. 70% of users of AWI's Market Intelligence find it of 'high value' or above (evidenced by AWI survey). *(OC)*
2. Increase subscriber numbers by 20%. *(OC)*
3. E-news click through rate of 35%. *(OC)*
4. Market Intelligence area on AWI website receives 1,500 views per month. *(OC)*





Strategy: Industry

PROGRAM: Woolgrower Representative Bodies

It is important for AWI to regularly consult with woolgrower representative bodies to seek feedback on their member priorities for research, development and marketing, and to support their knowledge of AWI activities and performance.

INVESTMENT FOCUS

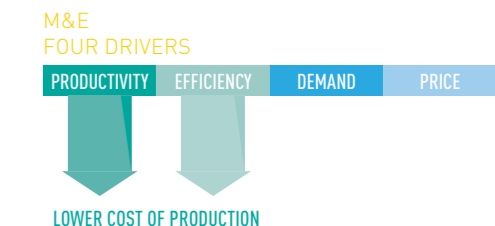
AWI has undertaken a significant review of its consultation activities over the past strategic period, commencing in 2016 and culminating in the establishment of a new consultation model in early 2019.

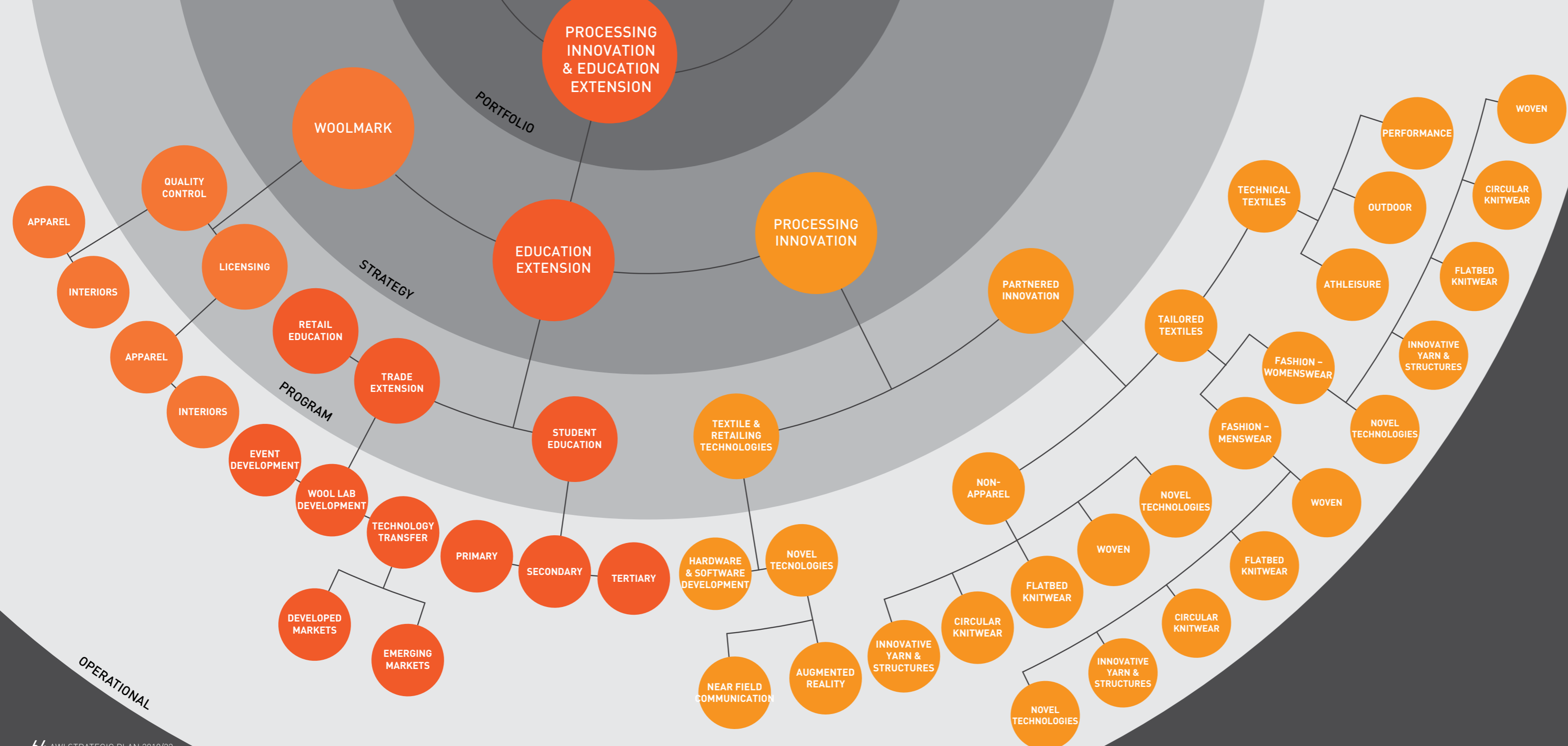
The focus of the new consultation model is on developing more effective, respectful and meaningful consultation with woolgrower representative bodies through:

- AWI's Woolgrower Industry Consultation Panel (WICP); and
- AWI's Woolgrower Consultation Group (WCG).

TARGETS

1. WICP and WCG members report AWI consultation efforts have been maintained or improved at 8.9 (approval rating out of 10). *(OC)*





4.4. PROCESSING INNOVATION & EDUCATION EXTENSION

OBJECTIVE

Increase the profitability and sustainability of the wool processing and manufacturing supply chain and educate students, trade and retailers about the benefits of wool.

OUTCOMES

- Develop new innovative manufacturing and technology processes.
- Develop new product ranges based on newly developed processes launched globally in collaboration with supply chain partners and marketing teams.
- Manufacturers mainly in emerging countries, new to wool, using established wool technologies.
- Educate students, trade and retailers on the characteristics of the wool fibre and the many possibilities of production and end use of wool products and processes.

Processing Innovation & Education Extension Strategies



PROCESSING INNOVATION

By working with industry partners, from early stage processors through to end garment to adopt innovative processes and technologies, AWI will ensure wool remains a leading, progressive fibre for consideration by manufacturers, designers and brands. Technical transfer will further widen manufacturing expertise for industry to draw upon and also enable commercial point of difference for their organisations.



EDUCATION EXTENSION

Education of primary, secondary and tertiary students (both textile engineering and design) will not only inspire those entering the industry but also provide them with in-depth knowledge of the wool fibre and a solid understanding of the many possibilities for its use. All students are also future consumers of wool. Education of supply chain partners ensures that industry is kept informed of leading technologies and processes.



WOOLMARK

The Woolmark brand underpins many of AWI's other programs by providing a central point of focus to link initiatives across the entire wool supply chain. The Woolmark product specifications and quality control and testing policy support The Woolmark Company's consumer marketing efforts to change perceptions about wool.

Strategy: Processing Innovation

PROGRAM: Textile & Retailing Technologies

With the rise of modern technology, the way people engage with and purchase garments has changed. There are now more opportunities than ever before to better educate customers about the benefits of the fibre in unique and novel ways that will both help to drive conversion and sales but also ensure people are more informed and educated about what they are purchasing and how to care for it.

Therefore, it is important that AWI watches and monitors this space, to ensure that the company capitalises on any new technologies that are rolled out, to help it better serve both the trade and end customer. These technologies include machine learning, interactive retail, augmented reality, NFC tags and others.

INVESTMENT FOCUS

- Interactive retail technologies.
- Digital engagement tools.
- Connected garments (Fashion Tech).

TARGETS

1. Proof of concept novel retail technology application. *(OP)*
2. Proof of concept novel textile technology/fashion tech application. *(OP)*
3. Educational packages to increase technology awareness, adoption and digital literacy. *(OP)*



Strategy: Processing Innovation

PROGRAM: Partnered Innovation

Leading global brands in both the fashion, sports and interiors markets continue to have a growing hunger for new products made from wool to offer consumers. Likewise, the manufacturing supply chain are keen to innovate products and adopt processes that add profit, value and point of difference to their organisations.

The Woolmark Company will partner with key areas of the supply chain to innovate new yarns, textiles, garments, products and processes. These will be specific to technical textiles, tailored textiles and non-

apparel products for adoption by fashion, athleisure, sports and footwear markets, as well as the automotive and interiors industries.

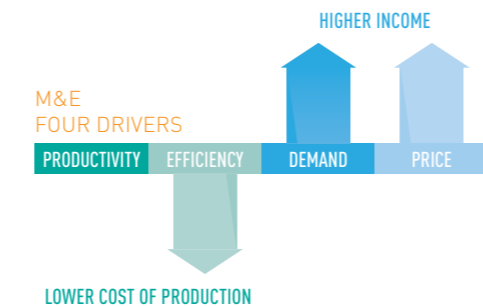
With the growing consumer trend for sustainable, environmentally conscious products, new processes for wool in the supply chain need to be continually researched. As such, waterless dyeing, natural dyes and whole garment construction to reduce waste (for example) will also be a focus.

INVESTMENT FOCUS

- Development of new yarns, textiles, garments, footwear and non-woven products.
- Engagement with leading machinery manufacturers to explore new opportunities for wool production, process and treatments.
- Wearable technologies and 3D printing.
- Technical transfer.
- Partnered product innovations with key global brands.
- Research and trials into eco-friendly processing treatments and technologies.

TARGETS

1. Partner with six machinery companies for product or process development. *(OP)*
2. Minimum of ten fully-fashioned garment product developments made commercially available. *(OP)*
3. Minimum of five footwear developments made commercially available. *(OP)*
4. Research and commercial trial of one wearable technology. *(OP)*
5. Partnered product developments to increase by 20%. *(OP)*



Strategy: Education Extension

PROGRAM: Retail Education

Retail education will continue to be a key focus for AWI. Our experience confirms that offering training to retail floor staff who are key to influencing and providing customers with confidence to purchase wool ultimately results in increased wool sales.

Retail training educates designers, merchandisers, sourcing teams, marketing teams and floor staff.

Retail training programs can be offered to retailers/brands as a stand-alone offering or can complement existing product development or marketing programs.

Retail training packages will also be converted into digital learning modules and made available on the Woolmark Learning Centre platform.

INVESTMENT FOCUS

- Develop 'white label' retail training programs across a diversity of brands with a specific focus on womenswear, menswear and sportswear for global delivery.
- Continue to work directly with brands and retailers to develop custom training programs across various product categories.
- Develop a retail training portal via the Woolmark Learning Centre to ensure all retail training programs are accessible online and in multiple languages.
- Continue to host retail training tours to Australia where influential luxury brands have an opportunity to come to the source of Australian Merino wool and be connected with woolgrowers. This program aims to bridge the gap between the woolgrower and the brand/retailer at the end of the supply chain providing an education opportunity for both.

TARGETS

1. Deliver retail training programs across womenswear, menswear and sportswear to a minimum of 50 retailers/brands globally. *(OC)*
2. Retail staff have successfully completed 200 retail training courses on the properties and benefits of Australian wool on the Woolmark Learning Centre digital platform. *(OC)*



Strategy: Education Extension

PROGRAM: Trade Extension

Education throughout the supply chain remains a key element of our business.

In order to grow demand, AWI must inspire, educate and connect designers, brands and retailers to use Australian wool in their products and, ideally, to leverage the intrinsic properties of wool to grow profitable demand for their products.

This suite of activities delivers inspiration and connection through The Wool Lab and education via the Woolmark Learning Centre Digital Platform and face-to-face delivery.

These activities will be leveraged by the international network as well as trade shows, resource centres and development centres located within strategic partner locations.

INVESTMENT FOCUS THE WOOL LAB (DEVELOPMENT)

The Wool Lab (TWL) will continue to be the main tool to inspire and connect designers, brands and retailers to wool.

AWI will continue to develop and deliver TWL via seasonal (Spring/Summer and Autumn/Winter collections) as well as a targeted Sports collection and Wool Denim collection to appeal to the contemporary market. We will continue to increase the extension of TWL by face to face presentations, however a key focus is on digital means to maximise the value and reach. TWL provides a sourcing service for key luxury brands and retailers for innovative design and fashion trends that utilise wool as the main fibre.

EVENT DEVELOPMENT (TRADE SHOWS)

AWI will continue to exhibit at the most influential international trade shows, including machinery, yarn, fabric, sports/outdoor, and technical shows that will support investment across our off-farm and marketing areas. Trade show messaging will focus on TWL (sourcing), new innovations (inspiration) and the eco-credentials of wool (education).

AWI will use these shows to affirm The Woolmark Company's role as a leading authority in the fashion and textile industry, through seminars, media coverage and partner feedback (including post-trade fair follow up). Trade shows also provide an important source of leads for continual business development as well as the opportunity to support our supply chain partners.

WOOL RESOURCE CENTRES AND DEVELOPMENT CENTRES

The first Wool Resource Centre opened in Hong Kong in 2016 with the aim to provide a global hub for the fibre, textile and apparel industries to discover the wonders and versatility of Merino wool. The centre includes a wool library, showroom and events space for use across the entire supply chain from wool growers, manufacturers to designers, brands, retailers and students. Following its success, AWI plans to expand its USA (New York) office into a resource centre to provide stronger hubs in key markets.

Development Centres currently existing at Nanshan Group (weaver), Xinao (spinner) and Donghua University. These centres have been aligned with key Chinese strategic partners to ensure that wool inspiration and education is available to their clients and students. AWI will continue to develop these existing centres by ensuring up-to-date information is available and that wool is at the forefront of mind when making a fibre selection. We will expand this approach into new target markets of Vietnam (emerging market) and Italy (developed market).

TECHNOLOGY TRANSFER

Developed Markets

Working in developed markets to identify and support market trends and new opportunity areas for wool that can be adopted by existing and new manufacturing markets. AWI will continue to monitor and evaluate market trends and discuss opportunities with supply chain partners to create new business.

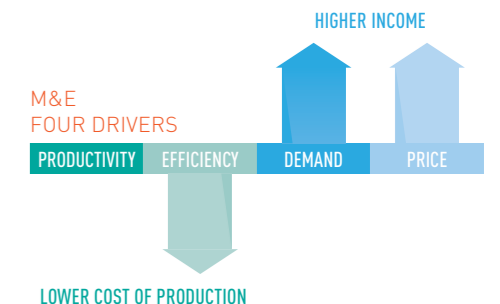
Emerging Markets

By identifying and working with new manufacturing partners in emerging countries, our aim is to support the shift of processing operations out of China, whilst at the same time creating new business opportunities and new demand for Australian wool.

During this strategic period the focus will be on the establishment and growth of midstream processing, ie spinning, knitting weaving, garment making etc, with the overall objective of establishing new manufacturing supply chains in Vietnam, and other markets yet to be identified.

TARGETS

1. Increase the number of supply chain partners contributing to The Wool Lab by 10% to drive demand. (OC)
2. Increase swatch requests from The Wool Lab by 5%. (OC)
3. Expand its Wool Resource Centres to USA (New York) to increase awareness. (OP)
4. Increase engagement at the most influential international yarn, fabric, sports/outdoor, machinery and technical shows by 10%. (OC)



Strategy: Education Extension

PROGRAM: Student Education

Education of primary, secondary and tertiary students will continue to be a key focus area for AWI, ensuring the next generation has an understanding of the wool industry and the possibilities of the fibre as well as an understanding of careers within the industry.

This strategy targets students in both domestic and international markets, with the aim of increasing their participation in the wool supply chain (from production, processing, design, garment make up and retail).

This strategy will have a strong focus on converting existing face-to-face training materials into digital

learning available online and via mobility devices to increase the reach of wool education globally. This scale is unachievable via traditional face-to-face education approaches.

Investment in education is a long-term strategy and is designed to continue to build a foundation for the future and the next generation of industry personnel and consumers.

INVESTMENT FOCUS

- AWI will continue to develop and produce educational resources such as 'Sam the Lamb' and 'Learn About Wool for primary and secondary students.
- Support will be provided to teachers by way of education materials, online lesson plans, videos and other materials in line with National curriculums.
- AWI will continue to refine and roll-out the Wool4School Design competition globally to engage secondary students to learn about the benefits and versatility of wool.

- Seminars and competitions (Woolmark Performance Challenge) for tertiary students will be held globally to educate, inspire and connect the future generation, giving them an understanding of processing, the supply chain and the many possibilities for careers within the wool industry.
- AWI will continue to develop the Wool Appreciation and Wool Education Courses aimed at tertiary Design and Textile Engineering students to be delivered via face-to-face and train the trainer approach to key global markets.
- AWI will continue to convert all educational courses and competitions available for primary, secondary and tertiary students and teachers onto the online Woolmark Learning Centre platform to create a central hub for all educational resources. This platform will ensure participants (students and teachers) have access to the most up to date information and resources. It will also allow students to be credited for the courses they complete via a badging system.

TARGETS

1. Increase participation in the Learn About Wool primary and secondary education program by 10%. *(OC)*
2. Increase global participation in the Wool4School secondary design competition by 20% across Australia, Hong Kong, UK and Italy. *(OC)*
3. Increase participation in tertiary education programs by 15%. *(OC)*
4. Students have successfully completed 700 courses on the Australian wool and manufacturing industry through the Woolmark Learning Centre digital platform. *(OC)*



Strategy: Woolmark

PROGRAM: Quality Control

The Woolmark brand is owned by The Woolmark Company, a wholly-owned subsidiary of AWI. It is one of the world's most recognised textile fibre brands and provides consumers with guaranteed fibre content and an assurance of quality. Companies that become Woolmark licensees can use the Woolmark logo on their products as an independent quality endorsement thereby providing licensees with differentiation in the market place.

The Woolmark licensing program operates globally and allows for the logo to be applied to a range of qualifying products across apparel, interior textiles, bedding, floor coverings, laundry appliances and consumables, and sheepskins. It can also be used through the supply chain for yarns and fabrics.

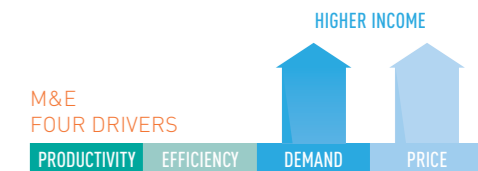
The Woolmark Quality Control program will operate to maintain the position of the Woolmark licensing program as a quality assurance mark through the supply chain. It will be the mark the consumers can rely on to be assured of quality wool products.

INVESTMENT FOCUS

- Maintaining the position of the Woolmark licensing program as a quality assurance.

TARGETS

1. 1,200 branded product samples purchased and processed through the QA program to maintain the integrity of the Woolmark brand. *(OP)*



Strategy: Woolmark

PROGRAM: Licensing

The licensing program is the administrative and management of the use of the logo on qualifying certified products through the contractual relationships with partners in all global markets. Licensees are integral in the supply chain in terms of creating quality products that are able to be labelled for sale by retailers and brands throughout the world.

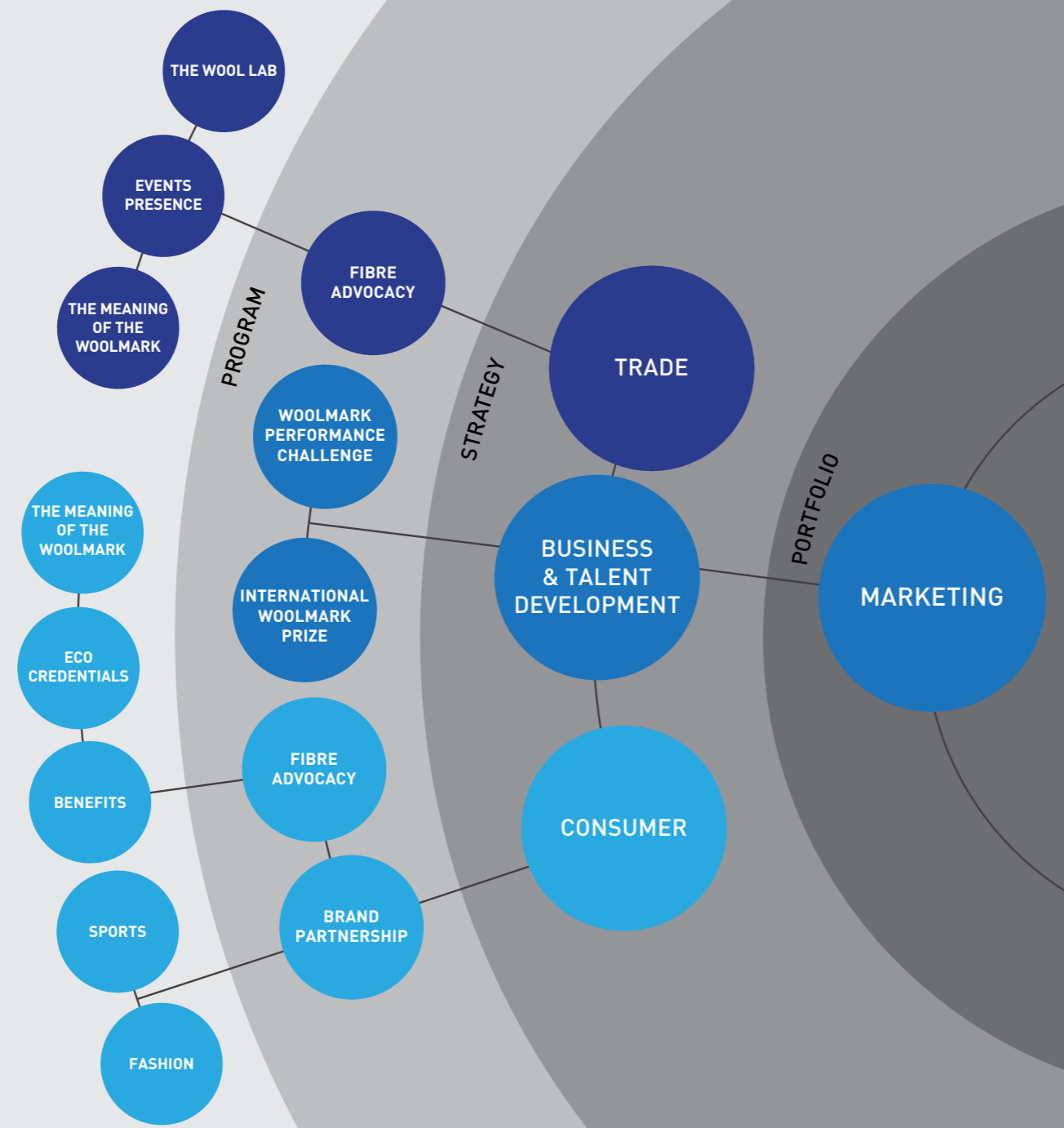
INVESTMENT FOCUS

- Maintenance of the supply chain and licensing database.
- Robust internal processes to ensure the licensing of the Woolmark logos through the supply chain to end product is well administered.
- Effectively administrative support for the QA system.
- Getting engagement from supply chain partners.

TARGETS

1. Increasing use of the Woolmark logo on qualifying product by 10% as measured through the use of branded tickets and labels. *(OC)*





4.5. MARKETING

OBJECTIVE

To continue to build demand for Australian wool by reinforcing its position in the market and solidifying a strong price to ensure a sustainable future for Australian woolgrowers.

OUTCOMES

- New and sustainable demand for Australian wool.
- Australian Merino wool is positioned as the premium fibre for luxury apparel and sportswear.
- Enhanced consumer awareness of the benefits of Australian wool as a fibre of choice in apparel.
- The Woolmark Company is a credible, globally recognised and mutually beneficial partner for brands and retailers.

Marketing Strategies



TRADE

The Trade Marketing strategy (B2B) aims to build the reputation for Australian wool amongst the global apparel industry through a program of fibre advocacy, fostering and promoting innovation, increasing brand equity for the Woolmark and championing Australian wool's inherent eco-credentials. The Woolmark Company's internal creative and digital teams will deliver cost-efficient, cutting edge marketing and communications.



BUSINESS & TALENT DEVELOPMENT

A strategic Business and Talent Development (BTD) program, bringing together the company's Education and Extension, Processing Innovation and Marketing functions to drive increased business development opportunities and build an alumnus of life-long Australian wool advocates. The strategy encompasses key programs such as the International Woolmark Prize and Woolmark Performance Challenge.



CONSUMER

The Consumer marketing strategy (B2B2C) aims to develop and implement marketing campaigns with key designers, brands and partners to drive growth, defend core categories and build the reputation for Australian wool. This strategy will deliver value to partner brands, maximise investment efficiency and deliver the wool message across all touchpoints aligned to the most important brands and retailers across the world.

Strategy: Trade

PROGRAM: Fibre Advocacy

Ensuring consistent messaging and brand image are essential to continuing to reinforce the position of Merino wool in the global market and ensuring The Woolmark Company continues to solidify its position as the global authority for wool.

The three key activities within the Fibre Advocacy (Trade) program are:

- The Wool Lab
- Events
- Meaning of the Woolmark.

INVESTMENT FOCUS THE WOOL LAB

The Wool Lab has become one of the essential tools for global brands and designers searching for the highest quality, most innovative wool products in the market, directly connecting them with the supply chain.

The trade marketing strategy will ensure The Wool Lab and latest innovations are effectively promoted to the global industry to guarantee continued innovation uptake, growth for Australian wool and positioning of The Woolmark Company as a global authority.

Actions

- Highlighting new processing applications to promote adoption of wool innovations.
- Owned content & communication strategy (imagery, video, trend reports, research and insight sharing).
- Paid media strategy.
- PR.

EVENTS

Trade marketing will promote a series of online and offline events focused on driving consideration for wool innovations and building the reputation of Australian wool through a program of content, PR and communication strategy.

Actions

- Trade show marketing to drive attendance and consideration of wool innovations.
- Wool Resource Centre marketing & engagement strategy including thought leadership initiatives.
- Development of educational event program.

MEANING OF THE WOOLMARK

Use the Woolmark brand promise to build loyalty between the apparel industry and the Australian woolgrowers by providing a globally recognised quality assurance program that communicates best practices and provenance. The Woolmark Company will aim to curate a community of wool advocates within the trade industry through access to insights, research and education around the intrinsic benefits of the fibre and the prestige of the Woolmark certification.

Actions

- Highlight the commercial benefits of the Woolmark program to a trade audience through content, collateral and seminars.
- Promote best-practice licensees to commercial brands through editorial, events and paid media.
- Create valuable content and communication strategy for licensee retention and wool education (owned content strategy).
- Ensure retailers and brands are educated about the intrinsic benefits of the fibre and the prestige of the Woolmark certification.

TARGETS

1. Increase trade leads by 2.5%. *(OC)*
2. 5% active engagement rate on owned content. *(OC)*



Strategy: Business & Talent Development

PROGRAM: International Woolmark Prize

The International Woolmark Prize is designed to generate long term incremental demand by connecting the world's most promising emerging designers with the wool supply chain. The International Woolmark Prize represents the major owned program for AWI in the emerging designer and high-end fashion space.

INVESTMENT FOCUS

Alumni

- Educational wool seminars and webinars.
- Partnerships with influential industry experts in marketing, retail and business to offer independent advice to alumni and specifically winners on how they can maximise their relationship with The Woolmark Company and the fibre.
- Continued coverage and support of alumni brand development across The Woolmark Company-owned digital and social platforms.

Events/content

- Investment in boundary-pushing content profiling the award and its participants by aligning with top level tastemakers from across the fashion, art and technology industries to create highly sharable and media worthy assets.
- Create inspiring events that tell the story of the fibre in a unique way and encourage top level media attendance and content opportunities for continued editorial and social media coverage.
- Secure the most influential fashion commentators, celebrities, stylists and bloggers to attend events and elevate the prestige of the award.

Retail/commercialisation

- Support for international retail launch activities including local area marketing, events, merchandising and designer appearances for maximum engagement with VIP shoppers, media and staff to promote the benefits of the fibre.

TARGETS

1. 300 new leads per year. *(OC)*
2. Achieve 50% of surveyed alumni as continued wool advocates post-award. *(OC)*
3. Five commercial partners retain alumni collections after initial season. *(OC)*



Strategy: Business & Talent Development

PROGRAM: Woolmark Performance Challenge

The WPC inspires science, technology, and design academics to develop innovative product solutions for performance-led apparel, by harnessing the unique natural properties of Australian Merino wool. The WPC builds strategic and collaborative relationships with global performance-focused brands – who have the potential to understand and adopt new innovations – and reinforces recognition of Australian Merino wool as the world's greatest natural performance fibre.

INVESTMENT FOCUS

Academic engagement and education

- Promotion of the competition to highly-respected tertiary-level institutions globally.
- Educational material delivery (online and physical) providing the next generation of product developers with the knowledge and inspiration to innovate using Australian Merino wool.
- Engagement of credible industry experts across a range of boundary-pushing disciplines to act as advocates of the program within their respective fields and provide training and development for finalists.

Business development and trade awareness

- Create thought-provoking events that communicate the potential benefits of the innovation ideas presented for industry and end consumers, and Australian wool's pivotal role in achieving these benefits. Attract attendance of key decision makers and influencers in sportswear, textile futures, and product innovation.
- Investment in content profiling the challenge, partners and the finalists, and their innovative concepts in highly creative and engaging ways to create sharable and media-worthy assets.
- Secure influential athletes, professionals, and relevant media personalities to attend events and become credible advocates for the challenge and its aims.
- Create platforms and events that provide networking opportunities for AWI/The Woolmark Company and WPC participants facilitating new wool product collaborations.

- Marketing support for new WPC-driven wool products at time of public release, if and when appropriate, to elevate wool's position as an innovative fibre and encourage consumer uptake.

TARGETS

1. Increase digital engagement by 20% year on year. *(OC)*
2. Increase competition entry rate by 10%. *(OC)*
3. Increase webinar average attendance rate from 19. *(OC)*



Strategy: Consumer

PROGRAM: Fibre Advocacy

Continue to build on the direct to consumer global strategy initiated in 2018 by highlighting the technical and environmental benefits of Australian wool, tailoring the approach around the segments and regions who most require focused messaging and opportunity for growth of sales within the market.

The three key activities which sit under the Fibre Advocacy program (consumer strategy) are:

- Meaning of the Woolmark
- Eco-credentials
- Benefits of wool.

INVESTMENT FOCUS

MEANING OF THE WOOLMARK

Leveraging global brand recognition of the Woolmark logo to build loyalty between consumers and the Australian wool industry through a strategic marketing and content program that communicates quality assurance, best practices and provenance. Building equity for the mark in the minds of the global consumer will help position fibre content and Australian wool as a purchase driver.

Actions

- Develop a content strategy to communicate the meaning and prestige of the Woolmark.
- Secure co-brand content to highlight the meaning of the mark.
- Consumer advertising program.

ECO CREDENTIALS

Establish a comprehensive strategy to communicate the environmental positioning of Australian wool, that is publicly available online. This strategy will reaffirm the Australian wool industry's commitment to best practice management of environmental and social aspects of wool-growing.

Through content and PR, we will aim to position Woolmark as a standard bearer for sustainability, providing consumers with a clear reference point for Woolmark's exacting standards. The Woolmark Company will promote best practice, adhering to industry guidelines and will include the following principles: environmental management, animal welfare and labour standards.

Actions

- Content strategy highlighting Australian wool's eco-credentials.
- Global PR strategy positioning Australian wool as a sustainable choice for conscious consumers.
- Partner alignment strategy.

BENEFITS OF WOOL

Continue to challenge the common misconceptions around wool that remain a barrier to purchase through content, PR, ambassador alignment and brand experience. Build fibre advocacy by highlighting the technical benefits of the fibre through marketing, advertising, defensible communication and media.

TARGETS

1. 5% increase in active engagement on owned media channels. *(OC)*
2. Increase Share of Voice (SOV) by 8% for The Woolmark Company and Merino wool. *(OC)*
3. Increase in campaign-specific brand awareness by 5%. *(OC)*
4. Increase in campaign-specific brand sentiment by 5%. *(OC)*



Strategy: Consumer

PROGRAM: Brand Partnership

The Woolmark Company will develop and implement owned and co-marketing campaigns with transformational partners to build demand in key consumer markets for Australian wool. Support for this program with AWI internal editorial and digital teams, external creative and media experts to deliver value to partner brands, maximise The Woolmark Company cost-efficiency and maintain a cutting-edge digital infrastructure.

The two key activities which sit under the Brand Partnership program are:

- Fashion
- Sports.

FASHION

In the menswear market there are positive opportunities for growth by capitalising on the increasing casualisation of the category through streetwear partnerships, although the formal and semi-formal market will continue to be the main use of wool in this category.

The Woolmark Company will continue to defend Australian Merino wool as the only ingredient of a high-quality suit and capitalise on the current trend for wool looks in men's outerwear. We will aim to partner with upper-middle brands that are seen by the trade as 'iconic' and who have the elasticity in their pricing to absorb higher wool prices. This will influence the aspiring men's middle market that seeks to trade up via fibre upgrades and ingredient branding.

In the womenswear market, we aim to continue to reverse the trend towards the 'fast fashion' and focus on the upper-end of the market where there is a growing awareness of, and demand for, transparency in manufacturing and source of fibre content. This represents a distinct advantage for Australian wool.

In order to build the demand for wool, collaborations with the right designers and 'luxury' brands which have a global presence, and are influential within the fashion triangle, are key.

INVESTMENT FOCUS

- Partner with culturally relevant or transformational brands, retailers and designers to secure increased representation of Australian wool product within collections.
- Create co-branded marketing strategies to promote Australian wool product by communicating technical and/or environmental benefits to help ensure fibre composition is a key purchase driver.

SPORT

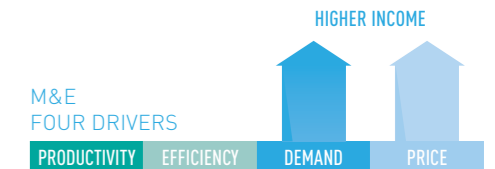
Taking advantage of the explosive growth in sportswear and athleisure there is a significant opportunity to position Australian wool as the ultimate technical fibre for performance and outdoor apparel. Consumer expectations for brands and products to not only perform technically, but environmentally provide another opportunity for Australian wool to leverage the fibre's intrinsic environmental positioning to gain further market share. Targeting, performance, outdoor and wellness partners The Woolmark Company will drive growth opportunities by working with major brands to introduce wool to new categories and build wool messaging within partner communications.

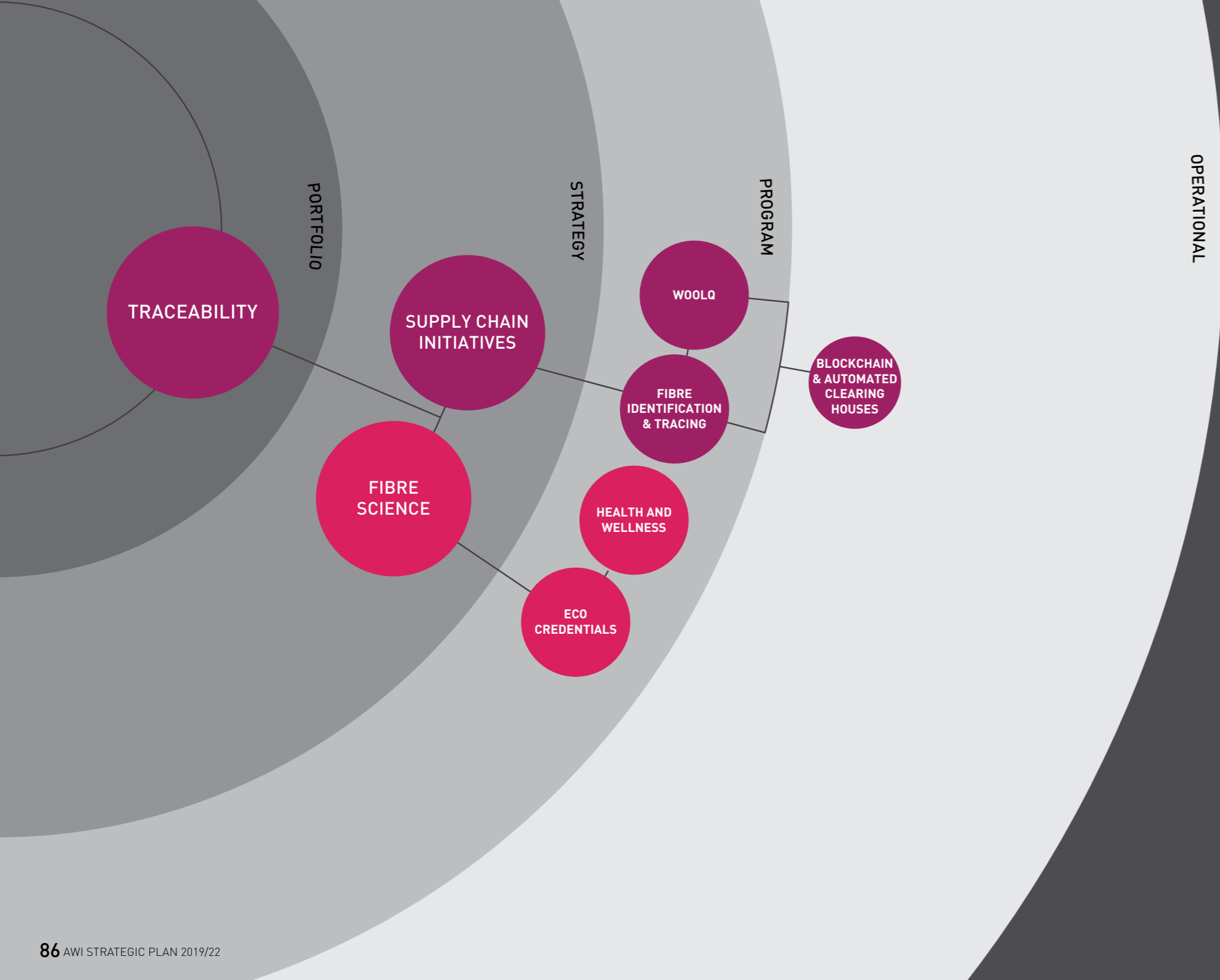
INVESTMENT FOCUS

- Partner with leading performance, athleisure and wellness brands to deliver new Australian wool product.
- Create co-branded marketing strategies to promote Australian wool product by communicating technical and/or environmental benefits to help ensure fibre composition is a or purchase driver.

TARGETS

1. Partner with five global brand partners. *(OP)*
2. Increase purchase intent of Australian wool by 5%. *(OC)*
3. Achieve 5% increase in units of clothing with five brand partners with a global presence. *(OC)*





4.6. TRACEABILITY

OBJECTIVE

To provide tools to ease the flow of information about Australian wool up and down the supply chain to all parties; to communicate wool's benefits, facilitate provenance and supply chain transparency.

OUTCOMES

- Provide tools to woolgrowers which improve profitability through informed decision making.
- Provide tools to the wool supply chain to meet retail market calls for supply chain transparency and provenance stories.
- Provide scientific information to retailers and consumers to demonstrate that wool is the planet-friendly fibre of choice.
- Provide scientific information to retailers and consumers to demonstrate that wool is the fibre of choice for comfort.

Traceability Strategies



SUPPLY CHAIN INITIATIVES

Supply chain initiatives will be researched and developed to distinguish and identify Australian wool through the supply chain. Tools to increase efficiency and transparency from farm gate to end consumer will be developed and enhanced.



FIBRE SCIENCE

Fibre science is the evidence the wool industry uses to promote to consumers that wool is the planet-friendly fibre of choice. AWI will add to the body of knowledge that consumers' personal micro-environment, their living and working environment and the global environment can all be improved by wool.

Strategy: Supply Chain Initiatives

PROGRAM: WoolQ

WoolQ will be the primary online entry point for woolgrowers and their business partners to input, access and store information and data relating to their wool. WoolQ will also provide woolgrowers with the tools to evaluate/analyse that data to enable them to make more informed decisions regarding the selling of their wool.

WoolQ will provide an additional online selling option that will allow for an additional avenue for woolgrowers, their brokers and registered buyers of Australian wool to promote and transact their wool interest outside the existing selling venues.

A key function of WoolQ is the ability of woolgrowers to build a detailed profile of their wool-growing enterprise. By including imagery together with key production data such as micron range and bloodlines, geography and conservation initiatives, woolgrowers will be able to signal to potential buyers the welfare values, animals, people and landscape behind the product for sale.

Traceability and transparency are core features being sought by an increasing number of consumers and therefore this is also being reflected in the requests of retailers, brands and manufacturers. WoolQ will shorten the information gap between the final consumer and the producer, a gap that has been exceedingly long since the start of the Australian wool industry.

INVESTMENT FOCUS

Industry Growth

Improve the prosperity/profitability and interest of Australian woolgrowers by:

- delivering a high quality, easy to use tool that will assist/allow woolgrowers and their business partners to make better business decisions regarding the selling of their wool.
- allowing woolgrowers to become more invested in the selling of their wool clip through greater access and transparency to their customers and the selling options.
- ensuring that competition throughout the entire supply chain remains paramount.
- promoting tangible links between woolgrowers, the processors and end users of Australian wool.

Innovation

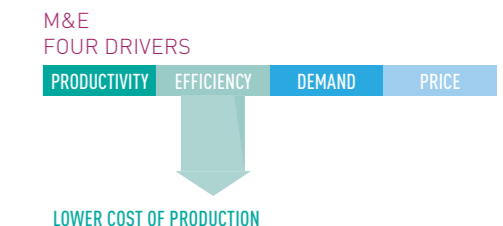
Foster an environment of innovation in the Australian wool industry by:

- demonstrating commitment to continuous improvement of the WoolQ platform.

- promoting and not crowding out additional (non-WoolQ) industry innovation.
- preparing the industry for constant and inevitable change including the downstream consumer demands of provenance and traceability.

TARGETS

1. An increase of 5,000 woolgrowers adopting the WoolQ grower tools. (OC)
2. 5% of all Australian wool traded via the WoolQ Market tool. (OC)



Strategy: Supply Chain Initiatives

PROGRAM: Fibre Identification & Tracing

AWI will invest in initiatives through the supply chain which enhance transparency and streamline the mechanisms for the sale of wool from farm gate to end consumer. This will include a mixture of scientific methods to distinguish Australian wool from other fibres as well as a set of commercial tools to support transparency through the supply chain.

Scientific research will be undertaken to develop test methods and/or techniques to conclusively and objectively identify Australian wool through the supply chain. The purpose of this investment is to create tools that give retailers and brands the capacity to confidently make the claim and tell the story of Australian grown wool for garments.

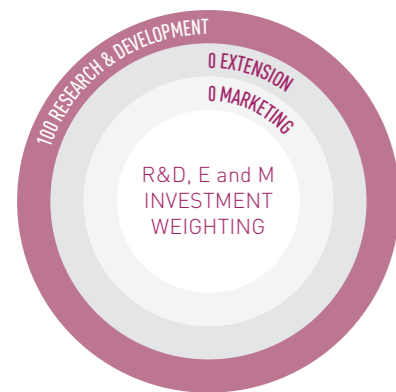
The program will also investigate tools (for example block chains) to support chain of custody of wool through the supply chain from farm gate to end garment. These tools will offer opportunity for linking to and extending WoolQ for greater visibility and transparency through the supply chain.

INVESTMENT FOCUS

- Creation of an objective test method or technology to distinguish and identify Australian grown wool through the full supply chain from farm gate to retail store.
- Development of chain of custody tools to enhance transparency of the supply chain for Australian wool from scouring to end garments.

TARGETS

1. Define new fibre-origin test method for adoption into the supply chain and use by laboratories. *(OP)*
2. Draft protocols for the chain of custody of wool through the supply chain ready for review by global wool industry bodies. *(OP)*



Strategy: Fibre Science

PROGRAM: Health And Wellness

Demand for wool is grown by generating scientifically defensible evidence of wool's wellness attributes and enabling the textile trade to specify fabrics for wellness, sports and activewear.

Wearing wool garments better manages the skin micro-environment, positively affecting moisture, odour, toxins, bacteria and temperature. It is at the extremes of life these benefits are most readily proven – heat, cold, humidity, on infants or the elderly, when exposed to fire and under physical or mental stress.

US, Asian and European studies and garment specifications will complete the evidence demonstrating benefits for the 23% of babies and children with eczema globally.

Studies for sleeping in wool will be finalised, demonstrating the package of benefits for people at different ages.

New test protocols will be developed to measure wool breathability in dynamic conditions.

INVESTMENT FOCUS

- Demonstrate wool fibre constructed fit for purpose gives the wearer a package of health benefits not available from other fibres.
- Demonstrate wool's benefits in dynamic circumstances.

TARGETS

1. Produce and publish evidence of specified next to skin Merino garments as beneficial for eczema. *(OP)*
2. Produce and publish evidence of specified next to skin Merino garments as improving sleep quality. *(OP)*
3. Generate new test protocols to measure wool's breathability in dynamic conditions. *(OP)*



Strategy: Fibre Science

PROGRAM: Eco Credentials

Wool's sound eco-credentials can be improved to grow the demand for wool.

The international methodology for ranking fibres on environmental sustainability across the whole value chain still adequately accounts for the pre and post farm impacts and needs improving. AWI will generate compelling scientific data and emissions reduction recommendations to further underpin wool's comparative eco-

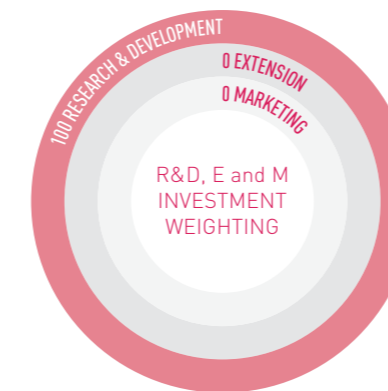
credentials and improve life cycle assessment methodology, including in the fields of product use phase, end-of-life and microplastic pollution. Through identifying and communicating the weaknesses of the present apparel rating systems AWI will successfully influence the fibre rating agencies, such that treatment of natural and synthetic fibres becomes more equitable.

INVESTMENT FOCUS

- Improve wool's rating relative to synthetics, by working to establish a level playing field for rating fabrics.
- Position wool as a proactive, leading and forward-looking industry, carefully stewarding the environment.

TARGETS

1. Produce and publish evidence how current environmental scoring of apparel disadvantages the value chains of natural and renewable biogenic carbon fibres compared to non renewable fossil carbon derived fibres. *(OP)*
2. Produce and publish case studies on the environmental and economic impact of woolgrowers using regenerative farming practices. *(OP)*
3. Complete a wool cradle to grave Life Cycle Analysis. *(OP)*
4. Generate new knowledge for improving the on-farm carbon account. *(OP)*



5. OPERATIONAL

5.1. Supporting The Business

AWI's support services provide specialised knowledge, best practice and technology to provide high quality support globally for all business divisions of AWI.

AWI's Finance Services includes but is not limited to compliance, recording financial information, governance and reporting to meet business requirements. During the next strategic period, there will be a focus on continual process improvement to enhance the progress made in providing reliable and flexible financial service systems to ensure the company continues to run lean, with every dollar spent wisely and every dollar accounted for.

People Services manages and identifies solutions to the challenges involved in managing a global workforce across

13 employment jurisdictions. Throughout the next three years, there will be a focus on staff engagement to maximise the efficiency, performance and productivity of our people. We will work hard to ensure we attract and retain staff who are positive, passionate and experts in their field while building our leadership and succession pipeline.

AWI maintains in-house legal counsel who work across the company to support the AWI group of companies. This includes one lawyer in the role of AWI Company Secretary and the remainder, who comprise the Legal and Intellectual Property Team, who provide integral support supplying legal advice, strategic commercial advice and compliance oversight for all business divisions of AWI.

AWI has developed and during the next strategic period will sustainably embed a measurement and evaluation (M&E) framework into each of AWI's business areas to effectively measure and evaluate activity and investment. This will ensure the benefits from AWI's investments and programs can be consistently and objectively measured and reported on to Australian woolgrowers and Government partners.

The Information Technology Services team will concentrate on further extracting efficiencies in IT business processes; people and training; increased security and awareness; governance and compliance; enterprise and information architecture; performance measurement and evaluation; and supporting data-driven decisions across the organisation.

The past few years have seen a drastic shift in the way businesses and customers approach digital. This change has created a range of opportunities for AWI as a business and 'digital' is now woven throughout everything AWI does. AWI is now able to champion the wool message in ways and to markets we have never been able to reach before, providing opportunity for further growth and awareness around our fibre.

5.2. Operational Support Functions



CORPORATE SERVICES

Corporate Services provides key expertise, compliance, governance, support and value to the global business in the areas of financial management, legal and company secretarial support including IP portfolio management, people services and internal IT services.



DIGITAL SERVICES

With the ever-changing digital landscape, it is the role of Digital Services to ensure technology is woven throughout AWI's global operations. This ensures a firm, secure digital ecosystem is established while at the same time remaining nimble to adapt to changing market conditions.

Strategy: Corporate Services

PROGRAM: Finance Services

The AWI finance team provides the expertise and support to the global business including but not limited to statutory financial reporting, tax compliance and financial management. The finance team is responsible for ensuring continued compliance across the international footprint of AWI's financial governance requirements.

Financial management tools have been integrated into the AWI business focusing on continual improvement, streamlining processes and providing reliable and flexible tools to support the business needs.

INVESTMENT FOCUS

Compliance – monitor and manage corporate financial compliance and reporting requirements globally, acknowledging the complexity and changing governance requirements across the company's global footprint.

Risk – manage the company's global investment and foreign currency exposures within the approved policies to safeguard corporate funds and minimise currency risk exposure.

Process and reporting – provide useful and accurate financial reports to the business to enable effective decision making that meets the global financial compliance requirements. Continual improvement of processes, systems and tools to enhance the value provided internally to the business to the business.

Strategy: Corporate Services

PROGRAM: People Services

Through this program, AWI will manage and identify solutions to the challenges involved in operating a global workforce across 14 employment jurisdictions.

People Services provides support to the business in the areas of talent acquisition and retention, staff engagement and building workplace culture.

Our focus is to maximise the efficiency, performance and productivity of our people. We will work hard to ensure we attract and retain staff who are positive, passionate and experts in their field while building our leadership and succession pipeline.

INVESTMENT FOCUS

Talent Acquisition and Retention – Attract and retain the best available talent for each specific current or future position in AWI.

People Performance – Ensure AWI people have the required skills, processes, support, and training which will allow them to perform to their best potential, aiming to achieve their own and AWI's goals while having as a motivation the company's vision and mission.

Workplace Culture – Recognise, value and understand what is important to our staff to make AWI a great place to work.

Strategy: Corporate Services

PROGRAM: Legal Services

AWI employs four lawyers who support the AWI group of companies: one as the AWI Company Secretary and the remainder in the Legal Services Team. The Legal Services Team is an integral support service, providing legal and privacy advice, strategic commercial advice as well as compliance oversight, for all of the business divisions of AWI.

INVESTMENT FOCUS

Legal Services – the team provides a range of legal and strategic support services across the AWI group of companies in an effort to increase the company's productivity and drive efficiencies in implementing and executing strategies globally. The Legal Services Team aims to provide commercially astute, strategic and innovative legal advice across a broad range of legal practice areas as well as support in negotiations and commercial bargaining. The team also manages AWI's intellectual property portfolio to support the Woolmark licensing program and to maintain and protect the integrity, consistency and value of AWI's intellectual property portfolio worldwide. In addition, the team manages all domestic and overseas company secretarial matters for AWI's subsidiaries, branches and representative offices.

AWI Company Secretary – the Company Secretary for AWI has a primary responsibility to ensure application of relevant standards of best practice in corporate governance for AWI, support the effectiveness of the Board, and provide assistance and support to the Chair. This is achieved by monitoring and regularly reviewing business policies and procedures of the Board to ensure they continue to be appropriate and deliver the desired outcomes; ensuring compliance systems are maintained and AWI and the Board adhere to these systems and ensuring a good flow of information between the Board, Board Committees and Senior Management.

Strategy: Corporate Services

PROGRAM: Monitoring & Evaluation

AWI has undertaken a redevelopment of Monitoring & Evaluation (M&E) framework and applied processes to sustainably measure and evaluate our programs, projects and investment.

M&E processes support the company in quantifying the value delivered to Australian woolgrowers.

M&E will enable the reporting against targets, set triennially, during the three-year strategic period. Through effective reporting, stakeholder engagement, increased transparency, and the optimisation of activities, business operations will ensure AWI continues to add value and maximise benefits for woolgrowers.

INVESTMENT FOCUS

- Development of a suite of programs and systems to facilitate a robust, transparent, accessible and effective M&E framework.
- Provision of internal support to executives and managers to ensure effective implementation, compliance and adoption of the framework to build and embed a performance culture.
- Operational support to managers to embed M&E project and program operations.
- Annual reviews by external, independent agents to complete evaluations and validate internal mechanisms.

Strategy: Corporate Services

PROGRAM: Information Technology Services

Information Technology Services (ITS) is committed to collaborating across the business to deliver efficiency, quality and value and has established an Innovation Council to set strategic priorities.

Focus areas will concentrate on further extracting efficiencies in IT business processes; people and training; increased security and awareness; governance and compliance; enterprise and information architecture; performance measurement and evaluation; and supporting data-driven decisions across the organisation.

INVESTMENT FOCUS

ITS will deliver clear direction and vision as a service and enabler to the business, and look to anticipate and identify emerging technology trends to ensure continuous innovation while making intelligent technology investment decisions and increasing overall operational efficiency.

Cloud Infrastructure

Continue the adoption of a Cloud-first strategy, preferencing public cloud offerings over on-premise infrastructure. This reduces risk, lowers cost, improves availability and increases agility in the deployment of IT software and systems infrastructure.

Security and Risk Management

Continue ongoing risk assessment and implementation of robust protections against fast emerging cyber security threats that can harm business reputation and data assets. In alignment with AWI's IT strategy, development and regular review of policies and controls are inherent throughout the business.

Governance and Compliance

Ensure AWI is compliant with global and local data protection and privacy standards and legislations (including GDPR). ITS is focused on improved data management architecture and lifecycle.

Collaboration and Accessibility

Increase internal capacity to connect staff and allow teams to communicate and work together more efficiently and effectively, thus delivering sustained productivity improvements.

Data-Driven Decisions

Seek technology investment solutions in order to consolidate, categorise, analyse and present AWI data to internal and external stakeholders. Support employees with necessary knowledge change management to treat data as an asset and offer methods to discover new ways to find value and insights in existing and complementary data sets.

Strategy: Digital Services

PROGRAM: Digital

The ongoing growth of the business requires the establishment of a secure and efficient digital infrastructure which performs both a governance and security function as well as providing engagement and monitoring tools to better enable targeted communications and ensure the effectiveness of global projects. This foundation combined with an agile delivery system will allow the business to remain on top of changing market conditions and ensure it is maintaining best practice while always moving towards the future.

The overall digital strategy is designed to provide a secure foundation which empowers the entire business to be able to more efficiently and effectively do their jobs.

INVESTMENT FOCUS

The focus for our digital strategy is divided into four key pillars:

Infrastructure

We aim to establish a sound and secure, information, technology and data foundation which will underpin and power the operations of the entire business. This will provide both cost savings to the business from an operational perspective as well as ensuring the business maintains the necessary levels of protection and governance. It will also provide us with the ability to remain agile enough to meet changing business or market needs.

Delivery

Given the ever-changing nature of digital, the ability to deliver fast and efficient digital projects is essential to ensure we maximize each opportunity. This part of the strategy focuses on leveraging existing platforms as well as exploring new ones as a way to enable speed to market for a variety of projects and initiatives across all facets of the business.

Customer engagement

Digital systems give us the opportunity to have targeted communications with our key customers and stakeholders, helping us to better serve the interests of the business. This will cover both the infrastructure required to power these communications as well as the strategy and audience mapping necessary to ensure the best return on investment.

Market monitoring

The business currently operates across a range of markets and is uniquely positioned to capitalize on a range of new technologies in improving the everyday effectiveness of its staff and better connection with partners and consumers. As such it is important to monitor and remain aware of activity in this space to ensure the business continues to grow.



6. APPENDICES

6.1. Strategic Plan Budget

		BUDGET 2019/20 (AUD '000)	FORECAST 2020/21 (AUD '000)	FORECAST 2021/22 (AUD '000)
REVENUE	Wool Levy	48,600	49,800	50,900
	Government Contribution	16,000	16,000	16,000
	Woolmark	5,966	5,700	5,400
	Investment/Other	3,252	2,400	2,000
	TOTAL REVENUE	73,818	73,900	74,300
PROGRAM SUPPORT COSTS	Sheep Production, Science & Technology	16,290	15,070	13,800
	Consultation	5,107	4,730	4,330
	Processing Innovation & Education Extension	10,559	9,770	8,940
	Marketing	46,847	43,350	39,680
	Traceability	5,382	4,980	4,560
	TOTAL PROGRAM SUPPORT COSTS	84,185	77,900	71,310
SUPPORT & ADMINISTRATION COSTS		11,133	11,000	10,490
TOTAL EXPENDITURE		95,318	88,900	81,800
NET RESULT (as a function of reserve drawdown)		(21,500)	(15,000)	(7,500)
CLOSING RESERVES		97,800	82,800	75,300

The budget for 2019/20 was approved by the AWI Board in June 2019, along with the indicative budgets for the remainder of the strategic planning period. The AWI Board monitor and review the budgets/forecasts at every Board meeting and adjust if/when necessary.

6.2. Reserves Policy

Reserve	\$M	Description
Forward contracts reserve	Variable	To cover forward contracted commitments – reviewed at the end of each financial year.
Operating reserve	Variable	Equivalent of nine months' operating costs to cover unexpected cessation of levy and government revenue.
Emergency reserve	\$5 million fixed	To cover any contingent expenditure arising from obligations under the Emergency Animal Disease Response Agreement.
Discretionary reserve	Variable	To allow the Board to exploit opportunities outside the normal strategic plan and to cover fluctuations in income.



The Strategic Plan is available at

WOOL.COM