



McPHERSON'S
Est. 1860

Health | Wellness | Beauty

Building a Sustainable Future in Health, Wellness and Beauty

2022 Sustainability Strategy
McPherson's Consumer Products

Last updated October 2022





Our Purpose

“To provide care solutions to nurture confident, healthy, and sustainable lifestyles”

Overview

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Message from our CEO

For over 160 years McPherson's have continually evolved to adapt to an ever-changing world.

From our early days supplying the rivets for Australia's major infrastructure projects, including the Sydney Harbour Bridge, to our current role in supplying sustainable health, wellness, and beauty solutions.

Our mindset is all about care, care for our people, our customers, our environment, and this serves us well as we once again adapt and begin our evolution to become a sustainable business.

Sustainability is a risk and opportunity to business but more than that, it is a shared responsibility with broader society and the natural world. We take our responsibility seriously and our strategy reflects this. As well as our tangible commitments, outlined in our strategy, we also commit to being as transparent as possible with reporting on our progress, and undoubted setbacks.

We will be working collaboratively with our suppliers, service providers and our customers to achieve the level of change we collectively require. The pace and scope of our approach may change over time however we will always be guided by what science is telling us.

McPherson's senior leaders and I are proud to approve and endorse this sustainability strategy and I look forward to the work ahead and witnessing this strategy come to life.



Grant Peck
CEO & Managing Director



Strategic Pillars

In May 2021 we announced the outcomes of our **Operational Review**, which resulted in the **four key strategic pillars** summarised below.

These pillars, underpinned by our purpose and values drive our Sustainability Strategy, which captures our principles, commitments, and overall approach to sustainability.

01.

Six Core Owned Brands and Key Channels

Target Initiative by FY26:

\$230 Million Sales | \$29 Million EBIT

Focus:

Expand core brands in the Australia and New Zealand markets via better ranging, customer and channel expansion.

Approach:

- Tap into adjacencies and focus on innovation
- Category expansion
- Beauty at home momentum
- Skincare innovation pipeline
- Expand sustainability footprint

02.

Health and Wellness a New Growth Platform

Target Initiative by FY26:

\$30 Million Sales | \$7 Million EBIT

Focus:

Assess ranging upside in Australian pharmacy and reset distribution in New Zealand for Fusion Health and Oriental Botanicals brands.

Approach:

- Accelerate new product development

03.

Expand Our International Footprint

Target Initiative by FY26:

\$40 Million Sales | \$8 Million EBIT

Focus:

Build on the early success of Dr.Lewinn's in China but de-risk the approach of one brand, one channel and one geography.

Approach:

- Progress entry into markets outside of China

04.

Cost Optimisation

Target Initiative by FY26:

\$6 Million EBIT

Focus:

Restructure business units and management team.

Approach:

- Exiting loss-making joint venture arrangements.
- Progress supply chain efficiency opportunities

Sustainability Strategy

Areas of Focus

Sustainability is a complex, multifaceted topic and no two businesses will, or should, approach it in the same way. We utilise the **Environment, Social, Governance (ESG)** approach to help us design a path forward to becoming a sustainable, and eventually regenerative organisation.

We have a long way to go, as a company and a society, and this strategy is our road map, guiding us as we play our part in that transition during the *Decade of Action*.

For the short and mid-term the following are our areas of focus:

Environment

01. The climate crises
 - GHG emissions
 - Climate change vulnerability
02. Packaging material and waste

Social

01. Supply chain labour standards
02. Diversity & Inclusion
03. Opportunities in nutrition and health
04. Social responsibility

Governance

01. Sustainable growth
02. Business ethics
03. Reporting on progress

Our Commitment to Sustainability

Environment

Goal 1: Net Zero GHG

McPherson's commits to being Net Zero Green House Gas (GHG) emissions by 2035.

This includes our Scope, 1, 2 and relevant up and down stream scope 3 activities.

Our work towards this starts with:

- Detailing what is in and out of our scope 3 boundary
- Measuring our footprint
- Determining a baseline year to assist with meaningful metrics on reduction efforts

Goal 2: Sustainable Packaging

McPherson's commits to achieving the APCO Sustainable Packaging Goals by 2025 across its six core owned brands and warehouse operations.

This will extend to all AU & NZ Point-of-Sale (POS) materials for those brands e.g., in store displays, to be 100% recycled content and/or recyclable by 2025.

Social

Goal 3: Sustainable Supply Chain

McPherson's commits to implementing a Sustainable Supply Chain Policy and the associated processes, guidelines, minimum standards, supplier requirements and assurance mechanisms required to achieve our stated objectives.

- Sustainable Supply Chain Policy endorsed – September 2022
- Processes, guidelines etc completed – February 2023
- Supply chain engagement – June 2023
- Assurance activities underway – December 2023

Goal 4: Diversity & Inclusion

We commit to the following in the way we represent our brands and products:

- Diversity and Inclusion goals for the six core brands and health brands established and endorsed - September 2022
- Processes, initiatives and governance requirements mapped out with delivery timeframes – December 2022

Governance

Sustainable Growth + Business Ethics

Focus area:

- Achieve the goals of our strategic pillars by infusing sustainable operating practices throughout the business
- Implement trigger points within decision making processes for weighted sustainability criteria

Reporting on Progress

Focus area:

1. Deliver our first sustainability report for FY23
2. Commence work to deliver an integrated report for FY23 ongoing
3. Incorporate sustainability strategy review into FY23 reporting to ensure goals and focus areas remain material

OUR APPROACH

Environment

McPherson's is one of Australia and New Zealand's largest and most trusted providers of sustainable Health, Wellness and Beauty solutions.

Our purpose is **“To provide care solutions to nurture confident, healthy, and sustainable lifestyles”**

This purpose, our ‘north star’, guides us in everything we do. Sustainable solutions require regenerative approaches and a transition from a take, make, waste model of commerce to one of regeneration.

Goals and Focus Areas

Goal 1: McPherson's commits to being Net Zero Green House Gas (GHG) emissions by 2035.

Focus Areas: Explore, quantify and generate a plan to address climate vulnerability within our supply chain.

Goal 2: McPherson's commits to achieving the APCO Sustainable Packaging Goals by 2025 across its six core owned brands and warehouse operations.

All AU & NZ POS materials to be 100% recycled content and/or recyclable by 2025.

Relevant Policies and Procedures

- Gate Process for New Product Development
- Statement of Values
- Ethics and Responsible Business Conduct Policy
- Brand level DNA documents

Reporting

- Annual APCO reporting
- Annual sustainability report
- Internal communications e.g. BPR, town halls

Our Partners

- Sustainability Advantage
- Australian Packaging Covenant Organisation (APCO)
- The Packaging Forum

What We Measure

- GHG emission reductions
- Progress to achieve APCO SPG goals

Sustainable Development Goals



Relevant MCP Strategic Pillars

- Cost Optimisation
- Expand our International Footprint
- Six Core Owned Brands

OUR APPROACH

Social

Our vision is to grow sustainably by enriching peoples' lives, inside and out, worldwide.

We take a holistic approach to this vision. It includes our staff, the suppliers and businesses we buy from and sell to, and ultimately you, our customers.

However, as we explored this more deeply, we realised that to be true to our vision, it wasn't just those in our 'inner circle' that we need to enrich.

We are part of a planetary system that supports us all. Each aspect of our business must evolve to be part of the solution, not part of the problem.

Goals and Focus Areas

Goal 3: Implement a Sustainable Supply Chain Policy by August 2022.

Focus Area: Complete implementation of associated support mechanisms, including assurance by December 2023.

Goal 4: Diversity & Incusion

Focus Area: Across our six core brands: Set goals, generate initiatives, track progress and implement governance models to achieve the stated goals.

Additional Focus Areas

Opportunities in Nutrition & Health

Active participation in the CMA's pilot project "Reducing Waste and Supporting Communities in Need."

Social Responsibility

Identify and align with Strategic Partners to deliver outcomes orientated to the Shared Value ethos.

Relevant Policies and Procedures

- Gate Process for New Product Development
- Statement of Values
- Ethics and Responsible Business Conduct Policy Brand level DNA documents

Reporting

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What We Measure

- GHG emission reductions
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Sustainable Development Goals



Relevant MCP Strategic Pillars

- Health & Wellness a New Growth Platform
- Expand our International Footprint
- 6 Core Owned Brands

OUR APPROACH

Governance

Since 1860 McPherson's have operated with a strong sense of purpose. That hasn't changed and today we use our values to help us retain our position as one of the leading suppliers of Health, Wellness and Beauty products in the country.

Trust is earned, by the quality of our products, the integrity of our business and the transparency we show on our work in this space. We know we won't always get it right, but **we will always be transparent** about our approach and our next steps.

We will focus on a progress over perfection mindset and, as we deliver on our strategic priorities, we will continue to challenge ourselves to **be guided by the value of acting with integrity and respect.**

Focus Areas	Actions
Sustainable Growth	Achieve the goals of our strategic pillars by infusing sustainable operating practices throughout the business.
Business Ethics	Implement trigger points within decision making processes for weighted sustainability criteria.
Reporting on Progress	<ol style="list-style-type: none"> 1. Deliver our first sustainability report for FY23 2. Commence work to deliver an integrated report for FY23 ongoing 3. Incorporate Sustainability strategy review into FY23 reporting to ensure goals and focus areas remain material

Relevant Policies and Procedures

- Code of Conduct Policy
- Conflict of Interest Policy
- Ethics and Responsible Business Conduct Policy
- Whistle Blower Policy
- Statement of Values

Relevant Plans and Strategies

- Executive KPI alignment to support sustainability strategy reporting
- ASX
- ASIC
- Modern Slavery Statement
- Shareholder reports

- Internal reporting (BPR and Town Halls)
- Annual sustainability report

Key Initiatives

- Integrating sustainability metrics into existing data capture and management reports
- Incorporate sustainability criteria into the Gate One stage for New Product Development (NPD)
- Cross functional project teams for each commitment

What we measure

- Progress against our sustainability commitments

Sustainable Development Goals



Relevant MCP Strategic Pillars

- Health & Wellness a New Growth Platform
- Expand our International Footprint

References

We have a long way to go, as a company and a society, and this strategy is our road map.

For further reading on topics covered in this document and to learn how you can play an active role in helping us achieve these goals, please refer to the helpful links shared here:

1. Australian Packaging Covenant (APCO)

2025 National Packaging Targets
ANZPAC Plastics Pact
The Australasian Recycling Label Program

2. Dynamic Materiality

3. ESG Approach

A frame work for assessing the impact of the sustainability and ethical practices of a company



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McPherson's Consumer Products Ltd
www.mcphersons.com.au