



*Trade Mark of Excellence*

**ASWGA Draft Response to the Productivity Commission**

**Re: AWI Board**

**AWI Board Selection and Appointment Process**

At the Productivity Commission hearing on Monday 22<sup>nd</sup> November 2010 the Commissioners discussed with AWI, at some length, the progress in ensuring that a fair and open process in achieving a Board that has the most appropriate balance of skills to ensure the delivery of the strategic plan under the SFA following the WoolPoll levy vote of wool producers.

The Minister for AFFA when announcing the Terms of Reference stated that the Commission should look at the Board selection and appointment process.

ASWGA in its submission expressed concern that the Board of AWI needed to develop a process that identified the range of skills required and put in place a process that provided a list of recommended candidates that shareholders (growers) could vote on at the Annual General Meeting.

At the hearing on Monday 22<sup>nd</sup> November, under questioning, AWI stated that the Board had accepted under the SFA agreement that they were setting up a process to identify the matrix of skills required and that a Board Nomination Committee would be established.

They did not give a commitment that the Board would endorse the nomination committees recommended candidates.

They further confirmed that they would support contested elections and there would be no change to the constitution where provided the required number of signatures is obtained any one may put themselves forward for election.

ASWGA has a number of concerns relating to the AWI responses as follows:

1. That the Board does seek the best advice on determining the range of skills required and the impression gained was that internally they were matching the present Boards skills to suit their own matrix.
2. That the Board has not committed to accepting and recommending to the shareholders the Nomination committees candidates.
3. The Board having agreed on the skills matrix should ask the Nominating Committee to recommend the candidates for each skill. This would allow voting for Directors in each discrete category of skills. Advice from ASX could help AWI in this area.
4. That allowing the present system to continue the chance of electing a Board with the correct balance of skills remains unchanged.

The terms of appointment should also be reviewed. The number of consecutive terms a director may serve and the maximum term that the chairman may serve have not been addressed. There needs to be consideration given to the balance between corporate knowledge and experience and the introduction of new talent.

ASWGA requests that the Commission considers the AWI response and determines whether the Board appointment process as outlined by AWI is adequate to take the Company forward and reduce the risk of further controversy and division. It is essential that AWI can perform to the highest standards to deliver its goals on behalf of both Australian woolgrowers and to give encouragement to the government to continue to invest in R&D for the wool industry.