

'Werong'  
Yass, NSW, 2582

6 November, 2017

**To whom it may concern**

Following recent letters from the AWI Chairman and the contesting directors in the AWI elections, I am writing to provide you with some further facts about these elections.

I have been a member of the Wool Exchange Portal Working Group/Steering Committee (WEPSC) since its inception, along with Mr Will Wilson who very capability chaired this Committee. I have been a supporter of the WEP and believe in the long run it has the potential to offer significant opportunities for growers and the wider industry. This is one of the reasons that I am extremely disappointed by the actions of Mr Wilson.

Mr Wilson failed to declare to the WEPSC that he was seeking nomination to the Board of AWI. He had a duty to declare his intentions to ensure accountability and transparency to those members representing other industry organisations. We were not given that opportunity.

I can confirm that on 1 September 2017, when final funding for the build of the WEP was approved by the AWI Board, at least two AWI Directors did not know Mr Wilson was seeking nomination for the Board. I believe that this had the potential, to cast a shadow around the Board's decision to fund the WEP and created a significant liability risk for AWI and its shareholders.

In his role as Chair of this group, Mr Wilson was a paid contractor to AWI, which is quite appropriate, however he had a duty to declare to the AWI Board that he was going to seek 100 signatures and stand for board nomination. Mr Wilson running for board elections increased the risk of politicising the WEP and posed a material risk to it.

Mr Wilson has publicly stated he was 'pretty sure' he advised AWI Company Secretary Jim Story in late August 2017 that he was running for the Board. I believe Mr Wilson should have done it well before he sought his first signature, to give the AWI Board the opportunity to decide if he should continue in the paid position given the risks it presented to the WEP. I can also confirm Mr Wilson asked for my signature on 22 August 2017, proving the process was underway by then.

This raises potentially serious concerns about AWI Board governance. If the Company Secretary was advised in late August, why did at least two directors not know Mr Wilson was seeking nomination until well after 1 September – the date when funding for the build of the WEP was approved? This clearly demonstrates that there has been a serious lack of full disclosure around the AWI Board. Are there other issues where there is a lack of full disclosure to all Directors?

After careful consideration over the perceived and real conflicts of interest of his actions, I had a discussion with Mr Wilson about the WEP and briefly raised these issues on 8 September. Following this I could not personally reconcile these issues, so I declined to sign his nomination form and formally resigned from the WEPSC, even though its work had largely concluded. I did this by writing a letter to Mr Wilson and Mr Stuart McCullough and was going to go no further with this issue. However, recent commentary on the AWI election by current AWI Directors gave me no choice but to place my concerns on the public record.

In the letter from the Chair of AWI to shareholders on 25 October lobbying shareholders to vote for Mr Wilson, Mr Merriman claimed 'unanimous support' of the WEP from industry groups (brokers, exporters, etc) who had a representative on the WEPSC. This has been vigorously refuted by both the National Council of Wool Selling Brokers and the Australian Council of Wool Exporters and Processors, who both had representatives on the WEPSC.

This heightened election commentary from some current AWI Directors, designed to lobby for Mr Wilson's nomination has further increased the risk to the WEP. Given that the construction of the WEP has commenced and that brokers and exporters are key to its success, as a levy payer I would have expected the self-interest of AWI Directors should have been put aside and they would have respected the fiduciary duty they have to the company and its shareholders.

To conclude, I believe Mr Wilson is technically quite entitled to contest director elections, but I was surprised when his recent letter to shareholders twice referred to his governance credentials and how he hopes to improve them at AWI.

Mr Wilson's decision to nominate as an AWI director always ran the risk of making the WEP an election issue, however it was the decision by the AWI Chair to write to shareholders that ensured that the WEP has unfortunately now become politicised.

Regards

Edward Storey

*Edward Storey is the manager of the family partnership at 'Werong', Yass in NSW and a 4<sup>th</sup> generation woolgrower. He is also Senior Vice President of WoolProducers Australia. He has a Bachelor of Economics from Sydney University and is a graduate of the Australian Institute of Company Directors.*