

# McPherson's Limited Remuneration Strategy

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## TABLE OF CONTENTS

|     |   |   |
|-----|---|---|
| 1.  | INTRODUCTION.....                                   | 2 |
| 2.  | REMUNERATION PHILOSOPHY AND APPROACH .....          | 3 |
| 2.1 | General Philosophy .....                            | 3 |
| 2.2 | Financial and Non-Financial Measures .....          | 4 |
| 3.  | REMUNERATION MIX .....                              | 4 |
| 3.1 | Fixed Remuneration .....                            | 4 |
| 3.2 | Superannuation / Retirement and Pension Plans ..... | 5 |
| 3.3 | Variable Remuneration.....                          | 5 |
| 4.  | REMUNERATION REVIEWS .....                          | 6 |
| 4.1 | CEO and ELT .....                                   | 6 |
| 4.2 | Employees .....                                     | 6 |
| 5.  | PEOPLE & CULTURE COMMITTEE.....                     | 7 |
| 6.  | NON-EXECUTIVE DIRECTOR REMUNERATION .....           | 7 |
| 6.1 | Objectives .....                                    | 7 |
| 6.2 | Structure.....                                      | 7 |
| 7.  | REVIEW OF THIS DOCUMENT .....                       | 7 |
| 8.  | PUBLICATION .....                                   | 8 |
| 9.  | DOCUMENT CONTROL .....                              | 8 |

# Remuneration Strategy

## 1. INTRODUCTION

- (a) McPherson's (**Company, McPherson's** or **McPherson's Group**) Remuneration Strategy is based on the principles of:
  - (i) providing a remuneration framework, inclusive of incentives, that aligns achievable goals with the Company's broader corporate objectives, driving sustainable business growth and performance;
  - (ii) attracting, retaining, and rewarding top talent through fair and equitable remuneration practices that account for the diverse roles across McPherson's, ensuring internal consistency and alignment with market benchmarks;
  - (iii) fostering a performance-based culture by linking pay directly to individual and organisational performance, supported by clearly defined KPIs, to incentivise and reward high performance;
  - (iv) ensuring that remuneration decisions are transparent and based on measurable targets, allowing employees to clearly understand their role levels, accountabilities, and the expectations placed upon them;
  - (v) regularly benchmarking remuneration against national and industry-specific market data to maintain competitiveness, enabling McPherson's to attract and retain key talent with appropriately flexible pay ranges that reflect role complexity and contribution; and
  - (vi) compliance with local laws and regulatory requirements including the ASX Listing Rules and the ASX Corporate Governance Council's Corporate Governance Principles & Recommendations (Fourth Edition).
- (b) The Company's Remuneration Strategy is also underpinned by the McPherson's Group's:
  - (i) values as expressed in its Statement of Values (disclosed on the McPherson's website); and
  - (ii) gender pay equity objectives.
- (c) The McPherson's Group's gender pay equity objectives are:
  - (i) to achieve and maintain gender pay equity within the McPherson's Group, as a whole;
  - (ii) to ensure that no gender bias occurs at any point in the remuneration review process (e.g. at commencement, annual review, out of cycle reviews and with performance or incentive pay);
  - (iii) to be transparent about pay scales and salary bands;
  - (iv) to ensure managers are held accountable for gender pay equity outcomes; and
  - (v) to commit to a rigorous and fair performance and pay review assessment process.
- (d) The Company's aim has been, and will remain, to maintain simplicity and transparency in all remuneration plans and practices.
- (e) In this Remuneration Strategy:
  - (i) **CEO** means the Chief Executive Officer & Managing Director of the McPherson's Group.

- (ii) **ELT** means the senior executive (known as the Executive Leadership Team (**ELT**)) who report directly to the CEO.
- (iii) **Employee** refers to those employees of McPherson's other than the CEO or an ELT member.
- (iv) **Financial Measures** will be the financial targets, outcomes or results that the Board determines that the McPherson's Group, as a whole, must achieve to be awarded incentive pay attributable to the achievement of those financial targets, outcomes or results.
- (v) **Non-Financial Measures** will be individual performance targets, outcomes or results (that are not directly related to the achievement of Financial Measures) that an individual employee must achieve to be awarded incentive pay attributable to the achievement of those individual performance targets, outcomes or results.
- (vi) **Senior Leaders** refers to those employees of the McPherson's Group who are senior leaders or functional/technical specialists, typically at pay levels 5 and 6, and may report to an ELT member.

## 2. REMUNERATION PHILOSOPHY AND APPROACH

### 2.1 General Philosophy

- (a) The Company's people, culture and remuneration strategies have been developed with the understanding that attracting and retaining people capable of achieving high-performance targets, outcomes and results is essential for generating sustainable growth and maximising shareholder value.
- (b) The Company must therefore attract, retain and reward the best talent by driving a performance-based culture regardless of gender. This Remuneration Strategy and general remuneration philosophy has been designed to ensure:
  - (i) remuneration practices reward outcomes and behaviours that support the delivery of our business strategy;
  - (ii) performance is measured based on the level of contribution to key strategic goals and targets;
  - (iii) behaviours are measured in line with the Company's high-performance culture and values;
  - (iv) gender pay equity objectives are being achieved;
  - (v) remuneration plans and practices will differentiate outcomes based on McPherson's Group financial performance and individual performance;
  - (vi) McPherson's pays competitive remuneration within our markets for talent to ensure we can attract, retain and reward the right calibre of employees to deliver on our business strategy;
  - (vii) remuneration decisions will balance outcomes with Company and shareholder outcomes; and
  - (viii) remuneration plans and practices will be fair and decision making will be transparent.
- (c) The Board is committed to:
  - (i) ensuring its remuneration strategy and policies are aligned with the Company's purpose, values, strategic objectives and risk appetite (as set by the Board); and
  - (ii) further strengthening links between culture, performance and remuneration for all employees within the McPherson's Group.

- (d) This philosophy ensures an overall alignment between individual performance to business and shareholder outcomes.

## **2.2 Financial and Non-Financial Measures**

### *Financial Measures*

- (a) The Company's Financial Measures for the CEO, ELT and Employees may include any one or more of McPherson's Group (as determined by the Board each financial year or from time to time):
  - (i) Revenue targets;
  - (ii) EBITDA targets;
  - (iii) Earnings per Share (EPS) targets;
  - (iv) Total Shareholder Return (TSR) targets.

However, the Board may also determine other Financial Measures that must be achieved to be awarded incentive pay attributable to the achievement of Financial Measures.

- (b) The Financial Measures will be determined by the Board each financial year (in consultation with the CEO) and must be consistent with the Company's purpose, values, strategic objectives and risk appetite (as set by the Board).
- (c) The Board has determined that these Financial Measures should cascade down (as appropriate) through the organisation for any other McPherson's Employee incentive programs.

### *Non-Financial Measures*

- (d) The CEO, ELT and Employees may also be requested to meet Non-Financial Measures.
- (e) For:
  - (i) the CEO, these will be determined by the Board;
  - (ii) ELT members, these will be determined by the CEO (and noted by the Board); and
  - (iii) Employees these will be determined by the Employee's direct manager or supervisor and approved by the relevant ELT and/or the CEO, as applicable.
- (f) All Non-Financial Measures must be consistent with the Company's purpose, values, strategic objectives and risk appetite (as set by the Board).

## **3. REMUNERATION MIX**

### **3.1 Fixed Remuneration**

- (a) ELT remuneration packages are structured as a total fixed reward (TFR), which includes all forms of fixed remuneration, such as base salary and superannuation. For the rest of the McPherson's Group, remuneration is structured on a base salary plus superannuation basis.
- (b) McPherson's utilises a job level structure, and pay ranges are benchmarked against current market data to ensure competitiveness. Pay ranges are regularly reviewed and aligned with market trends to attract, retain, and reward top talent, reflecting individual contribution, role complexity, seniority, and expertise.

- (c) The Company will also periodically seek feedback from recruitment markets as measured by the ability to attract, retain and reward high performing CEO, ELT and Employees.
- (d) McPherson's is an Australian ASX listed entity that has built a position in some of the Asia-Pacific's fastest growing and yet challenging markets. As such, McPherson's aims to be a market median payer in all local markets, with the ability to pay above market to attract talent, reflect individual contribution, role complexity, seniority, expertise and location.

### 3.2 Superannuation / Retirement and Pension Plans

- (a) In Australia, the Company provides employee 'choice of fund' and pays statutory superannuation contributions. For ELT, superannuation is included within the Total Fixed Reward (TFR). For the rest of the McPherson's Group, superannuation is in addition to the base salary, providing employee flexibility to sacrifice additionally from their base salary.
- (b) In other parts of the world where the Company has employees, the Company pays into retirement or pension plans as required by prevailing practice or law in those countries.

### 3.3 Variable Remuneration

- (a) The Company's CEO and ELT Short Term Incentive Plan (**STIP**) is designed to reward the CEO and ELT with a cash incentive for achievement of:
  - (i) Financial Measures (determined by the Board); and
  - (ii) Non-Financial Measures (determined by the Board).

The Financial Measures for the Short Term Incentive will be different to the Financial Measures applicable to the Long Term Incentive Plan (LTIP).

- (b) The Company's Long Term Incentive Plan (**LTIP**) is designed to reward the CEO and ELT with long term equity incentive (in proportions determined by the Board) for achievement of one or both of:
  - (i) Financial Measures (determined by the Board); and
  - (ii) Non-Financial Measures (determined by the Board for the CEO and for ELT determined by the CEO and noted by the Board).

The Financial Measures for the LTIP will be different to the Financial Measures determined for the STIP.

- (c) The Company's STIP for Senior Leaders is designed to reward Senior Leaders with a short-term cash incentive for the achievement of:
  - (i) Financial Measures (determined by the Board); and
  - (ii) Non-Financial Measures (determined by the Senior Leader's direct manager or supervisor and approved by the relevant ELT and/or the CEO, as applicable).
- (d) The Company has established a Sales Incentive Plan (SIP) to reward sales teams based on their ability to meet and exceed financial targets such as revenue, gross profit, or other key sales metrics. This plan is structured to align the interests of the sales team with the broader corporate strategy by directly linking financial incentives to performance.

## **4. REMUNERATION REVIEWS**

### **4.1 CEO and ELT**

#### *CEO*

- (a) Remuneration for the CEO is reviewed by the Board each year.

#### *ELT*

- (b) The CEO will undertake a review of ELT remuneration each year. The CEO will consult with the People & Culture Committee and report to the Board with any recommended remuneration levels for ELT each year.

#### *General*

- (c) The remuneration reviews in paragraphs 4.1(a) and (b) will have regard to a review of Group-wide, business unit and individual performance, relevant comparative remuneration in the marketplace and internal and external advice (as appropriate). For the CEO, the Board has access to external advice, independent of management, if desired.

### **4.2 Employees**

- (a) Remuneration for Employees will be reviewed by the relevant supervisor or manager and approved by the relevant ELT and the CEO.
- (b) The total remuneration increase budget (if any) for each operating business unit and country will be assessed in relation to, and be consistent with, the relevant market remuneration movements and practices and the affordability for each unit.
- (c) Under the Company's performance management framework, remuneration reviews for Employees can be conducted and applied to reward role performance and against salary position bands (within the position band matrix) at any time during the year. However, generally, as a minimum, all remuneration reviews are applied to be effective on 1 October each year (unless otherwise determined by the Board).
- (d) The review process ensures that remuneration is in line with the market and is reasonable in the context of Australian and local remuneration or compensation practices. The process involves reviewing job requirements and accountabilities to establish position matches and then comparing them to appropriate market remuneration data.
- (e) Additionally, performance calibration is conducted annually to ensure consistency in performance ratings across different teams and functions. This process ensures that employees are evaluated against a common set of standards, and remuneration outcomes, including salary increases and incentive allocations, are aligned with individual performance and contributions to organisational goals.
- (f) Remuneration for individuals is set within plus or minus 10-20% of the assessed market rate, with annual increases to be higher than market for Employees who are:
  - (i) high-performing;
  - (ii) high-potential; and/or
  - (iii) currently low in the range or below the market data.
- (g) In cases where an Employee's salary exceeds the maximum of their pay band, the Company may offer increases as a lump sum to prevent overpayment from compounding, while still allowing the Company to reward high performance.

## **5. PEOPLE & CULTURE COMMITTEE**

- (a) The People & Culture Committee has been established as a committee of the Board to, amongst other things, review, and make recommendations to the Board, on remuneration arrangements for the CEO, ELT, Employees and Non-Executive Directors.
- (b) Through the People & Culture Committee, the remuneration for the CEO is ultimately determined by the Board consistent with the principles set out in this strategy and also in line with ASX guidelines, the Corporations Act and good corporate governance practices.
- (c) The People & Culture Committee, together with the Board, assesses the appropriateness of the mix and amount of remuneration for the CEO, ELT, Employees and Non-Executive Directors:
  - (i) on a regular basis by reference to relevant employment market conditions; and
  - (ii) with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and ELT.
- (d) In accordance with good corporate governance practices, the structure of management and Non-Executive Director remuneration is separate and distinct.

## **6. NON-EXECUTIVE DIRECTOR REMUNERATION**

### **6.1 Objectives**

The Board seeks to set Non-Executive Director remuneration:

- (a) at a level that provides the Company with the ability to attract and retain Non-Executive Directors of the highest calibre while incurring a cost that is acceptable to shareholders; and
- (b) so that total directors' fees reflect the significant contribution of time and skills of the Non-Executive Directors.

### **6.2 Structure**

- (a) The Company's Constitution and the ASX Listing Rules specify that the annual aggregate remuneration limit of Non-Executive Directors shall be approved by shareholders from time to time. An amount not exceeding the amount determined is then divided between the Non-Executive Directors, as agreed.
- (b) The amount of approved annual aggregate remuneration limit together with the level of actual remuneration to be paid, and the way it is apportioned between Non-Executive Directors, is reviewed annually. The Board will consider any advice from external consultants (if obtained) as well as the fees paid to Non-Executive Directors of comparable companies when undertaking the annual review.
- (c) Each Non-Executive Director receives a fixed fee for being a director of the Company and an additional fee if the Non-Executive Director is the chair and/or member of a Board Committee. Depending on where the Non-Executive Director resides, superannuation benefits are included in the Non-Executive Directors fees. No other retirement benefits are paid.
- (d) Each Non-Executive Director is encouraged, but not required, to purchase shares in the Company on the open market at times permitted and under the conditions of the Company's Securities Trading Policy.

## **7. REVIEW OF THIS DOCUMENT**

- (a) The Board will review this document at least annually to ensure it remains relevant and effective.



(b) This document is not intended to be contractual in nature.

(c) The Board may change this document at any time.

## 8. PUBLICATION

A copy of this document will be available in the Corporate Governance section on the Company's website ([www.mcphersons.com.au](http://www.mcphersons.com.au)) or will be available upon request.

## 9. DOCUMENT CONTROL

| Version | Description      | Date         |
|---------|------------------|--------------|
| 1       | Original Version | October 2024 |
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