

## Corporate Governance Statement

27 October 2023

This Corporate Governance Statement (**Statement**) outlines the key aspects of McPherson's Limited Group's (**Company** or **Group**) corporate governance framework and main governance practices in place from 1 July 2022 to the date of this report (the **Reporting Period**).

The Group's Board of Directors is committed to achieving and maintaining the highest standards of corporate governance. This is considered to be essential for the long-term performance and sustainability of the Group, and to protect and enhance the interests of security holders and other key stakeholders.

As required by the Group's corporate governance framework, the Board and committee charters, and Board policies mentioned in this Statement, have been subject to review and update in 2023 to ensure they are in-step with current developments in market practice, stakeholder expectations and regulation.

### Director and Management Changes in the Reporting Period

The Group undertook several significant changes to Board membership and Senior Management roles during the Reporting Period. These are set out below:

- Geoffrey Pearce retired from the Board on 22 Nov 2022. Mr. Pearce had been a Director of the Board since 20 Feb 2018.
- Grant Peck retired from the Board on 31 May 2023. Mr. Peck had been a Director of the Board since 14 Dec 2017. He was appointed Interim CEO & Managing Director on 9 Dec 2020, and CEO and Managing Director on 31 Mar 2021.
- Brett Charlton was appointed CEO & Managing Director on 1 August 2023.
- Alison Cook assumed the short-term executive position of Chief Operating Officer on 1 June 2023, to lead senior management while the Board undertook an in-depth search process for a permanent CEO. After Mr. Charlton's appointment on 1 August 2023, Ms. Cook handed over day-to-day leadership to Mr. Charlton, and ceased the Chief Operating Officer role on 8 August 2023. During the entire Reporting Period, Ms. Cook was Chair of the Risk & Compliance Committee.
- Ari Mervis assumed the short-term role of Executive Chair, to assist Ms. Cook during the interim period between the resignation of Grant Peck on 31 May 2023 and appointment of Brett Charlton. After Mr. Charlton's appointment on 1 August 2023, Mr. Mervis ceased the Executive Chair role. During the entire Reporting Period, Mr. Mervis was Chair of the Board.

### Conformity with the 4th Edition of the ASX Corporate Governance Council Principles & Recommendations

Except where identified in this Statement, the Group's corporate governance arrangements have conformed to the 4th Edition of the ASX Corporate Governance Council's Principles and Recommendations (**ASX Governance Recommendations**) for the entirety of the Reporting Period.

### Corporate Governance Statement Approval

This Corporate Governance Statement has been approved by the Board and is current as at 27 October 2023. The statement outlines the Group's main corporate governance practices in place during the Reporting Period.

Copies of the governance documents referred to in this Statement can be found in the Corporate Governance section of the McPherson's Limited website which is located at the following address:

<https://www.mcphersons.com.au/corporate-governance>

## Principle 1: Lay solid foundations for management and oversight

The Board is ultimately responsible for the sound and prudent management of the Group.

The Board's role is to represent security holders, to account for the Company's performance and deliver long-term security holder value. The Board is therefore responsible for the Group's strategic direction, for monitoring and guiding management, for overseeing effective governance and for ensuring the Group's long-term financial security.

The Board directs management in the execution of business objectives, strategies and financial performance. Other than the responsibilities specifically reserved for the Board and its committees in their respective charters, responsibility for management of the Group's day-to-day business activities is delegated to the Managing Director who is accountable to the Board. The Managing Director is supported by the senior leadership team who report to the Managing Director.

The Board's role is documented in a Board Charter which sets out its main responsibilities and a range of related governance matters. The powers which are specifically reserved for the Board and the matters which require specific Board approval are set out in a written delegation of authority titled Retained and Delegated Authorities of the Board.

As set out in later sections of this Statement, the Board has a Risk and Compliance Committee, an Audit Committee, and a People and Culture Committee to assist in the execution of its responsibilities.

An outline of the Board's key responsibilities, as articulated in the Board Charter, is presented below:

- Demonstrating leadership;
- Defining the Company's purpose and setting its strategic objectives;
- Monitoring management's implementation of financial and other strategic objectives;
- Instilling and reinforcing a culture across the Company of acting lawfully, ethically and responsibly and in a manner consistent with its Statement of Values;
- Approving the Company's Statement of Values and Code of Conduct Policy at least annually;
- Appointing and where necessary removing the Board Chair;
- Appointing and where necessary removing the Managing Director;
- Approving operating budgets, major capital expenditure, acquisitions, joint venture arrangements and divestments;
- Monitoring capital management;
- Satisfying itself that the Company has in place an appropriate risk management framework (for both financial and non-financial risks) and setting the risk appetite within which the Board expects management to operate;
- Satisfying itself that an appropriate framework exists for relevant and accurate information to be reported by management to the Board;
- Overseeing the integrity of the Company's accounting and corporate reporting systems, including the external audit;
- Whenever required, challenging management and holding it to account;
- Overseeing the Company's process for making timely and balanced disclosure of all material information reasonably expected to have a material effect on the price or value of the Company's securities;
- Monitoring compliance with legal, constitutional and ethical standards;
- Monitoring the effectiveness of the Company's governance practices;
- Ratifying the appointment of and where necessary the removal of the Chief Financial Officer, the Company Secretary and other senior executives;
- Monitoring and evaluating the performance of senior executives annually;
- Satisfying itself that the Company's remuneration policies are aligned with the Company's purpose, values, strategic objectives and risk appetite;
- Reviewing its skills matrix on a regular basis to make sure it covers the skills needed to address existing and emerging business, taxation (including income tax and other relevant taxes) and governance issues relevant to the Company;
- Reviewing succession planning and management development (including considerations of gender diversity);
- Assessing the Board's own performance and that of each Director annually; and
- Assessing the performance of each Board committee annually.

### **Selection and Election of Directors**

When a Board vacancy exists, or where it is considered that the Group would benefit from the services of a new Director with particular skills, the People and Culture Committee selects a panel of candidates with the appropriate skills, experience, expertise and personal qualities that will best complement Board effectiveness and promote Board diversity. The Board then appoints the most suitable candidate who must stand for election at the next Annual General Meeting of security holders. Prior to appointing a new Director, or putting forward to security holders a new candidate for election as a Director, the Group ensures appropriate background checks are undertaken including as to the person's character, experience and education, and performing searches for any criminal or bankruptcy history.

All material information known to the Group that is relevant to a decision on whether or not to elect or re-elect a Director is included in the relevant meeting materials provided to security holders.

All new Directors are required to sign a formal letter of appointment setting out the terms of their appointment. In line with the commentary to the ASX Governance Recommendations, the appointment letters address:

- The requirements to disclose the Director's interests and any matters which could affect the Director's independence;
- The requirement to comply with key corporate policies;
- When a Director may seek independent professional advice at the expense of the Company;
- Indemnity, access and insurance arrangements; and
- Ongoing confidential obligations.

Details regarding contractual arrangements with the Managing Director and other key management personnel (**KMP**) are included in the Remuneration Report in the Group's 2023 Annual Report.

### **Company Secretary**

The Group's Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board and advising the Board and its committees on governance related matters. Consistent with the commentary to the ASX Governance Recommendations, each Director is able to communicate directly with the Company Secretary and vice versa.

### **Diversity, Inclusion and Belonging**

The Group values diversity and inclusion and recognises the benefits they can bring to the Group's ability to achieve its strategic goals. Accordingly, the Group has established a Diversity and Inclusion Policy which reflects the Group's commitment to providing a workplace environment in which employees have equal access to the opportunities available, where they are not judged by reference to unlawful or irrelevant attributes, and employees can experience a genuine feeling of inclusion and belonging.

The main objectives of this Policy are to ensure that McPherson's:

- Maximises the value of each employee's skills, values, background and experiences;
- Develops an inclusive workplace environment, so each employee can realise their full potential, regardless of their gender identity, age, disabilities, work status, marital or family status, religious or cultural identity and socio-economic background, perspective and experience;
- Has zero tolerance for discrimination, harassment, vilification or victimisation; and
- Adopts recruitment and selection practices at all levels which are appropriately structured so that a broad range of candidates are considered, and guarding against conscious or unconscious biases that may result in discrimination.

A diverse workforce is one that recognises and embraces the value that different people can bring to a company through their gender, age, ethnicity, ability, cultural background, marital status & family responsibilities, sexual orientation and/or religious beliefs. It may also include other ways in which people are different, such as education, life experience, work experience and socioeconomic background.

Inclusion refers to the adoption of workplace practices and behaviours which respond to people in order to ensure that each individual feels included in workplace activities. It involves both including people in opportunities and promoting a workplace in which individuals have a genuine sense of belonging.

McPherson's believes that promoting a diverse workforce:

- Enables the Company to achieve improved outcomes by benefiting from the differing perspectives and expertise that people from diverse backgrounds bring to their roles;
- Enables the Company to better attract, retain and motivate employees from the widest possible pool of available talent;
- Enhances employee engagement;
- Enables the Company to provide an enhanced service to its customers;
- Better represents the diversity of McPherson's stakeholders; and
- Is consistent with the Company's broader corporate governance principles, specifically as set out in McPherson's Ethical and Responsible Business Conduct Policy and McPherson's Diversity and Inclusion Policy.

The Group promotes a diverse workforce by aiming to ensure that all employees and applicants for employment are fairly considered according to their skills, qualifications, abilities and aptitudes without regard to factors that are irrelevant to the person's skill or their ability to fulfil the inherent job requirements.

The Group has adopted the following initiatives to specifically assist with improving gender diversity:

- Operating mentoring and professional development programs targeted to prepare staff for management positions;
- Promoting a safe work environment by taking action against inappropriate workplace and business behaviour (including discrimination, harassment, bullying, victimisation and vilification);
- Recognising that employees (both female and male) at all levels may have domestic responsibilities and adopting flexible work practices that will assist them in meeting those responsibilities;
- Providing opportunities for employees on extended parental leave to maintain their connection with the Company;
- Promoting networking opportunities for women; and
- Supporting the promotion of women to management roles.

The Board establishes measurable objectives for achieving gender diversity in the composition of its Board, senior management and workforce generally, and considers the appropriateness of the objectives on at least an annual basis. The current gender diversity objectives are to:

- Maintain the strong representation of women within the Group by having the proportion of women employed by the Group at or above 50%;
- Increase the representation of women in executive positions, with the minimum target proportion being at least 50%; and
- Maintain the representation of women on the Board, with the target proportion being at least 50%.

For the purposes of its gender diversity objectives, the Board defines 'executive' as being employees of the Group who:

1. Hold primary responsibility for their department or business unit;
2. Influence organisational decision making; and
3. Report directly to the Managing Director.

The following table sets out the Group's actual position in relation to gender diversity as at 30 June 2023:

	Male	Female	Total	% Female
Total Employees (excluding executives)	96	214	310	69%
Number of Executives	3	3	6	50%
Number of NED Directors	1	3	4	75%

### **Board Performance**

A performance appraisal of the Board, its committees and individual Directors is conducted annually. The process normally involves:

- Directors completing questionnaires to assess the Board's and its committees' effectiveness and in meeting the requirements of their respective charters; and
- Individual Directors meeting with the Chair to provide feedback and discuss the review.

The Board as a whole then discusses and considers the results of the questionnaires and any recommendations are agreed as necessary. During the Reporting Period, a self- assessment was conducted by the Board and each of its committees utilising the above processes.

### **Managing Director and Senior Leadership Team Performance**

The Board, through its People and Culture Committee, ensures that an appropriate process is in place for evaluating the performance of the Managing Director and the other key senior leadership team members at least annually. This process normally involves the People and Culture Committee formally evaluating the performance of the Managing Director, and the Managing Director undertaking separate formal performance evaluations of the individuals comprising the senior leadership team.

Despite the management changes during the Reporting Period, assessments and evaluations of senior leaders across the Company were undertaken both for remuneration, training, professional development, organisational design and succession planning purposes.

## **Principle 2: Structure the Board to be effective and add value**

### **Composition of the Board**

During the Reporting Period, the Board was comprised of:

- From 1 July 2022 to 22 November 2022: Ari Mervis (Chair), Alison Cook, Jane McKellar, Geoff Pearce, Grant Peck (CEO & Managing Director), Helen Thornton.
- From 23 November 2022 to 31 May 2023: Ari Mervis (Chair), Alison Cook, Jane McKellar, Grant Peck (CEO & Managing Director), Helen Thornton.
- From 1 June 2023 to 31 July 2023: Ari Mervis (Executive Chair), Alison Cook (COO), Jane McKellar, Helen Thornton.
- From 1 August 2023 to the date of this report: Ari Mervis (Chair), Brett Charlton (CEO & Managing Director), Alison Cook, Jane McKellar, Helen Thornton.

During the Reporting Period, the Board has therefore comprised from four or six Directors.

The McPherson's Limited Board composition is in accordance with the Group's Board Charter and the ASX Governance Recommendations. All Directors, other than the Managing Director, stand for re-election by security holders on a three-year rotational basis as required by the Company's constitution and the ASX Listing Rules.

Summary information relating to the Directors on the Board of McPherson's Limited is set out below, including their date of appointment as a Director and length of service to the date of this statement. Further details pertaining to each of the Director's background and experience can be found in the Directors' Report in the Group's 2023 Annual Report:

#### **Ari Mervis**

- Non-executive independent director since 16 February 2021 (2 years, 6 months) with the exception of 1 June 2023 to 31 July 2023
- Deputy Chair of the Board from 27 April to 21 July 2021
- Chair of the Board since 21 July 2021
- Executive Chair from 1 June 2023 to 31 July 2023

#### **Jane M. McKellar**

- Non-executive independent director since 23 February 2015 (8 years, 6 months)
- Chair of the People and Culture Committee since 27 April 2015

#### **Grant W. Peck**

- Non-executive director from 14 December 2017 until 10 December 2020 (3 years)
- Chief Executive Officer and Managing Director between 10 December 2020 and 31 May 2023 (2 years, 6 months)



**Geoffrey R. Pearce**

- Non-executive non-independent director between 20 February 2018 and 22 November 2022 (4 years, 9 months)

**Alison J. Cook**

- Non-executive independent director since 24 July 2018 (5 years, 1 month) with the exception of 1 July 2023 to 8 August 2023
- Chair of the Risk and Compliance Committee since 22 February 2022
- COO between 1 June 2023 and 31 July 2023

**Helen L. Thornton**

- Non-executive independent director since 20 December 2021 (1 year, 8 months)
- Chair of the Audit Committee since 22 February 2022

In compliance with the Company's constitution and its Board Charter, the composition of the Board is determined using the following principles:

- The number of Directors must not be less than three. Directors may determine the size of the Board subject to this requirement;
- The Board is to be comprised of a majority of non-executive independent Directors;
- The Chair of the Board is to be a non-executive independent Director; and
- The Board should comprise Directors with a broad range of expertise both nationally and internationally that is relevant to the strategic direction of the Group.

**Independence of Directors**

The Board assesses the independence of Directors on their appointment, twice annually through a semi-annual assessment of the Company's Interest Register and at each Board meeting where disclosure of interests is a recurring, standing agenda item. This assessment is made with reference to the definition of an independent Director contained in the ASX Corporate Governance Principles, namely:

An independent Director is "a director who is free of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect, their capacity to bring independent judgement to bear on issues before the Board and to act in the best interests of the entity as a whole rather than those of an individual security holder or other party generally."

All facts and circumstances are considered by the Board in determining the independence of a Director. It is not possible to provide prescriptively for all circumstances that will constitute a conflict of interest or a material relationship. Nor is it possible to pre-determine whether such circumstances will be considered as being likely to affect a Director's independent exercise of judgement. All Directors are required to advise the Board and / or Company Secretary at the earliest opportunity of any actual or potential conflicts of interest, or any changes to circumstances that may affect their independence.

All Directors other than: Grant Peck, Brett Charlton and Geoff Pearce are independent non-executive Directors. For the July to August period of 2023, both Ari Mervis and Alison Cook took short term executive roles, but the Board is comfortable that their ability to bring independent judgment to bear on the issues before the Board has not been compromised by these short, interim, executive roles.

As of the date of this Statement, the Chair of the Board is an independent director, and a majority of Board members are independent directors.

**Director Induction and Continuing Education**

All new Directors participate in a formal induction process co-ordinated by the Company Secretary. This induction process includes briefings on the Group's strategy, financial, operational and key developments, risk management matters, the governance framework, culture and values of the Group and the markets in which the Group operates. In addition, continuing education of directors both inside and outside of the Board room is encouraged.

### **Independent Professional Advice**

Each Director has the right to seek independent professional advice at the Group's expense. Prior approval of the Board Chair is required, which approval is not to be unreasonably withheld. Approval would generally be granted whenever Directors judge such advice to be necessary for them to discharge their responsibilities as Directors.

### **People and Culture Committee**

To assist in the execution of its responsibilities, the Board has an established People and Culture Committee. In accordance with its charter, the People and Culture Committee is required to consist of at least three members and be comprised of a majority of independent Directors. The Committee's charter requires that all members of the committee are non-executive Directors.

The Committee has fully complied with the Committee's charter and the relevant ASX Governance Recommendations during the Reporting Period. It comprises: Jane McKellar (Chair), Alison Cook and Ari Mervis.

The Committee has responsibility for Board nominations and CEO appointment and review processes, remuneration policies and processes across the business, and a range of other people and culture policies and practices.

The Committee also considers and makes recommendations to the Board on the Company's policy regarding any minimum shareholding requirement in the Company's securities by non-executive Directors. While non-executive Directors are generally encouraged to acquire and hold McPherson's securities, there are no minimum shareholding requirements placed on non-executive Directors.

The qualifications of People & Culture Committee members and their attendance at meetings are detailed in the Company's 2023 Annual Report. The People and Culture Committee Charter requires that the Committee undertakes a regular self-assessment process. Such a review was undertaken during the year ended 30 June 2023.

### **Audit Committee**

The Group's Audit Committee comprises: Helen Thornton (Chair), Alison Cook and Ari Mervis. The Audit Committee has a primary focus on matters pertaining to internal controls, corporate reporting and audit. The qualifications of Audit Committee members and their attendance at meetings are detailed in the Company's 2023 Annual Report. The Committee is required to undertake a process of self-assessment annually, to assess the effectiveness of the Committee. Such a review was undertaken during the year ended 30 June 2023. The Committee has fully complied with the Committee's charter and the relevant ASX Governance Recommendations during the Reporting Period.

### **Risk and Compliance Committee**

The Group's Risk and Compliance Committee comprises: Alison Cook (Chair), Jane McKellar and Helen Thornton. The Risk and Compliance Committee has a primary responsibility regarding oversight of risk identification and risk mitigation, and includes matters pertaining to compliance and governance. The qualifications of Risk & Compliance Committee members and their attendance at meetings are detailed in the Company's 2023 Annual Report. The Committee is required to undertake a process of self-assessment annually, to assess the effectiveness of the Committee. Such a review was undertaken during the year ended 30 June 2023. The Committee has fully complied with the Committee's charter and the relevant ASX Governance Recommendations during the Reporting Period.

### **Board Skills Matrix**

The skills, experience and expertise of individual Directors are set out in more detail on pages 26-28 in the Company's 2023 Annual Report.

To assist in identifying areas of focus and maintaining a diverse mix in its membership, the Board utilises a skills matrix which is reviewed by the Board on a regular basis to ensure it has the skills needed to address existing and emerging business and governance issues relevant to the Company. It is an important, but not the only, basis of criteria applying to Director appointments.

The Board is structured to be effective and add value, with each of the Directors having broad and relevant industry experience. The following skills matrix sets out the mix of skills, experience and expertise that the Board currently has based on each Director's particular qualifications and background, and the outcome of an assessment of Directors' skills undertaken during the Reporting Period:

Executive Leadership and Strategy	88%
Corporate Governance and Risk Management	88%
Financial Acumen	80%
Consumer, Brand Marketing and Sales	76%
International Operations	76%
Supply Chain, Logistics and Manufacturing	76%
Product Research, Development, Quality and Innovation	76%
People and Culture	76%
Business Development, Capital Markets, Mergers and Acquisitions	68%
Beauty, Health and Wellness Sector	64%
ESG and Sustainability	64%
Digital and Technology	60%

### Principle 3: Instil a culture of acting lawfully, ethically and responsibly

The Board and the Group's senior executives are committed to acting lawfully, ethically and responsibly at all times and creating a culture within the Group that promotes ethical and responsible behaviour.

The Group's Statement of Values sets out the fundamental guiding principles and required behavioural norms for the Company and the people within it. The Statement of Values establishes the expected standards of behaviour of the Directors, senior executives and all other employees of McPherson's as they work towards achieving the Company's mission and strategic objectives. The Statement of Values is reviewed annually by the Board and updated as required.

The Statement of Values also defines the Company's culture and the framework through which it engages with its employees, customers and all other stakeholders. By being open, trustworthy and executing McPherson's strategy in a manner consistent with these values, the Company will achieve its key shared values and mission while operating in accordance with the community's and investors' expectations of acting lawfully, ethically and responsibly, and thereby also preserving, protecting and enhancing the Company's reputation and standing in the community.

#### **Business Code of Conduct, Anti-Bribery & Corruption, Whistleblowing**

The Group has an established Ethics and Responsible Business Conduct Policy, as well as a Code of Conduct for all employees. These policies further prescribe the standards in accordance with which each Director and employee of the Group is expected to act. The policies cover issues such as professional conduct, integrity of information, dealing with customers, suppliers, governments and competitors, dealing with the community and other employees, as well as anti-bribery and anti-corruption processes. All Directors, senior executives and employees are required to maintain the standards of ethical conduct established by the Group in accordance with the Statement of Values and these policies.

The Group is committed to maintaining an open and transparent culture and encouraging stakeholders to raise issues and concerns in a supportive and professional manner. In addition to its Whistleblowing Policy, which supports this commitment, McPherson's offers a hotline (**Your Call**), which is a confidential, independent, externally managed means of enabling whistleblowing reports to be made anonymously. McPherson's, under its Whistleblowing Policy, encourages employees to raise concerns via a range of methods, including:

- Your Call;
- The employee's manager;
- An officer or senior manager of McPherson's;
- McPherson's external auditor;
- The Chief Executive Officer and/or Chief People Officer.



All of the above policies are available on the Corporate Governance page of the Company's Investor Centre, located on the Company's public website.

### **Suppliers and Modern Slavery**

McPherson's expects its suppliers to uphold social, environmental and ethical standards of behaviour, comply with legislation, and meet the required standards of the International Labour Organisation. During the Reporting Period, the Group introduced a Supplier Code of Conduct which sets out the minimum standards that the Group expects of its suppliers. In addition to implementing the Supplier Code of Conduct, the Company has reviewed its operations and supply chains to identify and address modern slavery risks in its operating and supply chain. McPherson's complies with its reporting requirements under the Modern Slavery Act 2018 (Cth).

The Company's Supplier Code of Conduct and its Modern Slavery Statement are available on the Corporate Governance page of the Company's Investor Centre, located on the Company's public website.

### **Trading in Company Securities**

Clear guidelines for Directors and employees intending to deal in McPherson's Limited securities are contained in the Company's Securities Trading Policy. In summary, the policy states that trading in the Company's securities is prohibited during the following periods:

- The period commencing one month before the end of the half year (i.e. from 30 November) until the day following the day on which the Company's half year results are announced.
- The period commencing one month before the end of the full financial year (i.e. from 31 May) until the day following the day on which the Company's full year results are announced.
- The four weeks prior to the day of the AGM until the day after the AGM occurs.

In July 2021 the Securities Trading Policy was amended and its requirements strengthened. From that date Directors, other key management personnel and senior executives must obtain prior written approval from the Chair or Company Secretary ahead of any proposed trading in the Company's securities. Without such approval, trading in the Company's securities is not permitted at any time.

## **Principle 4: Safeguard the integrity of corporate reports**

The Group's Audit Committee is the primary body charged with safeguarding the integrity of corporate reporting. Under the Audit Committee Charter, the Committee assesses the adequacy of the Company's internal control systems and maintains oversight of the financial reporting and audit functions, including undertaking the following:

### **Internal Control**

- Monitoring compliance with the Company's documented standards and Policies and Procedures, including the Internal Control Framework.
- Ensuring the processes and procedures covering the Company's products and brand integrity are sound and operating at the highest level to optimise the safety of customers and consumers.

### **Financial Reporting**

- Considering the appropriateness of the Group's accounting policies and principles and how those principles are applied.
- Assessing the significance and appropriateness of estimates and judgments and choices exercised by management in preparing the financial reports and statements.
- Monitoring the quality and reliability of the financial information prepared by management for approval by the Board.

### **External Audit**

- Recommending to the Board the appointment and removal of the external auditor, reviewing the terms of their engagement including arrangements for the rotation of external audit partners, and the scope and quality of the audit.
- Monitoring auditor independence.
- Reviewing the external audit plan, discussing audit results and considering implications of the external audit findings for the control environment.

### Internal Audit

- Making recommendations to the Board on the structure of the internal audit function, the appointment, and where necessary, the removal of the internal auditor.
- Reviewing and monitoring the quality and scope of work performed by the internal auditor.

### Periodic Corporate Reporting

The Audit Committee charter specifically requires that relevant aspects of the Committee's review processes applied to financial statements which are subject to audit or audit review, are also applied to verify the integrity of any other periodic corporate reporting released to the market which are not subject to an audit or audit review, such as annual directors' reports.

The ASX Governance Recommendations relating to audit committees include the following:

1. The committee should have at least three members, all of whom are non-executive Directors;
2. The majority of the committee's members should be independent Directors; and
3. The committee should not be chaired by the chairperson of the Board.

The Group has been in full compliance with its charter during the entirety of the Reporting Period. With the exception of the assumption of executive positions during June and July 2023 by Ari Mervis and Alison Cook, which the Board does not believe affected Mr. Mervis's or Ms. Cook's ability to exercise independent judgment, membership of the Audit Committee has comprised independent, non-executive Directors for the entirety of the Reporting Period.

Any other non-executive director may attend Audit Committee meetings. The internal and external auditors, the Managing Director, the Chief Financial Officer and the Company Secretary are invited to Audit Committee meetings at the discretion of the Committee. The Committee is therefore able to meet without management being present, and ensures that it does meet with the external auditor without management being present on at least an annual basis.

The Group had an integrated Internal Audit function run by the former Company Secretary for the first half of the Reporting Period. In the second half of the year, the Company took the decision to engage the services of an outsourced internal audit provider whose primary role is to assess the effectiveness of the Company's risk management, internal control and compliance system. The internal auditor is independent of the external auditor. The internal audit function undertakes regular reviews of Group businesses and key associated risks, and reports on the adequacy and effectiveness of the risk management, internal compliance and control systems in place directly to the Audit Committee. At the close of the Reporting Period, Grant Thornton was selected as the Company's outsourced internal audit service provider.

The Committee meets with the external auditors during the year to consider all aspects of their respective audit functions. The Audit Committee requires that the external auditor attends the Annual General Meeting to answer questions from security holders regarding the conduct of the audit, the independence of the auditor and the content of the audit report.

Prior to the financial statements for a financial year or half-year being presented to the Board for approval, the Managing Director and Chief Financial Officer are asked to provide the Board with a declaration that, in their opinion:

1. The financial records of the McPherson's Limited Group have been properly maintained in accordance with the Corporations Act;
2. The financial statements comply with the appropriate accounting standards and give a true and fair view of the Group; and
3. The opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

## **Principle 5: Make timely and balanced disclosure**

It is the Group's policy to provide timely, open and accurate information to all stakeholders, including investors, regulators and other relevant parties, in accordance with its obligations under the Corporations Act 2001 (Cth) and the ASX Listing Rules. The Company has an ASX Announcements and Communications Policy to ensure compliance

with the ASX Listing Rules requirements in relation to continuous disclosure, accountability for disclosure to the markets, for other security holder communications and encouraging security holder participation at Annual and other General Meetings.

The purpose of the ASX Announcements and Communications Policy is to:

- Promote accurate, effective and timely communication with security holders of the Company;
- Ensure the Company complies with the continuous disclosure obligations under the ASX Listing Rules;
- Ensure the Company promptly and effectively responds to or prevents a false market in the Company's securities;
- Ensure that the confidentiality of corporate information is properly safeguarded and premature disclosure is avoided;
- Ensure that employees are aware of the importance of providing full and timely disclosure of the Company's activities to security holders and the market, so that all stakeholders have equal access to company information which is externally available;
- Encourage effective participation by security holders at General Meetings of the Company;
- Outline other considerations for security holders to have the opportunity to express their views to the Company on matters of concern or interest to them; and
- Set out the framework and strategy for achieving these goals.

A copy of all information disclosed to the ASX is immediately provided to each Director and the information is also posted on the Company's website as soon as possible after it is disclosed to the ASX. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX before the briefing commences and then posted on the Company's website.

The Company Secretary is the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements of the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, security holders, the media and the public.

## **Principle 6: Respect the rights of security holders**

Consistent with the commentary to the ASX Governance Recommendations, the Company has established a website, with an Investor Centre, which provides investors with ready access to information on the Group. This includes, among other items:

- Information about the Group's operations and its governance;
- Copies of ASX market announcements for the past three years; and
- Half-yearly and annual financial reports for the past three years.

The Group also has a dedicated Corporate Governance landing page, from where corporate governance information about the Group and its governance can be accessed, including the Company's constitution, Board Charter, Committee Charters and Board policies.

As indicated above, all information disclosed to the ASX is posted on the Company's website immediately after it is disclosed to the ASX. Consistent with the ASX Governance Recommendations, when analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX before the briefing commences and then posted on the Company's website.

The Directors also meet with proxy advisors and representatives of retail security holders to understand their key focus areas and share the Group's approach in relation to those matters. Where significant comments or concerns are raised by investors or their representatives they are conveyed to the Board and relevant senior executives.

As indicated above in Principle 5: Make timely and balanced disclosure, the Company has an ASX Announcements and Communications Policy. This policy includes such matters as the Company's approach with respect to security holder participation at general meetings and reporting to security holders, including the ability to communicate with security holders electronically.

The Board seeks to encourage participation of security holders at the Annual General Meeting to ensure a high level of accountability. Important issues are presented as single resolutions. All resolutions at a meeting of security holders are decided by a poll rather than being determined on a show of hands.

The Company facilitates and encourages participation at meetings of security holders by a range of methods, including:

- Allowing proxy forms to be submitted electronically (online), by fax, or delivery;
- Webcasting the Annual General Meeting so that security holders can hear proceedings online;
- Allowing security holders to submit questions in writing ahead of the Annual General Meeting (including to the auditor) for those who are unable to attend the meeting or who prefer to register questions in advance.

## **Principle 7: Recognise and manage risk**

The Board has ultimate responsibility for overseeing risk management and compliance across the Group. It is the role of management to design and implement an appropriate framework to identify and manage risk on an ongoing basis, to ensure that the Group operates within the framework and to satisfy itself the framework is sound.

The Board is responsible for setting the Group's tolerance to risk and satisfying itself that management has developed and implemented a sound system of risk management and internal control. The Risk and Compliance Committee supports the Board in the execution of its risk management duties.

As set out in its charter, the primary purpose of the Risk and Compliance Committee is to oversee, review, evaluate and make recommendations to the Board in relation to:

- The Company's risk appetite and risk tolerance;
- The Company's risk management and compliance environments;
- Responsibilities for risk oversight and management of identified risks;
- The Company's governance and exercising of due care, diligence and skill in relation to risk assessment, risk treatment and risk mitigation strategies;
- The manner in which the Company's risk management policy and strategy is communicated throughout the entity to ensure it is appropriately embedded as part of the Company's culture; and
- The monitoring and reporting of the above matters to the Board.

During the Reporting Period, the Risk and Compliance Committee worked with the CEO, CFO and members of management to review the Company's key risk areas, including contemporary and emerging risks, and re-design how risk was operationalised and reported. The objective of this exercise was two-fold:

- ensure that all risks and compliance obligations are properly identified and managed;
- to ensure that mitigation of identified risks is operationalised, and becomes part of on-going operational decision-making.

The key risks are identified in an enterprise risk management report which, in addition to identifying and providing updates on key enterprise risks, is used to:

- Determine the effectiveness of controls to address risks assessed as extreme or high;
- Monitor trends within each risk on a regular basis;
- Isolate and report indicators of mitigating controls and their effectiveness;
- Isolate and report any recent incidents pertaining to the risk area;
- Report recent action taken to improve risk management;
- Isolate any areas for potential improvement;
- Report how the Group's existing insurance program responds to each area of risk; and
- Assist in prioritising areas of focus for internal audit.

### **Key risk Areas**

#### **Economic Risks**

The key risks that have been identified as having the potential to materially affect the Group's economic and financial prospects include: workplace health and safety; a reduction in consumer sentiment and/or demand in a singular product category; elevated inflationary pressures; foreign currency fluctuations; raw material price fluctuation; loss of a major customer or deranging of a major product range; key supplier redundancy; investment in capital; deficiency in product quality; non-compliance with debt facility undertakings; cyber security and other digital

disruption-related threats; talent management; ESG/sustainability; regulatory compliance and intangible asset valuation. Further details regarding these risks are set out in the Company's Annual Report.

### **Environmental Risks**

The Group acknowledges that climate change is an existential threat that will have increasingly significant environmental, social and economic impacts on all aspects of society. Although the Group does not consider it has a material exposure to climate change risk, the Company acknowledges that the scale and complexity of climate change make it inordinately challenging. Noted in the Sustainability section of the Company's 2023 Annual Report are the steps the Group has taken to address environmental issues and to design sustainability principles within its products and operations.

### **Social Risks**

Recognition and support of human rights is important to the Group. For this reason, many of the Group's core values emphasise people:

- Care for each other, the environment and the community
- Innovate and create for a better tomorrow
- Be resilient and agile in the face of change
- Be open and inclusive
- Act with integrity and respect
- Strive to grow personally and professionally

Actions the Company is currently undertaking in relation to human rights risks include continually reviewing its supply chain to identify and address any modern slavery risks in its operating and supply chain and investigating the potential to report such risks.

### **Management of Key Risks**

The Managing Director is accountable to the Board for the development and management of the Group's risk and compliance frameworks and is supported by the Chief Financial Officer in terms of adopting appropriate risk management and compliance processes, including regular and transparent reporting to the Risk and Compliance Committee. Each senior executive is responsible for the management of risk and compliance with relevant laws and regulations.

### **Internal Control and Compliance Framework**

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has established an internal control framework that can be described under the following headings:

1. Financial reporting: A comprehensive budgeting system is in place with an annual budget approved by the Board. Monthly actual results that are reported against budget and revised forecasts for the year are prepared regularly for internal use by Directors and management.
2. ASX disclosure and compliance: The Group reports to security holders on an annual basis and to the ASX half-yearly. Procedures are also in place to ensure that price sensitive information is reported to the ASX in accordance with the continuous disclosure requirements of the ASX Listing Rules, as set out in the Company's ASX Announcements and Communications Policy. The Company Secretary has primary responsibility for making recommendations to the Chair and Managing Director on whether information is price sensitive. Further details are included in the Company's ASX Announcements and Communications Policy.
3. Management assurance: As indicated above the Managing Director and Chief Financial Officer are required to certify to the Board in connection with the half-yearly and full-year financial statements. Quality and integrity of personnel - the Group's personnel policies are detailed in internal policies, compliance with appropriate sections of which is mandatory by all operating units.
4. Environmental controls: The Group has a specific policy under the terms of which it is mandatory for all business units within the Group to operate in a manner which complies with all applicable environmental laws, regulations and permits.
5. Operating business controls: Financial controls and procedures including information systems controls are detailed in the internal policies.



6. Functional specialty reporting: The Group has identified a number of key areas which are subject to regular reporting to the Board including employee safety, environmental, foreign currency hedging, legal and insurance matters.
7. Investment appraisal: The Group has clearly defined guidelines for proposed capital expenditure or investment in other businesses, joint ventures or new agency arrangements. These include annual budgets, detailed justification and review procedures, levels of authority and comprehensive due diligence requirements.

## Principle 8: Remunerate fairly and responsibly

The Board's People and Culture Committee is charged with assisting the Board in its tasks related to nominations and remuneration. The setting of remuneration guidelines and principles is a key role played by this Committee. This role also includes setting the salary, benefits, incentives and total remuneration of senior management, advising on superannuation arrangements, monitoring the Company's succession planning, advising on Non-executive Director remuneration and governing the reporting of remuneration to the ASX and any other regulators.

The Group's remuneration policy and structure is equitable, competitive and consistent so as to ensure the recruitment and retention of personnel of the capability, competence and experience necessary for the successful achievement of the Group's strategies and goals. The Group's People and Culture Committee has primary responsibility for the Group's overall remuneration policy and framework. The Company's detailed remuneration policies covering the Managing Director, senior executives and non-executive Directors are set out in Appendix B of the People and Culture Committee Charter.

Remuneration is set according to the following broad principles:

- No individual may be involved directly in determining his or her remuneration. External advice in relation to remuneration will be sought, where appropriate.
- Remuneration disclosure to security holders will at a minimum comply with the requirements of legislation and Accounting Standards and reflect all benefits including:
  - Base pay and benefits;
  - Short term performance incentives;
  - Long term performance incentives;
  - Post employment benefits including superannuation; and
  - Termination benefits.
- Incentive payments for executives are related to Company performance, individual performance against goals, market conditions and independent expert advice where appropriate and may include options and/or performance rights over shares in the Company granted under the McPherson's Limited Employee Performance Rights Plan at the discretion of the Board or the People and Culture Committee in order to align outcomes with the interests of security holders.
- Remuneration for non-executive Directors is determined by the Board within a maximum aggregate amount approved by security holders from time to time at the Annual General Meeting. Non-executive Directors are not entitled to participate in any incentive scheme.

Where considered necessary, Directors may obtain independent advice on the appropriateness of remuneration packages.

Any Director who serves on or chairs a Board committee, or who devotes special attention to the business of the Group outside the scope of their ordinary duties, may receive an additional payment commensurate with the extra duties performed.

The Company's Securities Trading Policy contains a restriction on removing the 'at risk' aspect of options, performance rights or other instruments granted to executives. Performance Rights Plan participants may not enter into any transaction designed to remove the 'at risk' aspect of options, performance rights or other instruments before they vest.

Information regarding Directors' and other key management personnel remuneration is set out in the Remuneration Report within the Company's 2023 Annual Report.