



**McPHERSON'S LIMITED**

**CORPORATE GOVERNANCE STATEMENT**

**2021**

**Board Approved: 17 August 2021**

## Corporate Governance Statement - 2021

This Corporate Governance Statement ('statement') outlines the key aspects of the McPherson's Limited Group's ('Company' or 'Group') corporate governance framework and main governance practices. The Board of Directors is committed to achieving and demonstrating 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 shareholders and other key stakeholders.

### Review of Corporate Governance Arrangements

The Company and Board regularly review the Group's governance arrangements, as well as developments in market practice, stakeholder expectations and regulation.

The Company undertook a comprehensive review of its corporate governance arrangements during the prior year, including with reference to the 4<sup>th</sup> Edition of the Corporate Governance Principles and Recommendations ("Corporate Governance Principles") issued by the ASX Corporate Governance Council in February 2019, and the Board made a range of changes to the Company's Board charters and policies following that review.

The related Board charters and policies have been subject to further Company and Board reviews and update in 2021.

### Conformity with the 4<sup>th</sup> Edition of the ASX Corporate Governance Principles

Apart from the exception outlined below, the Group's corporate governance arrangements have conformed to the 4<sup>th</sup> Edition of the ASX Corporate Governance Principles for the whole of the year ended 30 June 2021 and until the date of this statement.

From 1 July 2020 until 9 December 2020 the Board's Audit, Risk Management and Compliance Committee was comprised of three independent, non-executive Directors namely Grant Peck (Chairman), Graham Cubbin and Jane McKellar. However on his appointment as interim Chief Executive Officer and Managing Director on 10 December 2020, Grant Peck's independence status changed from being considered independent to non-independent. With effect from 19 January 2021, Grant Peck stepped down as a member (and therefore as Chairman) of the Audit, Risk Management and Compliance Committee and Alison Cook was appointed a member of the committee and also appointed as its Chairman. Each of Alison Cook, Graham Cubbin and Jane McKellar have been independent, non-executive Directors for the whole of the 2021 financial year and until the date of this statement.

The Company has therefore been in full compliance with relevant Corporate Governance Principles apart from a brief period of non-compliance with respect to items 4.1(a) (1) and (2) of the Corporate Governance Principles from 10 December 2020 to 19 January 2021. These Principles recommend that all members of an audit committee are non-executive directors and that the committee is chaired by an independent director.

In the Board's view the integrity of its related governance processes was not compromised as a consequence of the temporary non-compliance with these recommendations, and additionally notes that there were no external corporate reports issued by the Company during that brief period.

### Corporate Governance Statement Approval

This Corporate Governance Statement has been approved by the Board and is current as at 17 August 2021. The statement outlines the Group's main corporate governance practices in place during the financial year ended 30 June 2021, and currently. Copies or summaries 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 shareholders, to account for the Company's performance and deliver long-term shareholder 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 Retained and Delegated Authorities of the Board document. The Board has an Audit, Risk Management and Compliance Committee, and a People and Culture Committee (formerly called Nomination and Remuneration Committee) to assist in the execution of its responsibilities.

During the year ended 30 June 2021 the name of the Nomination and Remuneration Committee was changed to People and Culture Committee and its charter was amended, to align the Committee's name and charter more closely with its broader people and cultural related objectives.

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 Chairman;
- 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 expertise and experience. The Board then appoints the most suitable candidate who must stand for election at the next Annual General Meeting of shareholders. Prior to appointing a new Director, or putting forward to shareholders a new candidate for election as a Director, the Group ensures appropriate 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 shareholders.

The Group has formal written agreements in place with each Director and senior executive. These agreements set out the terms and conditions of their appointment. With respect to Directors the terms and conditions of the appointment and retirement of Directors are set out in an agreement between the Company and each non-executive Director personally (called a "Director's Deed"). The Director's Deed also includes provisions relating to Directors' other rights and obligations.

Non-executive Directors are also required to sign a formal letter of appointment which sets out further details relating to their engagement and a number of additional obligations. Details regarding contractual arrangements with the Managing Director and other key management personnel (KMPs) are included in the Remuneration Report in the Group's 2021 Annual Report.

### **Company Secretary**

The Group's company secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board and advising the Board and its committees on governance related matters.

## Diversity and Inclusion

The Group values diversity and inclusion and recognises the benefits they can bring to the Group's ability to achieve its 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.

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, cultural background, marital status, sexual orientation and/or religious beliefs.

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;
- 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 Equal Employment Opportunity 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 at female employees to prepare them 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;
- Maintaining a paid parental leave scheme;
- 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
- Increase the representation of women on the Board, with the target proportion being at least 50%.

For the purposes of its 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 or to a direct report of the Managing Director.

The following table sets out the Group's actual position in relation to gender diversity as at 30 June 2021:

	Male	Female	Total	Female Proportion %
Total employees (excluding executives)	100	238	338	70.4%
Number of executives	7	6	13	46.2%
Number of Directors on the Board	4	2	6	33.3%

## 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 Chairman 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 2021 financial year, 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.

During the financial year ended 30 June 2021, formal performance evaluations were undertaken in accordance with this process.

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

### **Composition of the Board**

During the year ended 30 June 2021 the following Board changes occurred:

1. Mr. Laurie McAllister resigned from the Company as Chief Executive Officer and Managing Director, effective 9 December 2020.
2. Non-executive Director Mr. Grant Peck was appointed as Chief Executive Officer and Managing Director on an interim basis, with effect from 10 December 2020.
3. Mr. Ari Mervis was appointed as an independent, non-executive Director of the Company on 16 February 2021, and was appointed as Deputy Chairman of the Board effective 27 April 2021.
4. Following a thorough search and selection process, Mr. Grant Peck was appointed as Chief Executive Officer and Managing Director on a permanent basis, with effect from 31 March 2021.

Subsequent to the end of the financial year, Mr. Graham Cubbin stepped down as Chairman and Mr. Ari Mervis was appointed Chairman, each with effect from 21 July, 2021.

Mr. Cubbin has also advised of his intention to retire from the Board. However to ensure an orderly transition and in line with the Board's succession planning, he has agreed to remain an independent non-executive Director and continue as a member of the Audit, Risk Management and Compliance Committee, until such a time as a replacement independent non-executive Director is appointed. As at the date of this statement a search to fill that role is in progress.

During the year ended 30 June 2021 the Board has therefore comprised either five or six Directors, and comprised six Directors (namely five non-executive Directors and the CEO and Managing Director) at the date of this statement.

The Board is structured to be effective and add value, with each of the Directors having broad and relevant industry experience, as further set out in the Board Skills Matrix below.

All Directors other than the Managing Director and Mr. Geoffrey Pearce are independent non-executive Directors. The McPherson's Limited Board composition is in accordance with the Group's Board Charter and the ASX Corporate Governance Principles. All Directors, other than the Managing Director, stand for re-election by shareholders on a three year rotational basis as required by the Company's constitution and the ASX Listing Rules.

At the Company's Annual General Meeting ('AGM') in November 2020, the re-election of Jane McKellar as a Director was considered and approved. All matters voted on by shareholders at the AGM were considered as separate resolutions. Consistent with the Company's ASX Announcements and Communications Policy, each resolution was voted on by shareholders via a poll and not on a show of hands.

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 Directors can be found in the Directors' Report in the Group's 2021 Annual Report:

**Ari Mervis**

Non-executive independent Director  
Director since 16 February 2021 (6 months)  
Deputy Chairman of the Board from 27 April to 21 July 2021  
Chairman of the Board since 21 July 2021

**Graham A. Cubbin**

Non-executive independent Director and Chairman of the Board  
Director since 28 September 2010 (10 years, 11 months)  
Chairman from 1 July 2015 to 21 July 2021

**Jane M. McKellar**

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

**Grant W. Peck**

Chief Executive Officer and Managing Director  
Non-executive Director from 14 December 2017 until 10 December 2020 (3 years)  
Chief Executive Officer and Managing Director since 10 December 2020 (8 months)

**Geoffrey R. Pearce**

Non-executive non-independent Director  
Director since 20 February 2018 (3 years, 6 months)

**Alison J. Cook** (formerly Mew\*)

Non-executive independent Director  
Director since 24 July 2018 (3 years, 1 month)  
Chairman of the Audit Risk Management and Compliance Committee since 19 January 2021

\*Alison Cook changed her name from Alison Mew to Alison Cook with effect from 10 February 2021.

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 Chairman 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 and then at least annually. 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 an 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.

Examples of interests, positions and relationships that might raise issues about the independence of a Director include if the Director:

- Is, or has been, employed in an executive capacity by the Company or any of its subsidiaries and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- Receives performance-based remuneration (including options or performance rights) from, or participates in an employee incentive scheme of, the Company;
- Is, or has been within the last three years, in a material business relationship (e.g. as a supplier, professional adviser, consultant or customer) with the Company or any of its subsidiaries, or is an officer of, or otherwise associated with, someone with such a relationship;
- Is, represents, or is or has been within the last three years an officer or employee of, or professional adviser to, a substantial holder;
- Has close personal ties with any person who falls within any of the categories described above; or
- Has been a Director of the Company for such a period that their independence from management and substantial holders may have been compromised.

The Board or the People and Culture Committee regularly assess the independence of each non-executive Director. The assessment is made at least annually at or around the time that the Board or the People and Culture Committee considers candidates for election or re-election to the Board. In the case of a change in a non-executive Director's interests, positions or relationships, the assessment is made as soon as practicable after the Board or the People and Culture Committee becomes aware of the change.

The Independent Directors of the Company at the date of this statement are Ari Mervis, Graham Cubbin, Jane McKellar and Alison Cook. Grant Peck is not considered to be independent due to his executive role as Chief Executive Officer and Managing Director. Geoffrey Pearce is not considered to be independent due his directorship of, and ownership interest in the Aware Group, which is an important and material product supplier to the Company.

The chairman 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 risk management matters, governance framework, culture and values and key developments in the Group, markets and countries in which the Group operates.

The Board also has a continuing education program in place for Directors to develop and maintain the skills and knowledge needed to perform their roles as Directors effectively.

## **Independent Professional Advice**

Each Director has the right to seek independent professional advice at the Group's expense. Prior approval of the Chairman 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 Group has fully complied with the Committee's charter and the relevant ASX Corporate Governance Principles in this regard during the financial year ended 30 June 2021 and to the date of this statement.

The People and Culture Committee is currently comprised of three members, two of whom (and therefore the majority) are independent Directors. During the year ended 30 June 2021 and to the date of this statement the Committee has comprised Jane McKellar (Chairman), Graham Cubbin and Grant Peck. As indicated earlier in the statement, Mr. Peck's independence status changed during the year from independent to non-independent on his appointment as Chief Executive Officer and Managing Director.

The People and Culture Committee Charter sets out the responsibilities of the People and Culture Committee. Key responsibilities of the Committee include:

### *Nomination and Review*

- The establishment and maintenance of a process for determining the necessary and desirable competencies of Board members and the assessment of those competencies;
- The appointment of suitably qualified candidates to the Board in accordance with Board policy;
- The re-election of Directors;
- Establishing the time required to fulfil the obligations of a non-executive Director and whether Directors are able to meet these expectations;
- Matters relating to gender diversity including compliance with the Diversity and Inclusion Policy, the setting of key performance indicators for senior executives on gender participation and linking of such KPIs to an element of remuneration and the benchmarking the Company's diversity objectives and outcomes with peers;
- The appointment of the Managing Director;
- Establishing a process for the review of the performance of the Board, Board Committees and individual Directors;
- Establishing a process for the evaluation of the Managing Director;
- Establishing appropriate induction and continuing professional development programs for Directors to maintain and develop their skills to enable them to effectively discharge their duties and add value; and
- Board, Managing Director and senior executive succession planning.

## *Remuneration*

- Salary, benefits and total remuneration packages (including short and long term incentives) of the Managing Director and senior staff reporting to the Managing Director;
- Salary, benefits and total remuneration package of other individual senior executives as recommended by the Managing Director;
- The Managing Director's recommendation for overall annual salary movements for business unit salary reviews;
- Staff incentive plans proposed by the Managing Director, including bonus, share, performance rights and option plans, the basis of their application amongst differing levels of staff and the determination of plan outcomes;
- Substantial changes to the principles of the Group's superannuation arrangements as recommended by the Managing Director;
- Employee succession planning to ensure the continuity and quality of management;
- Non-executive Director remuneration;
- Whether there is any gender or other inappropriate bias in remuneration for Directors, senior executives or other employees;
- The company's recruitment, retention and termination policies and relevant procedures for executive/senior management; and
- The Remuneration Report contained within the annual Directors' Report or any other report on executive remuneration which is required pursuant to any ASX Listing Rule or legislative requirement, or which is proposed for inclusion in the annual report.

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.

## *Other Employment Related Policies and Practices*

The People and Culture Committee is required to review, evaluate and make recommendations as required from time to time to the Board in relation to other employment related policies and practices, including:

- Gender diversity and inclusion objectives and their achievement
- Employee wellbeing and engagement
- Employment assistance programmes
- Flexible working arrangements
- Maternity and paternity leave policies
- Domestic violence support arrangements
- Mental health support
- Whistleblowing processes and events

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 in place for non-executive Directors.

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 2021.

### **Audit, Risk Management and Compliance Committee**

The Board also has an Audit, Risk Management and Compliance Committee. Please refer below to “*Principle 4: Safeguard the integrity of corporate reports*”, for further details.

### **Board Skills Matrix**

The skills, experience and expertise of individual Directors are detailed in the Company’s 2021 Annual Report.

To assist in identifying areas of focus and maintaining an appropriate and 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, taxation (including income tax and other relevant taxes) and governance issues relevant to the Company. It is an important, but not the only, basis of criteria applying to Director appointments.

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:

- Brand Management	- International Operations
- Consumer Products Industry	- Strategic Development and Implementation
- Beauty Industry	- Mergers and Acquisitions
- Health Products Industry	- Executive Leadership
- Sales, Marketing and Retail	- Human Resource Management
- Supply Chain, Distribution and Logistics	- Accounting and Finance
- Product Research, Development and Innovation	- Risk Management
- Digital, E-Commerce and Information Technology	- Public Company Corporate Governance
- Global Product Sourcing	- Corporate and Consumer Communication

### **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 for creating a culture within the Group that promotes ethical and responsible behaviour.

With effect from May 2020 the Group adopted a new Statement of Values which 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 achievement of the Company’s mission and strategic objectives.

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 objective 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.

The Group also has an established Ethics and Responsible Business Conduct Policy and a Whistleblower Policy, as well as a Code of Conduct for all employees.

The Whistleblower Policy has been maintained by the Group since 2018, however the policy was significantly amended and upgraded in November 2019 to ensure it was compliant with strengthened legislative requirements that became effective for the Group from January 2020.

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, computer network usage and environmental issues, and contain clear anti-bribery and anti-corruption measures.

Additional policies exist which provide clarity on a number of related matters, including:

- A requirement for employees to act ethically and maintain certain specific standards of conduct;
- Establishing the principles to be followed in ethically sourcing products and requiring compliance with Modern Slavery legislation ;
- Prescribing product supplier health and safety requirements;
- A requirement to ensure compliance with customer specific requirements; and
- Guidelines relating to product performance and content claims.

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.

Additionally, 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 providing an individual is not in possession of unpublished price sensitive information, trading in the Company's securities is permitted, apart from the following periods during which trading in Company securities is prohibited:

- 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; and
- 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.

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

### **Audit, Risk Management and Compliance Committee**

As indicated earlier the Board has constituted an Audit, Risk Management and Compliance Committee. The Committee has a separate charter under which it operates. The charter is reviewed and considered for amendment by the Directors annually. The main responsibilities of the Committee under the charter are to assess the adequacy of the Company's risk management, internal control and compliance systems and maintain oversight of the financial reporting function, including undertaking the following:

#### *Risk Management*

- Review the Company's risk management framework at least annually to satisfy itself that it continues to be sound, including with respect to contemporary and emerging risks (such as conduct risk, digital disruption, cyber-security, privacy and data breaches, sustainability, social risk and climate change);
- Determine the Company's risk appetite and whether the Company is operating with due regard to that appetite;

- Monitor and assess management's process for managing risk and how the Company's businesses apply the processes for managing risk;
- Monitor management's performance against the risk management framework, including whether it is operating within the risk appetite set by the Audit Committee or the Board;
- Review any material incidents involving fraud of a breakdown of the Company's risk controls and the adequacy of any resultant changes implemented;
- Receive reports from the internal auditor on their reviews of the adequacy of the Company's processes for managing risk;
- Receive reports from management on new and emerging sources of risk and the risk controls and mitigation measures that management has put in place to deal with those risks; and
- Make recommendations to the Board in relation to changes that should be made to the Company's risk management framework or to the risk appetite set by the Board.

The Audit Risk Management and Compliance Committee has undertaken a review of the Company's risk management framework during the year ended 30 June 2021 and satisfied itself that the framework continues to be sound and that the Company is operating with due regard to the risk appetite set by the Board.

#### *Internal Control and Compliance*

- Compliance with Australian laws including trade practices laws and the Corporations Act 2001 (Cth);
- Compliance with the requirements of the Australian Tax Office, the Australian Securities and Investments Commission and the Australian Securities Exchange ('ASX');
- Compliance with laws in each other jurisdiction in which the Company operates;
- Compliance with the Company's documented standards and Policies and Procedures, including the Risk Management Policy and Internal Control Framework document;
- 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; and
- Overseeing the adequacy of the Company's insurance programme and levels of coverage, including reviewing annual policy renewals and having regard to the Company's business and associated insurable risks.

The Committee has a responsibility to ensure the Company's financial statements reflect the understanding of the Committee members and otherwise provide a true and fair view of the financial position and financial performance of the Company. In this regard the Committee will undertake the following:

#### *Financial Reporting*

- Consider the appropriateness of the Group's accounting policies and principles and how those principles are applied;
- Ensure that accounting policies and principles are consistent with accounting standards;
- Assess the significance and appropriateness of estimates and judgments and choices exercised by management in preparing the financial reports and statements, by evaluating the process and data management used in making material estimates and judgements;

- Monitor the quality and reliability of the financial information prepared by management for approval by the Board;
- Review and report to the Board on the financial statements and related notes, and on the external auditor's audit of the financial statements and their accompanying report; and
- Review and assess management processes for ensuring compliance with laws, regulations and accounting standards relating to external reporting.

With effect from May 2020 the Audit Risk Management and Compliance Committee charter was modified to specifically require 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. Such review processes have consistently been applied in practice but these are now clearly articulated in the charter.

#### *External Audit*

- Recommend to the Board the appointment and removal of the external auditor, review the terms of their engagement including arrangements for the rotation of external audit partners, and the scope and quality of the audit;
- Monitor auditor independence;
- Review the external audit plan, discuss audit results and consider implications of the external audit findings for the control environment; and
- Review the external auditor's fees in relation to the quality and scope of the audit with a view to ensuring that an effective, comprehensive and complete audit can be conducted for that fee.

#### *Internal Audit*

- Make recommendations to the Board on the structure of the internal audit function;
- Make recommendations to the Board on the appointment, and where necessary, the removal of the internal auditor;
- Consider the skills, qualifications, independence and objectivity of the internal audit function; and
- Review and monitor the quality and scope of work performed by the internal auditor.

The ASX Corporate Governance Principles relating to audit committees include the following:

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

Apart from the exception detailed earlier in this statement, the Group has been in full compliance with its charter and the ASX Corporate Governance Principles in this regard during the financial year ended 30 June 2021 and to the date of this statement.

### **Composition of the Committee**

From 1 July 2020 until 19 January 2021 the Board's Audit, Risk Management and Compliance Committee was comprised of three members, namely Grant Peck (Chairman),

Graham Cubbin and Jane McKellar. However shortly following his appointment as Chief Executive Officer and Managing Director, Grant Peck stepped down as a member (and therefore as Chairman) of the Audit, Risk Management and Compliance Committee and Alison Cook was appointed a member of the committee and appointed its Chairman, all of which were effective from 19 January 2021.

Each of Alison Cook, Graham Cubbin and Jane McKellar have remained independent, non-executive Directors for the whole of the 2021 financial year and until the date of this statement.

The Chairman of the Board and any other non-executive Director may attend Audit, Risk Management and Compliance Committee meetings. The internal and external auditors, the Managing Director, the Chief Financial Officer and the Company Secretary are invited to Audit, Risk Management and Compliance 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 Company has engaged 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 and is appointed by the Board on recommendation from the Audit, Risk Management and Compliance Committee. 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, Risk Management and Compliance Committee.

The Committee meets with the internal and external auditors during the year to consider all aspects of their respective audit functions.

The Audit, Risk Management and Compliance Committee requires that the external auditor attends the Annual General Meeting to answer questions from shareholders regarding the conduct of the audit, the independence of the auditor and the content of the audit report. The auditor's engagement partner, Mr. Shannon Maher of PricewaterhouseCoopers, was present on-line at the company's virtual 2020 Annual General Meeting held in November 2020.

The names and qualifications of Audit, Risk Management and Compliance Committee members and their attendance at meetings are detailed in the Company's 2021 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 2021.

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:

*The financial records of the McPherson's Limited Group have been properly maintained in accordance with the Corporations Act;*

- *The financial statements comply with the appropriate accounting standards and give a true and fair view of the Group; and*
- *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 Company's policy to provide timely, open and accurate information to all stakeholders, including investors, regulators and other relevant parties. 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 shareholder communications and encouraging shareholder 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 shareholders 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 shareholders and the market, so that all stakeholders have equal access to company information which is externally available;
- Encourage effective participation by shareholders at General Meetings of the Company;
- Outline other considerations for shareholders 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, shareholders, the media and the public.

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

The Company has established a website 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.

As indicated above, all information disclosed to the ASX is posted on the Company's website immediately 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 Board seeks to encourage participation of shareholders 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 securityholders are decided by a poll rather than being determined on a show of hands.

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 shareholder participation at general meetings and reporting to shareholders, including the ability to communicate with shareholders electronically.

## **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. Detailed consideration of this is delegated to the Audit, Risk Management and Compliance Committee and regularly reviewed by the Board.

Risk is an important consideration in the Group's decision making process and all risks and opportunities are adequately and appropriately assessed to ensure that unreasonable risk exposures are minimised. The Group's risk and compliance frameworks ensure that all risks and compliance obligations are properly identified and managed, that insurances are adequate and that processes are in place to ensure compliance with regulatory requirements.

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;
- 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.

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 related risks; the impact of COVID-19 and future pandemics; a reduction in consumer sentiment and/or demand; deterioration in margins from an adverse foreign currency fluctuation; a decline in intangible asset valuation; inability to adequately finance operations (liquidity risk); raw material price fluctuation; loss of a major customer or deranging of a major product range; significant exposure to the China market; credit risk; key supplier redundancy; deficiency in product quality; adverse change in the regulatory landscape; social risks; loss of key management talent; non-compliance with debt facility undertakings; and cyber security and other digital disruption related threats. Further details regarding these risks are set out in the Company's Annual Report.

It is considered that the Company or its operations do not have a material exposure to environmental (including climate change) risks or social risks.

In this statement references to 'social risks' are as those risks are defined in the glossary of the 4<sup>th</sup> Edition of the ASX Corporate Governance Principles.

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 Audit, Risk Management 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:

- Financial reporting - a comprehensive budgeting system is in place with an annual budget approved by the Directors. Monthly actual results that are reported against budget and revised forecasts for the year are prepared regularly for internal use by Directors and management;
- ASX disclosure and compliance - the Group reports to shareholders 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 Chairman and Managing Director on whether information is price sensitive. Further details are included in the Company's ASX Announcements and Communications Policy;
- 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, that in their opinion:
  - *The financial records of the McPherson's Limited Group have been properly maintained in accordance with the Corporations Act;*
  - *The financial statements comply with the appropriate accounting standards and give a true and fair view of the Group; and*
  - *The opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively;*
- 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;
- 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;
- Operating business controls - financial controls and procedures including information systems controls are detailed in the internal policies;
- 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; and
- 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

### Remuneration Policy

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.

Further information regarding the Committee, and its composition and objectives is set out in "*Principle 2: Structure the Board to be effective and add value*" above, under the heading 'People and Culture Committee'.

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 shareholders 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 incentives including options and performance rights;
  - 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; and
- Remuneration for non-executive Directors is determined by the Board within a maximum aggregate amount approved by shareholders 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. For the year ended 30 June 2021, non-executive Directors received additional fees for their Chairmanship and membership of the Audit, Risk Management and Compliance Committee. The Chairman of the People and Culture Committee also received an additional fee, however other members of that committee did not.

The Company's detailed policies covering remuneration of the Managing Director, senior executives and non-executive Directors are set out in Appendix B of the People and Culture Committee Charter.

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 Group's 2021 Annual Report.