

# FROM THE CHAIR

## **The cold hard facts**

For ten years I have been committed to seeking real change in the wool sector to ensure farmers and the wider sheep industry can operate in a long-term profitable space. In 2012/13 Wools of New Zealand was capitalised by 700 passionate and committed growers like you who shared the vision to invest in and create a company to realise a better future for their wool. This investment was about changing the way we market and sell our wool, moving away from a selling system and supply model that hadn't changed in decades.

Again, as growers we see ourselves feeling the effects of that commodity trap with unrealistic and unsustainable prices being paid for our wool and in many cases unable to sell wool which exacerbates the declining economic environment and delays any real turn around. Now more than ever, the Wools of New Zealand purpose of "Change the game. Strength through innovation" is relevant and vital for our future.

While our young company has made progress, there is still much work to be done. The purpose of this communication is to update you on the progress that we have made, the things that we still need to do and most importantly, to inform you of how we are going to recognise your ongoing support in our company.

## **Progress that we have made**

The Wool Market Development Commitment (WMDC), as part of the Prospectus, was set up as a critical stream of funding through time to enable Wools of New Zealand to invest in market development and innovations throughout the supply chain. Significant progress has been made since the capital raise with a focus on:

### **Value driven contracts**

- Lambswool contracts; a leader in value creation and price setting, supporting the overall lambswool price for multiple seasons
- Branded forward contracts; a variety of contracts directly linked to manufacturing partners
- Stable price contracts; providing value to the grower and customer
- EU Ecolabel and Responsible Wool Standard certification programmes; differentiated supply programmes to build long-term business outside of the commodity space

### **Efficient routes to market**

- Staple supply planning tool; an essential start-point linking supply to demand
- Improved Direct-2-Scour model; developing a more efficient route to market
- Weekly Tender sales platform; one of several selling options
- Revised Grower Contract Allocation Process; based on WMDC commitment for fair and equitable allocation.

### **Investment into innovation and new technologies to differentiate Wools of New Zealand fibre and create brand value through enhanced products**

- Product and market development through our 'Centre of Wool Excellence'; working together with partners to push the boundaries and develop exciting new products
- GlacialXT: A new scour process that significantly enhances the 'whiteness' and 'brightness' of our wool, providing a more consistent and clean substrate for new product development and improving the value of all qualities of wool;
- Oritain traceability: A physical proof of origin technology that enables us to prove the authenticity and provenance of products that contain Wools of New Zealand wool, protecting our brand as well as our partners' brands from false claims and fraudulent activity; and
- Kiteq: An unique dye process that provides increased colour opportunities coupled with significantly improved light fastness on par with synthetic products.

These are all aspects of a unique targeted supply, sales, and marketing strategy within the strong wool industry and supported by New Zealand Trade & Enterprise.

## What we still need to do

I believe that there is a strong future for our wool - if we remain committed and continue to invest.

Globally, consumer and retailer trends are shifting back towards natural and sustainable products with an increasing focus on the importance of origin and the way in which the product was grown. Our 100% New Zealand grower owned company is well positioned to respond to these customer needs with an ethically grown, traceable and sustainable natural fibre. Through the investments that we have made and our brand, we are uniquely placed to realise significant commercial outcomes over the coming years from our wool.

While we continue to build our relationships with our core interior textile customers, we must take our wool into new spaces. There is a significant opportunity for us to change the dynamics of both the supply and market side of our business by taking our wool into new spaces, moving up the supply chain to capture more value. There is more to come.

## Recognising your ongoing support

As part of the 2012/13 capital raise we, as grower shareholders in Wools of New Zealand committed to paying the WMDC for the first five years through to June 2018.

In September 2017, following the approval of our 2017 financial results, Wools of New Zealand will be registering an offer to grower shareholders to increase their shareholding in the company. Do not be alarmed, we are not asking for more money, this is a reward for commitment. We simply want to recognise our committed current grower-shareholders by offering them a larger stake in the company.

Existing grower-shareholders who are up to date and current with payments to the WMDC when it finishes in June 2018 will be eligible for additional shares in the company based on one additional share for every dollar of WMDC paid since inception.

As a Board, we want to make sure that current committed grower-shareholders are acknowledged and rewarded for their belief and commitment to the company they created and that they have continued to help grow and develop through the WMDC. The Board would also encourage any grower shareholders who are in arrears with their WMDC to engage with Wools of New Zealand and discuss how they can catch up to ensure their eligibility for the additional shares in June 2018.

## Communications

Over the coming months you will be hearing from us as we look to the future and update you on the progress we are making. Part of this will be regular short messages as well as a series of roadshows where we plan to step through the forthcoming marketing and commercial initiatives. These are very important meetings and I urge you to attend.

## Please consider

In challenging market conditions, your 100% grower owned company has made real progress. Innovation, market-connection and collaboration will continue to be the main areas of focus for Wools of New Zealand as we seek to grow and strengthen our company and increase the value of our wool.

In order for the future of the strong wool industry to be sustainable, now more than ever we need to galvanise our commitment to change and innovation. The proposed share offer is a recognition to those grower-shareholders who are committed to bringing about change. We would also encourage you to direct your wool to Wools of New Zealand through our Direct-2-Scour model so that you can ensure your wool can be involved in the new technologies and sales models.

There is a strong future for our wool and our company - if we remain committed to positive change in our behaviour.



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Wools of New Zealand

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