

Breville Group Limited  
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23 August 2022

ASX Market Announcements Office  
Australian Securities Exchange  
20 Bridge Street  
Sydney NSW 2000



#### **Appendix 4E – Year Ended 30 June 2022**

In accordance with ASX Listing Rule 4.3A, please find attached copies of the following documents relating to the full year ended 30 June 2022:

- Appendix 4E,
- Director's report (including the Remuneration report and Operating and Financial Review),
- Corporate governance statement, and
- Financial report.

The release of this announcement was authorised by the Board.

Yours faithfully

Two handwritten signatures in black ink. The first signature is 'Sasha Kitto' and the second is 'Craig Robinson'.

Sasha Kitto and Craig Robinson  
Joint Company Secretaries

# Breville Group Limited

ABN 90 086 933 431

## Appendix 4E - Preliminary final report

Note: The numbering marked with [ ] within this preliminary final report is consistent with the numbering used in the guidelines issued by the Australian Securities Exchange (ASX) under ASX Listing Rule 4.3 A.

Current reporting period [1]: year ended 30 June 2022

Previous corresponding period [1]: year ended 30 June 2021

## Results for announcement to the market

	Percentage change Up or Down	%	Amount A\$'000
Total sales revenue [2.1]	Up	19.4%	to 1,418,437
Earnings before interest, tax, depreciation & amortisation (EBITDA)	Up	14.4%	to 186,825
Earnings before interest and tax (EBIT)	Up	14.6%	to 156,361
Net profit after income tax for the year attributable to members [2.2] [2.3]	Up	16.2%	to 105,717
Earnings per share EPS (cents)	Up	15.3%	to 75.9

Dividends [2.4]	Date paid / payable [7]	Amount per security [2.4]	Franked amount per security [2.4]
<b>Interim dividend</b>			
Current reporting period	17 MAR 2022	15.00	15.00
Previous corresponding period	18 MAR 2021	13.00	13.00
<b>Final dividend</b>			
Current reporting period	06 OCT 2022	15.00	15.00
Previous corresponding period	07 OCT 2021	13.50	13.50

Ex-dividend date for the final dividend: 14 September 2022

Record date for determining entitlements to the final dividend [2.5]: 15 September 2022

## Dividend reinvestment plan [8]

The Group Dividend Reinvestment Plan ("DRP") is not currently active. No DRP will apply to the final dividend for the year ending 30 June 2022.

## Brief explanation of results [2.6]

Please refer to the commentary in the operating and financial review section of the Directors' report.

For further explanation please refer to the ASX report announcement accompanying this preliminary final report.

## Breville Group Limited

ABN 90 086 933 431

## Appendix 4E - Preliminary final report

### Total dividends paid/payable [7]

	Current Period A\$'000	Previous corresponding period A\$'000
Interim dividend paid	20,903	18,062
Final dividend payable	21,369	18,814
	<b>42,272</b>	<b>36,876</b>

### Net tangible assets [9]

Please refer to the commentary in the operating and financial review section of the Directors' report.

For further explanation please refer to the ASX report announcement accompanying this preliminary final report.

	Current period cents per security	Previous corresponding period cents per security
Net tangible assets per security	267.92	199.10

### Control gained or lost over entities [10]

The Group has not lost control, acquired or gained control of any entities during the year ended 30 June 2022.

### Associates and joint venture entities [11]

The Group held no interests in associates or joint ventures during the year ended 30 June 2022.

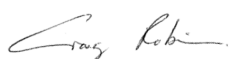
The Group has not lost control of any entities during the year ended 30 June 2022.

### Compliance statement

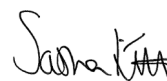
The results for announcement to the market should be read in conjunction with the attached preliminary final report for the year ended 30 June 2022.

No audit dispute or qualification is contained in the attached independent audit report for the year ended 30 June 2022.

Sign  
here:



Craig Robinson  
Company secretary



Sasha Kitto  
Company secretary

Date:

23 August 2022

## **Breville Group Limited**

**ABN 90 086 933 431**

## **Preliminary final report**

**FOR THE YEAR ENDED**

**30 June 2022**

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## Company information

This financial report covers the consolidated entity comprising Breville Group Limited and its subsidiaries (company or Group) on pages 66 to 121.

A description of the Group's operations and of its principal activities is included in the operating and financial review in the directors' report on pages 8 to 34. The Company information, Corporate governance statement and the Directors' report is unaudited (except for the remuneration report) and does not form part of the financial report.

### Directors

Timothy Antonie (appointed Chairperson 11 November 2021)  
*Non-executive Chairperson*

Lawrence Myers (appointed Deputy Chairperson 18 August 2021)  
*Non-executive Deputy Chairperson*

Jim Clayton (appointed 18 August 2021)  
*Managing Director and CEO*

Peter Cowan  
*Non-executive Director*

Sally Herman  
*Non-executive Director*

Dean Howell  
*Non-executive Director*

Kate Wright  
*Non-executive Director*

Tim Baxter (appointed 1 June 2022)  
*Non-executive Director*

Steven Fisher (resigned 11 November 2021)  
*Non-executive Chairperson*

### Company secretaries

Craig Robinson

Sasha Kitto

### ABN

Breville Group Limited ABN 90 086 933 431

### Registered office and principal place of business

170-180 Bourke Road  
Alexandria NSW 2015  
(+61 2) 9384 8100

### Share register

Boardroom Pty Limited  
Level 12, 225 George St  
Sydney NSW 2000

Enquiries within Australia: 1300 737 760  
Enquiries outside Australia: (+61 2) 9290 9600  
Website: [www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)

## Company information continued

### **Auditors**

PricewaterhouseCoopers  
One International Towers Sydney  
Watermans Quay  
Barangaroo NSW 2000

### **Bankers**

Australia and New Zealand Banking Group Limited  
242 Pitt Street  
Sydney NSW 2000

### **Company websites**

brevillegroup.com  
breville.com  
kambrook.com.au  
sageappliances.com  
chefsteps.com  
baratza.com  
beanz.com  
lelit.com

## Directors' report

The Board of Breville Group Limited (company) has pleasure in submitting its report in respect of the Group for the year ended 30 June 2022.

### Board of Directors

The names and details of the company's Directors in office during the year and until the date of this report are as below. Unless indicated otherwise, directors were in office for this entire period.

#### Timothy Antonie

##### Non-executive Chairperson : BEcon

Mr Antonie has more than 25 years' experience in investment banking, corporate advisory and formerly held positions of Managing Director from 2004 to 2008 and Senior Advisor in 2009 at UBS Investment Banking, with particular focus on large scale mergers and acquisitions and capital raisings in the Australian retail, consumer, media and entertainment sectors. Mr Antonie is currently a principal of Stratford Advisory Group providing independent financial advice to Australian and international corporations. He holds a Bachelor of Economics degree from Monash University and qualified as a Chartered Accountant with Price Waterhouse.

During the last four years he has served as a non-executive director of the following other listed companies:

Netwealth Group Limited # (Chairperson)

Premier Investments Limited #

Village Roadshow Limited

# denotes current directorship

#### Lawrence Myers

##### Non-executive Deputy Chairperson : B.Acct, CA, CTA

Mr Myers has over 20 years' experience as a practising Chartered Accountant. He is the Managing Director and founder of MBP Advisory Pty Limited, a high-end Sydney firm of Chartered Accountants. Mr Myers sits on numerous private company and not-for-profit Boards, including the Foundation Board of the Art Gallery of New South Wales and acts as a trusted advisor and mentor on business and financial matters. He is a registered auditor and his specialist areas of practice include business and corporate advisory as well as mergers and acquisitions. Mr Myers is Chairperson of the audit and risk committee (A&RC) and is the company's lead independent director.

During the last four years he has served as a director of the following other listed companies:

VGI Partners Asian Investments Limited #

VGI Partners Global Investments Limited #

# denotes current directorship

#### Jim Clayton

##### CEO and Managing Director : BBA, JD

Mr Clayton was appointed Managing Director on 18 August 2021 and has been CEO since 1 July 2015. Mr Clayton has extensive international experience in consumer electronics, business transformation and strategy. He joined Breville from LG Electronics Inc., where he held a number of senior roles since 2009, including Executive Vice President, New Business Division for LG's Home Entertainment Company. Prior to this, Mr Clayton worked for Symphony Technology Group, a Silicon Valley based private equity firm focused on midmarket enterprise software and technology enabled service companies, and McKinsey & Company in the US, Germany and Singapore.

During the last four years he has not served as a director of any other listed company.

#### Peter Cowan

##### Non-executive Director

Mr Cowan has more than 30 years' experience in leading and building globally respected organisations and brands in the FMCG sector. He served as both Chairperson of the Board and CEO in key developing markets for Unilever and has held Managing Director roles at Lion Nathan and New Zealand Dairy Board (Fonterra). Mr Cowan also held Regional Vice President positions at Alberto Culver and Johnson & Johnson.

During the last four years he has not served as a director of any other listed company.

## Directors' report continued

### Board of Directors continued

#### Sally Herman

##### Non-executive Director : BA, GAICD

Ms Herman is an experienced non-executive Director sitting on public and private Boards in financial services, retailing, property and consumer goods. She had a long career in financial services in both Australia and the United States, including 16 years with the Westpac Group, running business units in most operating divisions of the Group. Ms Herman is actively involved in the community, with a particular interest in education, the arts and social justice. She is a member of Chief Executive Women.

During the last four years she has served as a non-executive Director of the following other listed companies:

E&P Financial Group Limited

Irongate Funds Management Limited (the responsible entity for Irongate Property Fund I and Irongate Property Fund II)

Premier Investments Limited #

Suncorp Group Limited #

# denotes current directorship

#### Dean Howell

##### Non-executive Director : FCA, CTA

Mr Howell has had an extensive career in accounting, spanning over 40 years, and accordingly has a wealth of commercial and advisory experience. He was the former senior partner of a Melbourne firm of chartered accountants and also served on that firm's national and international Boards.

During the last four years he has not served as a Director of any other listed company.

#### Kate Wright

##### Non-executive Director : BA

Ms Wright has more than 30 years' experience in the consumer industry across Australia, the South Pacific and the USA. Her career has spanned manufacturing operations, sales, marketing, human resources and general management within the consumer sector. Ms Wright has held the positions of Managing Director, Australia and South Pacific region at Philip Morris from 2001 to 2004 and Head of Korn Ferry Australia's Consumer and Retail Practice from 2005 to 2016. Ms Wright holds a Bachelor of Arts degree from the University of New South Wales. Ms Wright is chair of the people, performance, remuneration and nominations committee (PPRNC).

During the last four years she has not served as a Director of any other listed company.

#### Tim Baxter

##### Non-executive Director : BS

Mr Baxter is an accomplished senior executive, with over 35 years' experience across the consumer electronics, retail, technology and telecom industries. He was previously Chief Executive Officer of Samsung Electronics North America, having been promoted to the role from Chief Operating Officer, America. Prior to this, he held several senior management positions across sales and marketing at Samsung, Sony Corporation and AT&T Inc. Mr Baxter serves as a non-executive director on a number of public and private company boards.

During the last three years, he has served as a non-executive Director of the following listed companies:

PAVmed Inc. #

# denotes current directorship

### Company secretaries

The names and details of the company secretaries in office during the year and until the date of this report are as below.

#### Sasha Kitto

##### LLB, FCA

Ms Kitto is a chartered accountant and has over 20 years' experience as a practising chartered accountant and in senior finance roles.

#### Craig Robinson

##### BA, ACMA

Mr Robinson is a Chartered Management Accountant with over 25 years' commercial finance experience. He has worked in FMCG, Medical Diagnostics and Sales Service industries in the UK, Australia, Switzerland and the USA.



## Directors' report continued

### Reporting currency and rounding

This preliminary final report is presented in Australian dollars and all amounts have been rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the company under ASIC Corporations (Rounding in Financial/Directors Reports) Instrument 2016/191. The company is an entity to which the instrument applies.

### Performance indicators

Management and the Board monitor the financial performance of the Group by measuring actual results against expectations as developed through an annual business planning and budgeting process and refreshed through in year reforecasts.

Appropriate key performance indicators (KPI's) are used to monitor operating performance and management effectiveness.

### Operating and financial review

The operating and financial review has been designed to enhance the periodic financial reporting and provide shareholders and other stakeholders with additional information regarding the Group's operations, financial position, business strategies, risks, and prospects. This review complements the financial report and has been prepared in accordance with the guidance set out in ASIC Regulatory Guide 247.

#### Company overview and principal activities

The Group's principal activities, and underlying strategy, remains the design and development of innovative, world-class, small electrical kitchen appliances and the effective marketing of these products across the globe.

In line with this strategy, and to drive sustainable growth in both revenue and profits, the Group has developed:

- A strong, competitive, and growing product portfolio with proven international success;
- An innovative, committed and high-quality team;
- A research and development (R&D) culture that focuses on consumer solutions, sustainability and emerging food and beverage technologies;
- A strategic marketing capability supporting new product launches and building brand awareness;
- A corporate IT platform rolling out globally to bring speed and competitive advantage;
- A proven methodology of successfully expanding into new geographies;
- A track record of successfully integrating acquisitions; and,
- A strong balance sheet that provides a platform to take advantage of future opportunities.

With significant headroom to grow, the Group's objective is to deliver annual EBIT growth against a variety of trading backdrops, while reinvesting in R&D, marketing, technology services and geographic expansion to drive sustained growth and long-term shareholder value creation. During FY22 the Group continued to invest in new product development, to enhance our digital marketing offense and product solutions, to roll out the Global IT platform, and to continue expanding geographically, entering Poland and South Korea in Q4 2022.

The Group operates a global centralised business structure with two *business segments* and three *geographic theatres* as described below:

- The Global product segment sells premium products designed and developed by Breville that may be sold directly or through third parties and may be branded Breville®, Sage®, Baratza® or other Group owned brands.
- The Distribution segment sells products that are designed and developed by a third party and are distributed pursuant to a license or distribution agreement or are sourced directly from manufacturers. Products in this business unit may be sold under a brand owned by the Group (e.g., Breville®, Kambrook®), or may be distributed under a third-party brand (e.g., Nespresso®).

The three geographic theatres execute the sales, distribution, and business development functions in each geography. The theatres are supported by centralised functions including product development, marketing, operations, IT, finance, and HR.

- In Asia Pacific (APAC), the Group principally trades under its company owned brands, Breville®, Baratza®, Kambrook® and also distributes products under a machine partnership with Nespresso®.
- In the Americas, the Group markets and distributes Breville®, Baratza® and Polyscience® branded products and distributes Nespresso® products, under a machine partnership.
- In Europe, Middle East, and Africa (EMEA), the Group markets and distributes Breville® designed products under the company owned brands, Sage® and Baratza®.

## Directors' report continued

### Operating and financial review continued

#### Group operating results

AUDm <sup>1</sup>	FY22	FY21	% Growth
<b>Revenue</b>	<b>1,418.4</b>	1,187.7	<b>19.4%</b>
<b>Gross Profit</b>	<b>485.9</b>	413.7	<b>17.5%</b>
<b>Gross margin (%)</b>	<b>34.3%</b>	34.8%	
<b>EBITDA</b>	<b>186.8</b>	163.3	<b>14.4%</b>
<b>EBIT</b>	<b>156.4</b>	136.4	<b>14.6%</b>
<b>EBIT margin (%)</b>	<b>11.0%</b>	11.5%	
<b>Dividend per share (cents)</b>	<b>30.0</b>	26.5	<b>13.2%</b>
<b>Franked (%)</b>	<b>100%</b>	100%	
<b>Net cash / (debt) (\$m)</b>	<b>(4.1)</b>	129.9	
<b>ROE</b>	<b>18.9%</b>	19.7%	

In FY22 the group achieved record revenue of over \$1.4bn with solid growth (19.4%) following strong growth in FY21. In 2H22, revenue growth moderated to 13.2% as revenue acceleration in the Americas partially offset softness in EMEA as consumers and retailers reacted to the Ukraine invasion.

Gross margins in the Global Product segment were well managed, with demonstrated pricing power, offsetting an inflationary backdrop of increased freight and product costs and a strong USD. Across the full year our growth in gross profits was again reinvested into the medium-term growth drivers of R&D, marketing and technology whilst maintaining our robust EBIT growth. In the 2H spend was aligned to the revenue trajectory to deliver committed EBIT.

In FY22 EBIT guidance of \$156m was given, maintained, and met, delivering another year of double-digit EBIT growth at 14.6%.

A final dividend of 15.0 cents per share (100% franked) has been declared bringing total full year dividends to 30.0 cents per share (100% franked) representing 13.2% growth over the prior comparative period (pcp) (26.5 cents per share).

As working capital was rebuilt to equilibrium levels from an artificially low position in FY21, and a portion of 1H23 inventory was pulled forward to partially de-risk the supply chain in advance of the peak season, a cash outflow occurred with Net Debt ending the year at \$(4.1)m.

ROE shows continuing robust returns on invested capital.

#### Segment results

AUDm <sup>1</sup>	Revenue			Gross Profit			EBIT Margin (%)	
	FY22	FY21	% Growth	FY22	FY21	% Growth	FY22	FY21
<b>Global product</b>	<b>1,178.5</b>	984.2	19.8%	<b>428.7</b>	362.9	18.2%	<b>36.4%</b>	36.9%
<b>% Growth in constant currency</b>	<b>18.0%</b>	37.0%						
<b>Distribution</b>	<b>239.9</b>	203.5	17.9%	<b>57.2</b>	50.8	12.5%	<b>23.8%</b>	25.0%
<b>TOTAL</b>	<b>1,418.4</b>	1,187.7	19.4%	<b>485.9</b>	413.7	17.5%	<b>34.3%</b>	34.8%

<sup>1</sup> Minor differences may arise due to rounding.

## Directors' report continued

### Operating and financial review continued

Our strategically key Global Product segment grew by nearly 20%, or 18% in constant currency terms. We successfully raised price in this premium segment in all geographies to protect our GM% in the face of inflationary pressures.

In the mass market Distribution segment, we also saw strong revenue growth with Nespresso back in stock, and solid growth in Breville Local, offsetting lower growth in our mass market Kambrook brand.

Gross margins in this segment were more affected by inflationary pressures given the lower retail value per unit shipped and higher shelf price sensitivity. Importantly, the Distribution segment was again successfully managed to fulfill its strategic role of generating profit dollars for re-investment in growing the Global segment.

#### Global product segment revenue growth – reported and constant currency

AUDm <sup>1</sup>	Global Product Segment Revenue				4Yr CAGR
	FY22	FY21	% Growth	% in constant currency	
<b>Americas</b>	<b>605.0</b>	493.0	22.7%	<b>19.4%</b>	<b>19.2%</b>
<b>EMEA</b>	<b>295.1</b>	257.0	14.8%	<b>15.1%</b>	<b>35.6%</b>
<b>APAC</b>	<b>278.4</b>	234.2	18.9%	<b>18.2%</b>	<b>19.8%</b>
<b>TOTAL</b>	<b>1,178.5</b>	984.2	19.8%	<b>18.0%</b>	<b>22.5%</b>

<sup>1</sup> Minor differences may arise due to rounding.

Global Product segment revenue grew by 19.8% to \$1,178.5m (FY21: \$984.2m). In constant currency, revenue grew 18% on top of a strong 37.0% in FY21. In the four years since FY18 the segment has more than doubled with a CAGR of 22.5% driven by sustained investment in product development, digital marketing, geographic expansion, and a single global technology platform.

2H22 strength in the Americas partially offset 2H22 softness in EMEA and another solid performance from APAC.

The **Americas**, our largest region, was also our fastest growing region in FY22 at 22.7%. Growth accelerated in 2H as the theatre returned to an in-stock-position, and consumer sell-out proved resilient with 32% reported growth or 24% in constant currency terms.

**EMEA** slowed in the 2H with consumer nervousness following the Russian invasion of Ukraine, exacerbated by a general retailer destocking. We did not engage in the widespread discounting seen in the market in H2 22, and our market share held overall despite a 2H22 revenue decline of (15.9)%.

Conversely **APAC** delivered a solid performance in both the first and second half, and we saw good signs of things to come from the early performance of our new coffee SKU the *Barista Express™ Impress* in New Zealand. June 2022 also saw the Group's first direct entry into Asia as we launched in South Korea.

Overall, FY22 was another strong example of our portfolio working for us and delivering a good result even in volatile times in one region.

#### Financial Position

The Group's net working capital position at 30 June 2022 of \$347.8m reflects the restoration of a more normal, or equilibrium, position, and the pull forward of a portion of 1H23 peak inventory.

The Group's total working capital position (\$160.2m) at 30 June 2021 was reported as being at least \$80m below equilibrium with insufficient landed inventory resulting in constrained revenue and unusually low receivables. During FY22 a more normal inventory and receivables pattern has been successfully rebuilt.

## Directors' report continued

### Operating and financial review continued

The group typically builds towards peak inventory in September, allowing delivery to customers in October and November, to in turn meet peak seasonal consumer demand in November and December. Given the current supply chain risks of manufacturing shut down and/or transport restrictions the operations team has successfully landed a portion of peak inventory earlier than normal.

To meet expected 1H23 revenue a significant amount of stock will still need to be successfully built and landed, but this pull forward helps partially de-risk our 1H23. This tactical pull forward has inventory of \$445.9m at 30 June 2022.

Average receivable days were well controlled, and within terms, at 61 days (pcp 59 days). 30 June 2022 receivables of \$194.2m reflects a more normal Q422 revenue pattern and the impact of USD translation at the end of the year. Higher payables at the year-end largely reflects payables on the brought forward stock purchases.

Our fixed assets increase reflects a stepped-up investment in production tools as new products are readied for release. Our intangibles continue to grow with the business as we continue to strategically invest in product development and deliver new products.

The Group's ROE remains healthy at 18.9%.

#### Net Cash and Free Cash flow

Reduced net cash reflects a year of free cash outflow as working capital has been normalised and inventory pulled forward. This follows a strong cash inflow the year before when working capital was driven below equilibrium.

Our assessment of supply chain risks will inform our approach to inventory holdings in FY23. The negligible obsolescence risk of our products makes holding stock an attractive mitigant to current supply chain risks.

#### Dividends

A final dividend of 15.0 cents per share (100% franked) has been declared (FY21: 13.5 cents, 100% franked) bringing the total dividends for the year to 30.0 cents per share, a 13.2% growth over the pcp.

The dividend reflects the target payout ratio of 40% of EPS on a full year basis.

The final dividend will have a record date of 15 September 2022 and will be paid on 6 October 2022.

#### Material business risks

The material business risks that may impact the achievement of the Group's strategy and its financial prospects are summarised below, together with key actions intended to mitigate these risks.

Risk	Nature of risk	Key actions to mitigate risk
Supply chain disruption and input cost risk	<p>Interruptions to the supply chain could arise from COVID-19 outbreaks and public health decisions disrupting production plants. A shortage of components, non-availability of shipping, inadequate port slots to unload in destination markets may also disrupt supply. Extreme climate events also present a risk to supply continuity. This potentially puts Group revenue and profitability at risk.</p> <p>Inflationary pressures on manufacturing and transport costs may arise from high demand for consumer goods, shipping and labour combined with general inflationary pressures and exchange rate movements. Unless recoverable by pricing this puts the profitability of the Group at risk.</p>	<p>Inventory is held in market to provide a buffer against supply chain interruptions. In the current heightened risk environment some peak season inventory is being brought to market early.</p> <p>Core S&amp;OP process gives long forward visibility to suppliers to help ensure that required components, labour etc. are secured.</p> <p>Breville uses multiple manufacturers where possible to de-risk dependence on single suppliers and establishes long term partnerships to manage short term cost fluctuations. Alternative manufacturing locations are being scoped to diversify locational risk.</p> <p>Input cost inflation is monitored and negotiated by product and supplier in both USD and landed currency.</p> <p>Pricing power of our premium, innovative products is leveraged to protect margins where possible on a market-by-market basis.</p> <p>Contracted shipping rates are secured where possible. Exchange rates are hedged 12 months in advance. Both of these activities provide forward visibility of effective costs for 12 months to allow effective management of margins.</p>

## Directors' report continued

### Operating and financial review continued

Risk	Nature of risk	Key actions to mitigate risk
Demand pattern risk	<p>There is risk of volatility in the growth trajectory of the company arising from COVID-19 pandemic and general economic or market shocks e.g., Ukraine war impacting European consumers.</p> <p>This can impact revenue and profits and reputational risk with investors if expectations are not met.</p>	<p>The increasingly balanced global revenue footprint of the Group diversifies risk and mitigates the impact of disruption in a specific region on the Group results.</p> <p>Weekly sell-out is monitored by product and customer. This forward visibility allows informed adjustments in terms of market activity in a timely manner to optimise revenue and margin.</p> <p>Rolling forecasting of annual CM\$ delivery allows contraction, and expansion, of expenses as needed to protect profit delivery within a specific year. The Group has a strong track record of delivering EBIT growth against a variety of backdrops.</p> <p>The premium, innovative nature of the product range historically provides some resilience of demand to short term economic conditions.</p> <p>The Group is committed to tactically buying inventory to serve upside forecasts and thus avoid lost revenue in the case of volatile demand. This approach is supported by adequate working capital debt facilities to call on as needed. As inventory is neither seasonal, nor perishable, the risk of stock obsolescence is limited.</p>
ESG risk and sustainability	<p>Reputational risk with employees, customers, investors and society, and subsequent financial impact, if the Group fails to act adequately on ESG issues and/or fails to communicate its strategy and approach.</p> <p>Risk to supply continuity from extreme climate events (see above).</p>	<p>Approach to ESG issues and risks is detailed in the ESG report section of the Directors report page 15 to 34 which covers the Group's approach to climate emissions and ESG responsibilities more generally.</p> <p>Group commitment to a sustainable business and business model is guided by the Board Sustainability committee.</p>
Product development and innovation risk	<p>Insufficient or ineffective investment in product development and innovation, and inadequate communication of the innovative range to customers and consumers may result in loss of competitive advantage.</p>	<p>Securing of proven, world class leadership for product development, technology services, marketing and solutions functions.</p> <p>Strategic annual reallocation of funds to increase investment in product development, technology and solutions as well as marketing and communications.</p> <p>The Group retains the target of sustainably increasing investment in these key growth functions. The prioritisation of investment in these growth drivers is communicated as a core part of Group strategy in investor engagements and results presentations.</p>
Cyber security risk	<p>Breaches of cyber security is a growing global risk as the volume and sophistication of threats has increased, partially from the broad-based working from home reality. Risks include:</p> <ul style="list-style-type: none"> <li>• Unauthorised access to data/information leading to reputational damage and/or risk of litigation.</li> <li>• Malicious attacks that result in outages and service and revenue disruption.</li> <li>• Ransom demands with direct financial consequence to the business.</li> <li>• Failure to comply with regulatory standards risks financial fines or restrictions to conduct business.</li> <li>• Business interruption and availability of systems following a breach.</li> </ul>	<p>The technology services team has further strengthened our cyber security and privacy programs in FY22 within an overall security and privacy framework. Including:</p> <ul style="list-style-type: none"> <li>• Deployment of modern IT infrastructure with latest security defences.</li> <li>• Penetration testing and vulnerability assessments.</li> <li>• PCI Audits and external reviews of some of our key cloud operating environments.</li> <li>• Selection of a privacy and data mapping platform to facilitate compliance with multiple global privacy obligations.</li> <li>• Staff mandatory multi-factor authentication and annual cyber security and phishing training.</li> <li>• Breville has a cyber insurance policy in place.</li> </ul>

## Directors' report continued

### Operating and financial review continued

Risk	Nature of risk	Key actions to mitigate risk
Health and safety risk	<p>Poor WHS and well-being practices can impact both the motivation and engagement of employees resulting in an impact on business performance as well as exposing the Group to reputational and financial risk via litigation and fines.</p> <p>Inherent in producing and selling kitchen appliances is also the risk of poor-quality products harming consumers with a safety and reputational impact as well as financial risk from lost revenue and damages.</p>	<p>The Board receives and reviews OHS statistics and incidents on a monthly basis to ensure top-down ownership of this risk. A dedicated OHS officer ensures accurate monitoring and timely action on any issue.</p> <p>Breville has an outsourced business model for manufacturing and distribution.</p> <p>In terms of COVID-19 risk management for a primarily office-based Group, a comprehensive work from home approach, supported by OHS guidelines was established on a territory-by-territory basis.</p> <p>Technological enhancements were made by providing all staff with necessary IT equipment and implementing the use of Zoom, Teams, Slack and e-mails to ensure work would continue without disruption in the work from home environment.</p> <p>In recognition of the strain that lockdowns and sustained working from home can place on our employees' mental and physical wellbeing, we implemented a range of activities and support programs to support employees.</p> <p>Breville has extensive compliance processes in place to ensure its products are safe and exceed regulatory standards in our various markets. Rigorous safety standards are a critical element in our approach to product development. Post design the Group maintains a zero-tolerance Pre-Shipment Inspection (PSI) program for all products before they leave the factory.</p> <p>Protocols are in place for rapid reaction to any reported in-use consumer event including product recalls. Breville has not had to issue a product recall since 7 November 2016.</p>
Key Employee Risk	<p>High turnover of key staff may impact the performance of the Group if there is inadequate succession planning in place. Inadequate career planning and inadequate comparative remuneration may heighten turnover especially given the Group's recent strong performance and the global "war for talent".</p>	<p>Annual high potential and succession planning identifies successors for key roles and individual development plans for key individuals.</p> <p>Key roles are benchmarked to market domestically and internationally, to ensure that they are competitive. In FY22 an enhanced CEO package was implemented to help retain a high performing, global CEO.</p> <p>Retention is encouraged through the use of LTI plans and fixed deferred remuneration share rights.</p>

## Directors' report continued

### Operating and financial review continued

#### Group strategic acceleration program update

During FY22, the Group has continued to progress its acceleration program, the impacts of which have helped drive the FY22 operational and financial performance.

Through FY17-20 the Group moved from specific new product development innovation, or *Food Thinking*, to the commercialisation of a range within a category or *Category Thinking*. During FY21, the Group started to move up the curve to *Solution Thinking*. Solution Thinking seeks to provide not only a product, but whatever other components (product, software, or service) are required to enable consumers to achieve the end results they are seeking.

The *Joule™ Sous Vide*, acquired as part of the ChefSteps acquisition, was the Group's first integrated solution offering. The *Joule™ Oven Air Fryer Pro* was launched in FY22 - leveraging the outstanding content development capabilities acquired with ChefSteps, as well as existing Breville content. The development of our Beanz™ marketplace linking consumers to roasters was further rolled out in FY22.

Our innovative product range is supported by increased investment in Go-To-Market initiatives and specifically our digital offense including PR, brand communications, website enhancements and the creation of world class digital assets and content.

In terms of geographic expansion, we entered Poland at the end of FY22, and our entry into South Korea in June 2022 was our first direct entry into Asia. Our increasingly diversified geographic portfolio, with EMEA and APAC of similar size and together equivalent to the Americas, proved a strength in FY22 as Americas and APAC compensated for a slower 2H22 revenue growth in EMEA.

The Group completed the roll out of its centralised, scalable global IT platform in FY22 to support accelerated growth. The platform is live in all key territories including Australia and Korea which were the last two to go live. The platform includes sales and operational planning; a product information management (PIM) system; a CRM system; an ERP; customer EDI interfaces; and a point-of-sale information module as well as various analytical capabilities. It allows efficient and effective management of the current business and critically facilitates rapid growth whether it be via organic development, new country entry, or by the successful absorption of acquisitions.

An incremental \$36m was invested in tech services, R&D, solutions, and marketing in FY22 representing over 50% of the increase in gross profits for the year.



## Directors' report continued

### Operating and financial review continued

### ESG report

#### Our commitment to sustainability

The Breville Group is committed to ethical, responsible, and sustainable conduct across and throughout its business, reinforced through our culture, process, structure, and policy. Our ESG priorities and strategy are a central part of our overall business strategy and are a fundamental part of the way we now work.

Our ESG strategy – “to create innovative, attractive and energy efficient kitchen appliances, designed and sourced in a socially and environmentally responsible manner that delights our consumers, meets the expectations of our stakeholders and delivers sustainable value creation” is embedded in our business operations, and risk management process.

As a consumer facing company, that operates in the heart of our consumers' homes, *the kitchen*, our reputation, and ability to meet ethical and behavioural expectations, is core to our sustained sales, business health and value creation. Our ESG strategy and priorities are shaped by an on-going engagement and dialogue with our stakeholders – our employees, our consumers, our shareholders, our suppliers, regulators, local communities, and specific interest groups. For some priorities, our approach is further informed by scientific analysis and measurement such as detailed *life cycle analysis* (LCA) which ensures that we prioritise initiatives that empirically have the biggest impact on reducing carbon emissions.

Engagement with employees takes place via open membership of various sustainability committees (e.g., the Diversity and Inclusion Committee), staff surveys and townhall meetings. Consumer feedback comes in the form of analysis of product reviews, focus panels and direct feedback. Engagement with investors is ongoing through both group and one-on-one meetings where ESG is inter-twined with business performance discussions. With suppliers, ESG forms a standing part of our regular business review agendas and is monitored during site visits. We keep informed of developing regulation via our company sustainability committees, general legal counsel, corporate secretarial function and through briefings with our professional advisors. Community activities are ongoing, and we seek to understand first by listening, for example through the establishment of RAP Advisory Council, and second by learning, for example through our Black America History week run each year in the Americas. We also engage with key issue interest groups such as IAST (Investors against Slavery and Trafficking) to keep abreast of best practice and opportunities.

Our strategy is set, but we strive to constantly improve and adapt our execution each year. In this ESG report we outline the key priorities that we have focused on in FY22. We have made good progress on each issue, but there is clearly more to be done.

In terms of disclosure, we welcome the initiative of the ISSB (International Sustainability Standard Board) in moving towards a standard and industry specific framework for ESG disclosure. As the current exposure drafts develop, we fully expect to migrate towards this approach to disclosure and reporting to meet stakeholder expectations. We also acknowledge and work with the 17 UN sustainable development goals in shaping our priorities.

For FY22 we have largely followed our FY21 disclosure approach - identifying key priority areas and presenting progress on each as well as sharing our Task Force on Climate-related Financial Disclosures (TCFD) risk analysis approach.

#### Key Priorities

Environmental	Social	Governance
<b>1. Climate Change &amp; Action</b> 1.1 Climate risks & opportunities (TCFD) approach 1.2 Carbon emissions - measurement and target reductions 1.3 Energy efficiency 1.4 Sustainable design, repairability & end of life 1.5 Sustainable packaging 1.6 Waste diversion	<b>2. Product quality and safety</b>  <b>3. Ethical Sourcing:</b> Human rights & modern slavery  <b>4. Community Relations</b> 4.1 Community engagement 4.2 Reconciliation action plan  <b>5. Employee Wellbeing</b> 5.1 Diversity & inclusion 5.2 Health & safety	<b>6. Corporate Governance</b> 6.1 Board independence & diversity 6.2 Internal ESG reporting mechanisms  <b>7. Corporate Behaviour</b> 7.1 Anti-bribery & corruption and whistle blowing 7.2 Cyber security & data privacy 7.3 Tax transparency and governance 7.4 Policy availability



# Directors' report continued

## Operating and financial review continued

## ESG report continued

### Environmental

#### 1. Climate Change & Action

##### 1.1 Climate risks and opportunities (TCFD)

We are signed up as a supporter of TCFD and are steadily implementing the recommendations of the TCFD in terms of how we analyse and report climate risk. This approach helps us identify our exposure to climate-related risks and identify appropriate actions to mitigate these risks. In taking this risk-based approach we seek to understand both what impact Breville is having on the climate, as well as how climate change can impact the sustainability of our business with a specific focus on;

- i. How climate risks and opportunities impact the type of products we design and produce
- ii. How consumer and society expectations present both risks and opportunities to our business growth
- iii. How the impact of living with climate change impacts our business

***TCFD Goal: Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.***

Breville's primary strategy is the design and development of the world's best small kitchen appliances and the distribution of these on a global scale. The type of products we choose to design and distribute is undeniably impacted by climate change considerations – both empirically based and those influenced by opinions of our consumers and stakeholders.

One of the biggest potential risks and opportunities presented by climate change relates to stakeholder expectations, especially consumers, who will increasingly purchase products based on a specific product's credentials or a company's or brand's environmental and ESG credentials. We believe that these informed choices will increasingly and materially impact the revenue and profitability of the Group. This therefore strategically impacts the type of products we develop, how they are packaged, how energy efficient they are as well as how we communicate this to consumers.

This risk analysis informs our new product development (NPD) which is a core part of our growth strategy. We have already made good progress in designing, engineering, and providing our customers with more energy efficient options (see ThermoJet on page 22). Furthermore, our design and engineering teams increasingly look to optimise the strength and weight of the materials we use to reduce material consumption, identify alternative recyclable materials and engineer repairability into products to delay and reduce the end-of-life impact of appliances. Climate related risks and opportunities are inter-twined with our strategic product development cycle.

***TCFD Goal: Disclose how the organisation identifies, assesses, and manages climate-related risks.***

Breville has an enterprise-wide risk mapping and mitigation process led by the Audit and Risk committee that includes climate risks. Given their importance climate risks are treated as enterprise level risks. Risks are identified through a granular bottom-up process via each territory and function and are then prioritised through a top-down review by the CEO, CFO and Board. Climate change is an amplifier for several of our other material business risks. As such, we recognise the potential impacts of climate change as both environmentally and financially material.

The key risks, impact, mitigants and opportunities are categorised in alignment with the TCFD recommendations below:

## Directors' report continued

### Operating and financial review continued

#### ESG report continued

##### 1.1 Climate risks and opportunities (TCFD) cont'd

Type of risk	Description of risk	Risk mitigation measures	Opportunities
<b>TCFD category:</b> Transition – reputation risk  <b>Internal assessment:</b> High  <b>Business area:</b> Strategic  <b>Timeframe:</b> Ongoing	<b>ESG - Initiatives and communication</b>  There is a risk that Breville will not meet consumer, employee, and investor expectations for increased climate responsibility and disclosure  <i>Potential financial impact</i> <ul style="list-style-type: none"> <li>• Reduced sales arising from reputational impact</li> <li>• Reduced employee attraction and retention</li> <li>• Reduction in capital availability</li> </ul>	Increase our level of emission reduction activity including  Product Design – materials  Product Design – repairability  Product Design – energy efficiency  Product Design – recyclable packaging  Accurate, complete and reliable emissions measurement and target setting. Scope 1 and scope 2 followed by scope 3  Communicate effectively to our consumers, investors and other stakeholders  Upgrading our disclosure to better reflect our existing progress including TCFD disclosure and future adoption of ISSB framework	Increase our brand's attractiveness to consumers and the Group to employees and investors  <i>Potential financial impact</i> <ul style="list-style-type: none"> <li>• Sustained or increased revenue</li> <li>• Benefits to employee satisfaction resulting in lower turnover and higher productivity</li> <li>• Increased access to capital due to higher ESG investor ratings</li> </ul>
<b>TCFD category:</b> Transition – market risk  <b>Internal assessment:</b> Medium risk  <b>Business area:</b> Strategic  <b>Timeframe:</b> Ongoing	<b>Innovation and technological advantage</b>  From a technology perspective in the transition to a low carbon economy there is a risk / opportunity that new materials, power sources or designs emerge that gives a technological or cost advantage to, or, over competitors  <i>Potential financial impact</i> <ul style="list-style-type: none"> <li>• Reduced revenue from losing our premium product differentiation</li> <li>• Cost disadvantage if cheaper new materials are not adopted</li> <li>• Expensive research and development (R&amp;D) expenditures required to catch up if left behind on new and alternative technologies</li> </ul>	<ul style="list-style-type: none"> <li>• <b>R&amp;D spending and quality</b> – As a primary risk mitigant the quantum of investment in R&amp;D has been increased year-on-year over the last five years to create a sustainable business model likely to deliver the required rate of innovation. Focus on emerging sustainable materials continues e.g., compressed cardboard vs EPS. This is supported by attracting the best talent in Australia product innovation</li> <li>• <b>Innovation pipeline</b> – The Breville new product development (NPD) process uses an innovation funnel to progress projects. Use of sustainable materials and repairability increasingly informs revenue estimates and the commercial assessments of potential projects</li> </ul>	Clear opportunity to innovate and develop new low-emission products to improve our competitive position and capitalise on shifting consumer and producer preferences  Existing examples include our ThermoJet heater technology  <i>Potential financial impact</i> <ul style="list-style-type: none"> <li>• Increased demand for goods and services due to shift in consumer preferences and cost advantage from early adoption of new materials</li> </ul>

## Directors' report continued

### Operating and financial review continued

### ESG report continued

#### 1.1 Climate risks and opportunities (TCFD) cont'd

Type of risk	Description of risk	Risk mitigation measures	Opportunities
<b>TCFD category:</b> Physical – chronic risk  <b>Internal assessment:</b> Medium risk  <b>Business area:</b> Operational  <b>Timeframe:</b> Ongoing	<b>Supply risks</b>  Chronic climate risks like drought or repeated flooding heightens risk of availability of parts and materials to the supply chain or interrupted production  <i>Potential financial impact</i> <ul style="list-style-type: none"> <li>Reduced revenues from lower revenue/output</li> <li>Increased insurance premiums and potential for reduced availability of insurance on assets in “high-risk” locations</li> </ul>	<ul style="list-style-type: none"> <li><b>Operations and logistics</b> - (including S&amp;OP, Inventory planners etc.) teams are working to give forward demand visibility to suppliers to secure parts and materials well in advance to protect against interruptions</li> <li><b>Alternative Supply</b> - qualifying suppliers in alternative geographies is a slow but effective way to mitigate this risk</li> </ul>	<i>Potential financial impact</i> <ul style="list-style-type: none"> <li>Increased reliability of supply chain and ability to operate under various conditions</li> </ul>
<b>TCFD category:</b> Physical – acute risk  <b>Internal assessment:</b> Medium risk  <b>Business area:</b> Operational  <b>Timeframe:</b> Ongoing	<b>Business interruption</b>  after a disruptive event such as climate-amplified extreme weather events (fire, flood/water damage, major earthquake), which may result in structural collapse of buildings, etc  In some regions inventory is held in a single location, heightening the potential disruption of an event  <i>Potential financial impact</i> <ul style="list-style-type: none"> <li>Reduced revenue from decreased production capacity or lost stock</li> <li>Increased capital costs (e.g., damage to facilities)</li> </ul>	<ul style="list-style-type: none"> <li><b>Globally Diverse operations</b> - wide geographic spread provides a hedge against unexpected disruption in one territory. Dual warehouses in bigger markets</li> <li><b>Supply planning</b> - we hold inventory in country and our retail partners hold stock, providing some buffer against disruption to supply</li> <li><b>Business interruption insurance</b></li> <li><b>Physical Diligence</b> - sprinkler and fire extinguishers / blankets at our sites are regularly inspected and maintained. Supplier sites are reviewed as part of supplier audit program</li> </ul>	Low obsolescence risk associated with Breville products due to long life cycle allows extra inventory to be held as a cost-effective buffer against this risk of disruption due to an acute climate event  <i>Potential financial impact</i> <ul style="list-style-type: none"> <li>Increased market valuation through demonstrated supply chain resilience</li> </ul>

#### **TCFD Goal: Disclose the organisation's governance around climate-related risks and opportunities.**

The Board's Audit & Risk Committee formally oversees all risks and opportunities facing the Group, and climate change was explicitly added to Breville's material risks register in FY20 and has been developed every year since.

Given the importance of the sustainability agenda the Board established a Board Sustainability Committee in FY21 directly responsible for leading and co-ordinating current and emerging ESG risks and opportunities. The committee is chaired by Peter Cowan, independent non-executive Director and ex-country Chairman of FMCG multinational, Unilever – a leader in sustainable business practices. Kate Wright, Sally Herman, and Dean Howell are the other members of the committee.

## Directors' report continued

### Operating and financial review continued

### ESG report continued

#### 1.1 Climate risks and opportunities (TCFD) cont'd

The Board Sustainability Committee is responsible for overseeing and monitoring the appropriateness and effectiveness of the company's sustainability initiatives. Within the group these are co-ordinated by the Sustainability Committee, the Diversity, and Inclusion Committee and the Reconciliation Action Plan (RAP) Committee. Leadership of key initiatives with the agenda are taken by individual functions including quality, operations, design, engineering, tech services, HR, finance, corporate secretarial, legal and WHS.

The Group CFO and General Legal counsel are standing invitees to the Board Sustainability Committee and all Directors have an open invitation to attend.

**TCFD Goal: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.**

Breville is committed to accurately and comprehensively measuring and reducing its carbon footprint across scope 1, 2 and 3 emissions including in-use energy consumption.

Reduction in the total metric tonnes of carbon emitted with a net zero target for scope 1 and scope 2 by 2025 and an ongoing reduction in scope 3 will be our primary measure of progress.

Scope 3 measurement and targeting is complex, but undoubtedly it is where the biggest impact can be made. The majority of scope 3 emissions arise from consumer usage of the appliances as well as materials used in construction, both of which needs to be modelled on a product-by-product basis using LCA. This process is progressing well but is not complete for all products. Once we are confident on the comprehensive and robust measurement of scope 3 emissions, we will be able to publish actuals alongside time bound reduction targets. Notwithstanding this we are progressing key emission reduction programs and are measuring their progress across our range as we are confident that they will drive down our overall emissions (e.g., the use of ThermoJet energy efficient espresso heaters).

#### Breville Lead and Lag Emissions Metrics and Targets

Key Areas	Metric	Target
Scope 1 & Scope 2 emissions	MT CO <sub>2</sub> eq	Net Zero by 2025
Scope 3 emissions	MT CO <sub>2</sub> eq	Drive key reduction initiatives and progress comprehensive measurement.
Energy Efficiency	% of espresso machines using ThermoJet or equivalent technology	75% of machines sold in the year by 2028
Waste Generation	KG waste produced and % recycled	Over 60% to be recycled by 2026
Packaging	% Recyclable	100% by 2025

#### 1.2 Carbon Emissions – Measurement and target reductions

Breville is committed to markedly reducing its total carbon footprint wherever it occurs in the business or across the product lifecycle. This starts with comprehensive measurement of our cradle-to-grave footprint, namely scope 1, scope 2 and scope 3 emissions including in-use emissions.

We have implemented and are populating Sphera® carbon footprint software to measure and track enterprise-wide emissions allowing credible and trackable targets to be set. The package also supports the modelling of MT CO<sub>2</sub> eq reductions from proposed initiatives to allow impact-based prioritisation to occur.

##### Scope 1 and 2 emissions

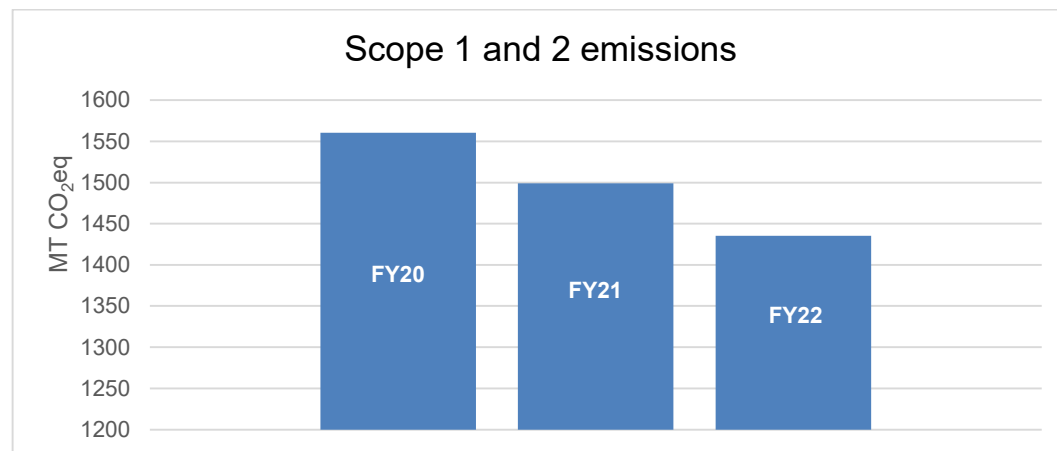
Scope 1 and 2 emissions for all Breville sites including electricity, gas and water usage, fleet cars etc is now captured at a granular level aggregated and reported. Three years of history are shown on page 20 allowing a credible baseline for targeting to be laid down. Based on current emissions, and actions in play, we are now committing to reach **Net Zero Emissions** for Scope 1 and 2 in our sites and operations by 2025. Although scope 1 and 2 emissions make up a small amount of our total impact, it is important that we commit to rapidly driving these emissions to net zero.

## Directors' report continued

### Operating and financial review continued

### ESG report continued

#### 1.2 Carbon Emissions – Measurement and target reductions cont'd



Key initiatives to drive emission reductions include;

- Electrification and use of renewable electricity including use of solar in key locations
- Energy efficiency initiatives including optimised light sensors
- Defining an offset strategy for unavoidable emissions

#### Scope 3 emissions

The majority of our emissions footprint is produced from activities not owned, or directly controlled by Breville, such as third-party manufacturing, third-party logistics as well as the electricity consumed by our products in consumers' hands ("in-use" emissions) and the impact of materials used in constructing our appliances.

These scope 3 emissions are also being captured and measured in our carbon footprint software by;

- Aggregating emissions data from manufacturing and logistics partners
- Capturing transportation volumes and resultant emissions impact
- Using LCA of key products to model energy in-use emissions by unit by year
- Using LCA and bill of materials (BOM) to model the impact of materials used in our appliances and the end-of-life impact by unit

This modelling will use an average expected impact per product. For example, the actual in "use-phase" emissions of a product will vary with both the frequency of use and the electricity source in the country where the product is operated. Here we model an average expected life span, frequency of usage and average electricity source then apply this to the number of units sold to calculate the scope 3 impact of in use power.

To ensure as much objectivity, and accuracy, as possible in this estimation process Breville engaged the Sustainable Manufacturing and Life Cycle Engineering Research Group at UNSW to conduct a LCA on one of our best-selling coffee machines, the Breville Barista Touch (BES880). This involved a detailed assessment of the emissions profile of the materials used in its production, the manufacturing process, transport, household usage and end-of-life disposal. UNSW conducted a cradle-to-grave assessment (not just cradle-to-gate), to provide us with a comprehensive emissions profile over the full life of the product.

The findings of this study are now being flexed, for the different technical specifications and BOMs of our other key products and will be loaded into our carbon footprint software to allow us to quantify our current carbon footprint per product sold and to measure the forecast change in our carbon footprint as mix and volumes change and as we implement new materials or energy efficient components.

## Directors' report continued

### Operating and financial review continued

#### ESG report continued

##### 1.2 Carbon Emissions – Measurement and target reductions cont'd

This process is involved and complex and once we are confident that it is both comprehensive and robust, we will publish actuals alongside annual reduction targets.

##### Key Scope 3 Emissions Reduction Opportunities

The UNSW LCA identified that the majority of our scope 3 emissions impact arises firstly, from the materials used in production and secondly, through “use-phase” power usage as highlighted in the graphic below.

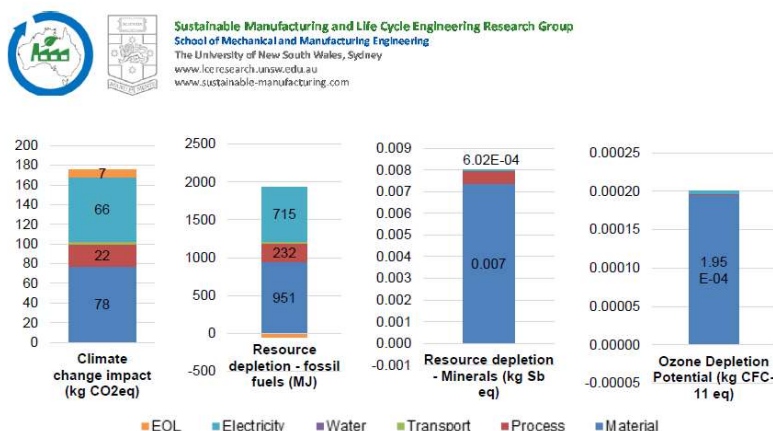


Figure 11 Environmental impact of the use stage for the baseline scenario.

The LCA assessment showed that, based on typical usage scenarios;

- the product's materials contribute 45 percent of its climate change impact (of which 6% is packaging),
- energy in usage by the consumer “use-phase” emissions contributes 38 percent,
- the production process contributes 13 percent,
- the product's end-of-life disposal contributes 4 percent; and,
- transport from factory to market contributes less than 1% of the climate impact.

Informed by the results of the LCA, and in advance of comprehensive Scope 3 measurement, we have focussed on reducing emissions by;

1. Improving energy efficiency of our products
2. Applying sustainable design principles to our NPD process
3. Accelerating sustainable packaging adoption

##### 1.3 Energy Efficiency

Enhancing energy efficiency in the “use-phase” is a key ESG opportunity.

We assess our current energy efficiency performance through the use of **Swiss Energy Ratings** label across our key appliances to monitor the relative energy efficiency of our range. Breville also voluntarily tests its products against the European Union's Ecodesign Directive (Directive 2009/125/EC), which sets ecological requirements for energy use. We use this testing regime globally as a substitute for the ‘star rating’ for energy efficiency which is only available for large appliances e.g., fridges and washing machines. All Breville products are also designed to comply with the Energy using Products (EuP) requirements set by the European Union. This means that products without a screen must use half a watt or less in stand-by mode. Products with a screen must use one watt or less in stand-by mode and switch off before a maximum of 30 minutes.



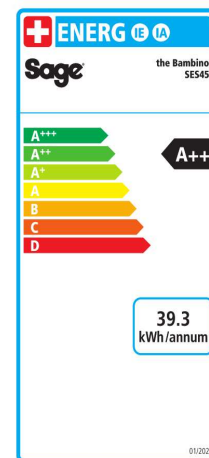
## Directors' report continued

### Operating and financial review continued

### ESG report continued

#### 1.3 Energy Efficiency cont'd

#### *ThermoJet – a significant innovative impact on reducing CO<sub>2</sub> emissions*



In terms of key energy saving initiatives, Breville is proud to have jointly pioneered the ThermoJet heating system in its espresso machines addressing the major energy usage in a typical espresso machine – delivery of hot water and steam. Traditional espresso machines are one of the highest energy consuming products in the small kitchen appliances world due to the need to heat up and keep a body of water at temperature, traditionally done using metal boilers. The alternative to boilers, thermocoils, still require the heating of blocks of aluminium to transfer energy, a process that consumes significant amounts of energy.

It was with this in mind that Breville helped pioneer a printed thick film heater for coffee makers (ThermoJets) that heats up instantly and delivers precise temperature control using a fraction of the energy of traditional methods. We believe that this is one of the more significant climate-friendly innovations in small kitchen appliances in the last decade and it forms a key part of our path to reduce our in-use energy consumption. The technology scores an A++ rating in Swiss Energy Ratings for energy savings compared to a B or C rating for thermocoils and a D rating for boilers.

#### Key Facts

Breville espresso machines fitted with a ThermoJet heater;

- Use approximately 2.5 times less total energy during normal use than a thermocoil machine and 6.6 times less energy than a typical machine using a boiler\*.
- Save between 50-to-200-Kilowatt hour annually (KWA) per coffee machine vs. a thermocoil or traditional boiler machine respectively\*.

Breville has embraced this energy efficient technology;

- More than doubling sales of machines using a ThermoJet from FY20 to FY22.
- Increasing the percentage of Breville coffee machines using a ThermoJet to 52% in FY22 from 43% in FY20.
- Saving approximately 618 million kilowatt hours (KWH) of lifetime electricity used against an equivalent range of thermocoil machines or 2.46 billion kilowatt hours (KWH) against a range of traditional boiler machines. Both estimates are based on typical annual consumer usage, a 7-year lifecycle and the total Breville units sold in FY20-22\*.
- The carbon footprint of electricity generation varies greatly from country to country but assuming that 0.386 kgs of Co2 was generated per KWH (sourced from US Energy Information Administration) Breville's transition to ThermoJets over FY20-22 is calculated to have saved between 238,000 and 950,000 metric tonnes of Co2 over the lifetime of the machines sold.
- A significant and innovative contribution to our energy efficiency and emissions reduction journey.
- Looking forward Breville has multiple new coffee machine products under development, and we target to have at least 75% of our coffee machines sold in the year using ThermoJet or equivalent technology by 2028.

\*as estimated by the Swiss Energy certification labs, an independent body set up to test and report on appliance energy consumption.

## Directors' report continued

### Operating and financial review continued

### ESG report continued

#### 1.4 Sustainable design, repairability and end of life



Our LCA also highlights an emissions opportunity from reducing key material usage, notably plastics and metals, in the design and construction of our products. Our design and engineering teams are working to optimise the strength and weight of materials used in our key machines as a way to reduce material consumption whilst maintaining desired quality, using Finite Element Analysis (FEA), Computational Fluid Dynamics (CFD), Design for Manufacturing studies (DFM), as well as Failure Mode and Affect Analysis tools (FMEA).

Material usage can also be reduced by extending the lifecycle of our products. Breville already sells key spare parts, filters, and cleaners for our most popular appliances to help extend their lifecycle. Baratza goes further, with its grinders, explicitly designed to be user repairable. The 'don't dump it, fix it' program has a wide range of spare parts available for purchase and instructional videos on YouTube to support repair at home and even rebuilds. This approach is mirrored in the newly acquired LELIT business with repairability a key part of the brand identity and driver of consumer choice. In core Breville ranges a 'serviceability index,' has been introduced, to track and encourage repairability as a design criterion in new products.

#### 1.5 Sustainable packaging

Packaging materials constitute an estimated 6 percent of our materials climate change impact. It is an important area to our employees, our consumers and other stakeholders and an area in which we are making good progress. We are a decade-long member of the Australian Packaging Covenant Organisation (APCO) and as such have entered into a voluntary agreement to reduce the impact of packaging on the environment. In FY22 our comprehensive packaging audit was extended to include all new products to support the rapid roll out of key developments in recyclable packaging across all existing as well as new products as soon as they are available.

Key sustainable packaging commitments include:

- All packaging to be reusable, recyclable or compostable by 2025 (aligned to APCO target);
- Removal of expanded polystyrene (EPS) from consumer packaging by July 2025 (a target set by the National Plastics Plan);
- Removal of non-essential packaging (on going target) for example the combination of shipper and inner display box.

Baratza has led the way with the release of a 'one box' design or "beautiful brown box" combining retail and shipping boxes in the launch of the Vario+ and Vario W+ all while making sure the grinder arrives safe and undamaged.





# Directors' report continued

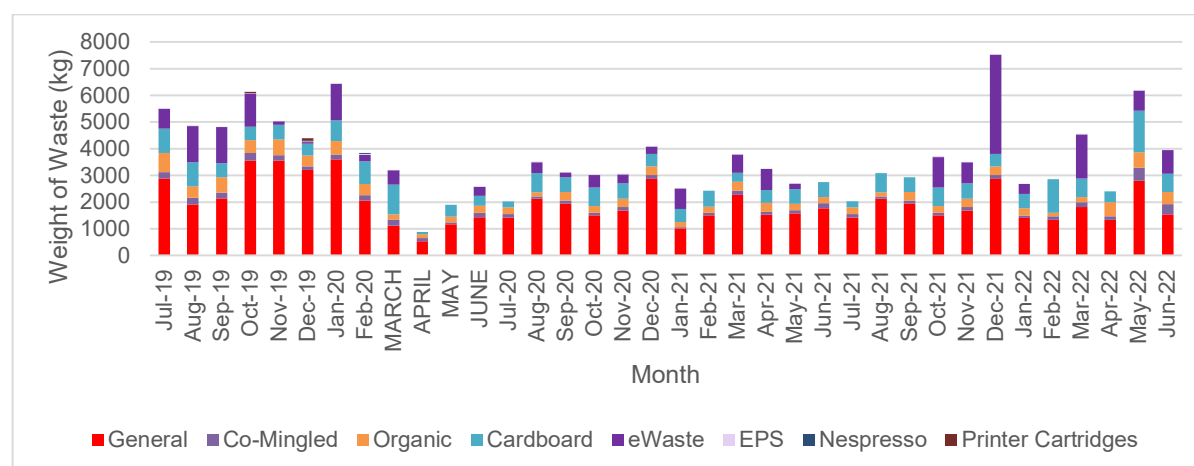
## Operating and financial review continued

### ESG report continued

#### 1.6 Waste diversion

All recyclable waste streams generated at our Sydney headquarters and global R&D centre (except general waste) are diverted from landfill. This means that our co-mingled recycling, organic, paper and cardboard, e-waste, and expanded polystyrene (EPS) waste is being disposed of in a sustainable way. Soft plastics remains an area of challenge and one where we continue to look for a recycling partner.

During FY22, Breville produced a total of 45.5 tonnes of waste, 23.7 tonnes of which was recycled (a waste diversion rate of 52.1 percent). As we slowly transition back into the office, we expected the amount of waste to increase from FY21, where a total of 28.1 tonnes of waste was produced and 13.4 tonnes recycled (a diversion rate of 47.8 percent). We are however pleased to report that our diversion rate has increased from 47.8% in FY21 to 52.1% in FY22.



Total waste produced at Alexandria, Sydney head office, engineering, and design centre.

## Social

### 2. Product quality and safety including product recall

Breville's reputation with consumers for innovative, durable, high quality and safe products underpins our sustainable growth. To protect this hard-earned asset Breville adheres to rigorous quality standards during design and production and has clear and consumer focussed protocols for Product recalls.

Breville has a comprehensive quality regime to ensure that its products are safe and compliant with all labelling requirements. In addition to fulfilling all compliance and regulatory standards on product safety in our various markets, we implement additional safety requirements that exceed our legislative obligations. This means our products are safer than the average small domestic kitchen appliance.

Rigorous safety standards are a critical marker of our approach to product development. For example, in approving all new products we use the European Union's Rapid Exchange of Information System (RAPEX) analysis to estimate 'severity of harm' and the related 'probability of occurrence of harm' for any particular failure point of a product. This allows us to better understand the impact of potential product failures on our customer base and how to rectify/design these out of the product before they occur.

The Group also maintains a rigorous Quality Assurance and Control program for our products. This includes Pre-Shipment Inspection (PSI) of products before they leave the factory, as well as System and Process audits. A zero-tolerance approach to quality and safety within the Quality Assurance and Control programs gives us a high degree of confidence that the products shipped and sold to customers are free from safety-related defects. Our quality team is in our partner factories on a daily basis qualifying manufacturing processes and products before shipment. During FY22 we completed 38 manufacturing process audits at our partner factories.

Our General Manager Quality also monitors all returns and warranty claims, as well as any specific customer complaints, to identify and rectify any quality issues and identify any trends in quality. These are reported to the CEO and CFO on a monthly basis or immediately in the case of a serious issue.

## Directors' report continued

### Operating and financial review continued

### ESG report continued

#### 2. Product quality and safety including product recall cont'd

Customer safety is a non-negotiable core responsibility of the Group

For any alleged or actual injury to a consumer sustained through the use of one of our products, we follow the ACCC guidelines for mandatory reporting, as well as equivalent bodies in our other markets. If our customer care team receives a claim that a product has caused an injury requiring third party medical treatment, we lodge it with the ACCC within two days of notification. If later investigations show that treatment did *not* result from product failure, we contact the ACCC, and the report is rescinded.

Product failures caused by the manufacturing process or components are treated on a case-by-case basis. If a pattern is identified, we contact the regulator that issued the approval certificate or the ACCC to discuss further.

##### Product recall

If potential for harm, arising from a Breville product, is identified, then a recall protocol is triggered and recall procedures appropriate in each territory are started. These are accompanied by a vigorous all channel consumer communications approach.

As a result of our quality and safety standards and reassurance regime Breville has not had to trigger a recall a product for over 5 years. The last product recall was on 7 November 2016.

All historic product recalls remain online on key websites and can be viewed at:

- <https://kambrook.com.au/pages/recall>
- <https://www.breville.com/au/en/support/Recall.html>
- <https://www.productsafety.gov.au/recalls>

#### 3. Ethical sourcing – Human rights and modern slavery

##### Ethical procurement

The Group conducts its business in a socially responsible manner. This includes upholding consistently high ethical standards in our procurement decisions and processes. The consumer facing nature of Breville, and the importance of this issue to our stakeholders including in maintaining our reputation, and therefore sustainable sales, ensures that this is a high focus issue within our operations. Our Ethical Sourcing Policy sets out our requirements for our manufacturing partners and sub-contractors including compliance with the protection of human rights, all local and international labour and employment laws, and generally ensuring a safe and fair work environment.

All of our suppliers sign and are held accountable to adherence with our Ethical Sourcing Policy. Ensuring compliance with the policy, and the highest ethical standards, is the responsibility of our Chief Operating Officer, who also owns the overall commercial relationship with suppliers, supported by our General Manager Quality who has frequent touch points and interaction with the suppliers via their QA team and procedures.

The Group's products are largely manufactured in the Shenzhen area of southern China, with long term manufacturing partners, many of whom we have partnered with for well over 20 years. Our long-term relationships with our partners are collaborative in terms of bringing innovation projects to commercialisation which fosters a close understanding of each other's businesses. We represent a significant part of our manufacturing partners' business, giving us influence over expected standards.

The nature of our manufacturing, requiring high end, well trained and skilled assembly, rather than low skilled transitory labour, reduces the likelihood of any serious non-adherence including no tolerance violations such as forced or child labour issues. There is however no complacency on this risk. Our frequent onsite visits give us visible reassurance that standards are being adhered to in practice which we then systematically confirm by independent audits.

We regularly visit our partners' plants and get visible reassurance of how the plants are run. Our engineering teams make frequent visits to the plants during the commercialisation phase on innovation projects. Our Chief Operating Officer and teams normally make plant visits 3-4 times per annum to review operational plans and, critically, our quality assurance teams make plant visits on a weekly basis to quality assess and release production batches. During the COVID lockdowns in China it has been more difficult for our COO and engineering teams to visit plants, but our weekly QA visits have continued uninterrupted.

## Directors' report continued

### Operating and financial review continued

### ESG report continued

#### Ethical procurement cont'd

To support our regular internal observations Breville commissions Sedex Member Ethical Trade Audits (SMETA) conducted by Affiliate Audit Companies (AAC) which comprehensively cover four pillars: labour standards, health and safety, the environment and business ethics. In 2018, we set a target to increase the number of audits performed annually from 5 to 10. In FY21, we audited 12 suppliers, in FY22 we increased this to 20 audits covering over 67% of our annual purchases. Sedex membership also gives us access to any audit performed by the organisation, whether we commissioned it or not. Out of our 95 current suppliers, 70 representing 95 percent of our supplier spend are connected to the Sedex platform and have performed a self-assessment during the last year which we can access.

Detailed audit reports and findings are received and reviewed by our General Manager Quality and COO. The severity of any non-compliance, and hence rating of the vendor is completed, and any that do not meet our internal 'baseline' standard are placed into a 'below standard' category and actively monitored until the non-compliance is addressed. A single zero-tolerance matter such as modern slavery would result in us severing the relationship immediately.

In FY22 although there were specific areas for improvement no supplier rated 'below standard' and there were no zero tolerance violations.

#### Human rights & modern slavery

Breville respects and upholds the Universal Declaration of Human Rights through its sound business activities. Our suppliers, bound by our Ethical Sourcing Policy, are required to do likewise in order to partner with us. This includes upholding the following human rights in their operations:

- freedom from discrimination
- freedom from slavery or servitude
- freedom of movement
- freedom of expression
- freedom of thought

The Group's Code of Conduct (for employees) is animated by the same principles. In addition, Breville is bound by the requirements of the Australian Modern Slavery Act 2018 (Cth), the United Kingdom's Modern Slavery Act (2015) and the California Transparency in Supply Chain Act 2010. Our [Modern Slavery Act Statement](#), is published on our website and the [government platform](#). The actions we are taking to identify and address modern slavery and human trafficking risks in our operations and supply chains described above in the way we enforce our Ethical sourcing policy.

## 4. Community relations

### 4.1 Community engagement

Breville recognises that the health and wellbeing of the communities we serve is directly correlated to our ongoing viability and success as a business. In FY22, we partnered with various not-for-profit organisations on a range of initiatives designed to make our communities fairer, kinder, and stronger. Projects included:

- STEPTember Program – a month long global program which encouraged employees to exercise each day, with proceeds going to the Cerebral Palsy Alliance (Breville matched donations made by employees).
- Heritage Awareness Months (US & Canada) – information shared with employees each month to celebrate and acknowledge the contribution of various ethnic and traditionally marginalised groups in US and Canadian history.
- International Women's Day – an online global event was held across all time zones to recognise and celebrate the achievements of women and to discuss what more can be done to promote gender equality.
- National Aboriginal and Islander Day Observance Committee (NAIDOC) - to mark NAIDOC Week, Breville partnered with the National Indigenous Culinary Institute in running a home cooking experience for staff.
- RAP (Reconciliation Action Plan) Activities – a large mural in the Breville HO Courtyard was painted by indigenous Australian artists in support of our ongoing RAP commitment
- Clean Up Australia Day – in conjunction with people across Australia, Breville employees volunteered their time to cleaning up the Corporate Park within which Breville is located.

Breville's engagement with its community explicitly excludes affiliation to any political cause and Breville does not make any political donations.

## Directors' report continued

### Operating and financial review continued

### ESG report continued

#### 4.2 Reconciliation action plan (RAP) and Aboriginal culinary journey (ACJ)



In FY22 particular focus was placed on reconciliation and engagement with the Aboriginal and Torres Strait Islander communities within Australia via our first RAP and the launch of the ACJ.

Breville's first 'Reflect' Reconciliation Action Plan received official endorsement from Reconciliation Australia in March 2022 and now guides our reconciliation initiatives. Our progress is guided by an Advisory Council of elders and community stakeholders that provides the Breville RAP Working Group with advice and information on equity issues facing Aboriginal and Torres Strait Islander communities.

More information on these initiatives, and our Reconciliation Action Plan, can be found on the Breville Group Corporate website.

#### An Aboriginal Culinary Journey collection (ACJ)

On the 26 May 2022 we launched a world first partnership between First Nations People and the National Museum of Australia to create products for the heart of the home that celebrate contemporary design and reflect 65,000 years of ongoing Australian Indigenous culture. A decade in the making, *an Aboriginal Culinary Journey* combines ancient stories with the best of contemporary design, with Breville's profits from the sale of the range donated to three key charity partners to create opportunities for Indigenous Australians.

#### Donation of 100% of Profits to support Indigenous Australians

We expect to raise just over A\$1,000,000 through the sale of the products globally. Half of the funds will be used to support the National Indigenous Culinary Institute's work to create employment opportunities for aspiring Aboriginal and Torres Strait Islander chefs and the 'Indi-Kidi Program' by the Moriarty Foundation to support better childhood nutrition and sharing Indigenous Food Culture. The other half will be used for scholarships at the University of Technology Sydney to create pathways for employment in engineering, technology and design. The profits earned will be donated in quarterly increments commencing September 2022 and Breville will absorb all other overhead costs associated with advertising, marketing, and administration relating to the sale of the products. For further information on our how profits are calculated or to learn more about our charity partners please visit our website.

#### Visual Storytelling

Breathing art, ritual and stories into our homes and everyday lives, the inaugural limited series of six Breville products feature works by esteemed Western Desert artists, and members of the original Pintupi Nine, Yalti Napangati, Yukultji Napangati, Warlimpirnga Tjapaltjarri and Sydney-based artist and Yuwaalaraay woman, Lucy Simpson.

## Directors' report continued

### Operating and financial review continued

### ESG report continued

#### Visual Storytelling cont'd

The curator of the series is Alison Page, a Wadi Wadi and Walbanga woman of the Yuin nation. Page is currently Adjunct Associate Professor in Design at the University of Technology Sydney, founder of the National Aboriginal Design Agency and member of several cultural Boards including the National Australia Day Council, The Art Gallery of South Australia and the National Australian Maritime Museum. In 2006, Page approached Richard Hoare, Breville's Design and Innovation Director, to begin a conversation about bringing Indigenous art to life on products that then speak to people in their homes through the narrative power of visual storytelling, Indigenous beliefs and practices through art on kitchen objects.

#### Creating a Blueprint

To ensure the project had the highest cultural and legal integrity, Breville partnered with Dr Terri Janke, a Wuthathi/Meriam woman and an international authority on Indigenous Cultural and Intellectual Property, known for innovating pathways between the non-Indigenous business sector and Indigenous people in business.

The legal framework produced by Dr Janke benefited the artists because it controlled the use of their artwork, knowledge, and stories, whilst protecting their commercial rights. Each artist owns the copyright for their work, exclusively licenced to Breville, and receives a guaranteed royalty for each product produced with license payments made quarterly. Widely heralded as a triumph by media outlets including the *Australian Financial Review*, cultural institutions, and community elders alike, the high-profile collection is now considered a precedent for large companies who want to engage Indigenous culture in their work and as a blueprint to the expectations and standards around commercial collaborations between non-Indigenous businesses and Indigenous artists, designers, and consultants.

#### Collection Launch

The collection, which is limited to 10,000 pieces globally, first released in Australia and was warmly embraced by Australian consumers who connected with the principals of the project and its charitable component. In the first six weeks over 500 units had already been sold and a waiting list was created to meet the demand of a number of pieces in the range.

The *National Museum of Australia* featured the limited series in an exhibition, *an Aboriginal Culinary Journey: Designed for Living*, focusing on the continuity of cultural mark-making associated with Indigenous food culture by pairing First Nations traditional tools for living alongside the six modern kitchen objects also richly marked with signs of Country and culture.



*"An object lesson in innovative design and cross-cultural collaboration with First Nations decision making at its heart" AFR May 25th, 2022.*

## Directors' report continued

### Operating and financial review continued

### ESG report continued

#### Global Tour

Following the successful Australian launch, we will embark on a global tour with the *National Museum of Australia* in partnership with the *Department of Foreign Affairs and Trade* to showcase the collection in cultural institutions around the world including the British Museum and the Humboldt Museum in Berlin as well as Australian High Commissions and Consulates in London, Paris, Berlin, New York, and Washington.

#### 65,000 Years of Design

As an Australian company, we are proud to share these stories belonging to the world's oldest living culture and weave them together with our own 90 years of innovation. More than just a collection of products; an Aboriginal Culinary Journey is an invitation to immerse yourself in a deep and vibrant culture, and we're honoured to provide a platform to bring these art objects into the homes of our consumers around the world.

## 5. Employee wellbeing

Working to ensuring that our workplace is a safe, inclusive, and encouraging environment for all employees is core to our growth and sustainability as an organisation.

### 5.1 Diversity and inclusion (D&I)

Breville's approach to D&I is informed by its Diversity & Inclusion Charter published on our [corporate website](#). The Charter was drafted under the guidance of our Diversity & Inclusion Committee, incorporating over 60 employees as active members, which showcases diversity in all of its forms. This includes, but is not limited to, diversity of gender, age, origin, race, cultural heritage, language, sexual orientation, and location.

We recognise the moral imperative of supporting a diverse and inclusive workforce, and promote diversity of attributes including:

- religion, creed, race, ethnicity, national origin, ancestry, cultural background, language, and citizenship status
- gender and sexuality
- marital status
- age
- psychological and physical capability or disability
- education and experience level
- socio-economic status
- family situation and background
- military or veteran status
- political belief and worldview

We maintain that diversity includes differences in perspectives, thoughts, interests, and ideas; and that inclusion means ensuring that all employees are valued, heard, recognised, engaged, and involved at work, and have opportunities to collaborate, contribute, and grow professionally in line with our business needs. Diversity and inclusion are the result of respect, valuing others and caring about the lives we touch through the people we employ, the customers who enjoy our products, and the societies in which we operate.

We are confident that superior business performance results from a business culture that is open-minded, accepting, and conscientious about protecting and promoting these interests. For example, diversity and inclusion can lead to better outcomes for customers, wherein we are able to deliver improved value to the populations we serve; greater innovation and valuation resulting from eclectic ideation; and a more attractive, enriching, and supportive environment for employees.

Our Diversity & Inclusion program provides continual recognition and activities in order to promote our ideals. Recent initiatives have included.



## Directors' report continued

### Operating and financial review continued

### ESG report continued

#### 5.1 Diversity and inclusion (D&I) cont'd

- Unconscious Bias training
- Establishment of specific employee-led interest groups (e.g., *RainbowBlend a community group for LGBTQI+ people and their allies to explore how our workplaces can be more welcoming and inclusive*)
- team-building athletic and social activities enabling employees to interface with each other across the globe and disparate time zones (e.g., *STEPtember & 15-minute exercise challenge*)
- featured speakers, and events and communications oriented toward recognition and learning opportunities with respect to significant cultural milestones (e.g., *International Women's day, NAIDOC week and Pride week*)

Breville complies with the (Australian) Workplace Gender Equality Act, which requires the submission of an annual report on gender diversity practices and metrics. At the end of the year, our Board was 25 percent female and the percentage of women across the organisation was 45 percent. The percentage of women in managerial roles was 36 percent, with senior and executive roles at 34 percent.

While we do not maintain specific quotas for individual facets of diversity, we continue to apply principles of equity and social justice to achieve equal employment opportunities for talented individuals of all backgrounds and cultures. We celebrate achievements and we endeavour to enable continued improvement.

Our approach to Board diversity is detailed in Section 6.1 below.

#### 5.2 Health & safety

Ensuring a healthy and safe workplace is foundational to our ongoing success as a growing business, and we strive for continuous improvement and consistency in our wellbeing and safety practices.

A Group Health, Safety and Environment (HSE) Manager oversees our global HSE systems, procedures, and compliance. In addition, a Workplace Health & Safety Committee (WHSC) routinely reviews the Group's health and safety standards, rules, and procedures, providing updates as needed. The Board receives monthly updates on key incidents and safety initiatives as well as safety KPIs.

To protect our people, the majority of Breville's global offices closed at various times in FY22 in response to COVID-19 outbreaks. In recognition of the strain that lockdowns placed on our employees' mental and physical wellbeing, we introduced a range of activities to ensure the team could remain engaged with the business and their colleagues. Most of these activities were undertaken globally. They included:

- *Fitness – 15-minute challenge and STEPtember.*
- *Online classes* – over 20 sessions of yoga, meditation and mindfulness were scheduled throughout the work week.
- *Mental Health sessions* – covered key topics like resilience, managing remote working and men's and women's health issues. Separate discussions coincided with RUOK Day in Australia. Training of mental health first aiders.
- *Employee Counselling Support* – offered via Benestar, our global employee assistance provider. This support was extended to cover all Breville markets in FY21.
- *Social activities* – online drinks and live music sessions, trivia competitions and online cooking, cocktail, healthy eating, and herb gardening classes for employees.

In terms of supporting an employee focussed management of work life balance Breville offers:

- *Flexible Work Policy* – allowing employees a greater choice around work locations and hours including numerous part time roles
- *Technology* – which is leveraged to support a choice of work locations and to protect personal time with meeting recordings and do not disturb periods
- *Paid Parental Leave* – Breville introduced 12 week paid parental leave in countries where this is not provided by the state.

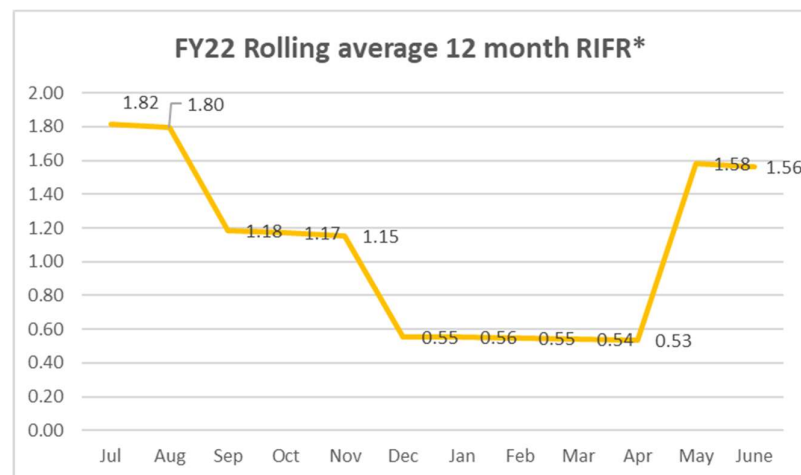
## Directors' report continued

### Operating and financial review continued

### ESG report continued

#### 5.2 Health & safety cont'd

In FY22, Breville employees worked a total of 1,922,322 hours and there were three recordable injuries in that time, all of which occurred in Australia. One was a cut finger occurring in our model shop, another a sprained ankle, another a strained back. The cut finger resulted in refreshed safety training and a modification of procedures in the model shop. None of the incidents were lost time accidents so our FY22 LTIFR is zero. Safety performance in terms of LTIR and RIFR are reported and reviewed with the Board on a monthly basis.



\* Reportable Injuries per million hours worked

## 6. Corporate Governance

Breville is committed to the highest standards of Corporate Governance and delivers this through culture, demonstrated behaviours and policy.

### 6.1 Board independence & diversity

Breville maintains a majority independent Board and is steadily evolving its Board composition to benefit from diversity in all its forms including gender, skill set, experience, ethnicity, and geographic location.

As previously announced the Group was committed to adding another independent Director in FY22. Given that 80% of the Group's revenue in FY22 was outside of Australia, with 52% in North America, priority was given to adding a highly credentialed, non-Australian based, Director.

In August 2021, the CEO Jim Clayton joined the Board as Managing Director. In June 2022 Mr Tim Baxter joined the Board bringing specific experience of leading a consumer products business on a global scale and geographic and nationality diversity to the Board. Mr Baxter is the first non-Australian based Director the group has appointed. Along with Mr Clayton, Mr Baxter's appointment increases the number of North Americans on the Board to two, or 25%.

For the majority of FY22, 29% of the Board were women (Sally Herman and Kate Wright). This percentage reduced to 25% when Tim Baxter joined the Board in June 2022.

Breville will continue to look for opportunities to promote an effective, diverse and inclusive Board and senior leadership team, including with respect to gender, background, ethnicity, professional experience, and geographic location. A further independent Director may be appointed in FY23 to further increase the Board skill set and enhance Diversity.

For an outline of the relevant skills, experience and expertise held by each Director in office at the time of writing, please refer to pages 6 and 7 of the Directors report.

Our Chairperson Tim Antonie is non-independent due to his affiliation with a major shareholder. Lawrence Myers was appointed Deputy Chairperson in August 2021; he is the lead independent Director and chairs the Audit & Risk Committee. The Remuneration and Nominations committee and the Audit and Risk committee Members are 100% independent non executive Directors.



## Directors' report continued

### Operating and financial review continued

#### ESG report continued

##### 6.1 Board independence & diversity cont'd

Dean Howell is considered an independent Director by the Group, despite his fourteen-year Board tenure. In Breville's view, Mr Howell's tenure is mitigated by the fact that the current management team has been in place for approximately seven years, which is seven years after Mr Howell took up his Board role, and Mr Howell's track-record of independent and impartial decision-making.

##### 6.2 Internal ESG reporting mechanisms

Given the importance of the sustainability agenda, the Board established a Board Sustainability committee in FY21 to enhance oversight and focus on sustainability strategies, policies and programs throughout the Group.

The committee is chaired by Peter Cowan, independent non-executive Director, and ex-country Chairman of FMCG multinational, Unilever – a leader in sustainable business practices. Sally Herman, Kate Wright, and Dean Howell also sit on the committee. The Group CFO and General Legal Counsel and all Board Members are standing invitees to committee meetings. The agenda and minutes of the sustainability are presented to and reviewed at subsequent Board meetings.

The Board Sustainability committee itself receives periodic updates from the company Sustainability Committee, the Diversity and Inclusion Committee, the Reconciliation Action Plan (RAP) Committee as well as from business functions including quality, design, engineering, HR, and WHS.

Companywide safety targets and performance are reported to, and reviewed by, the Board on a monthly basis.

The Board's Audit & Risk Committee formally oversees all risks and opportunities facing the Group, and climate change was explicitly added to Breville's material risks register in FY20 and has been developed every year since.

## 7. Corporate Behaviour

A key focus of the Breville Board is to instil and encourage a positive corporate culture across the Group that values honesty, openness, and integrity. This is reinforced through policies, a demonstrated risk appetite including zero tolerance issues and visible leadership on key issues.

### 7.1 Anti-bribery, corruption, and whistleblowing

Honesty, integrity, and trust are considered integral to the Group ethos, its products, and its brands. The standards of behaviour expected across the Group are laid out in the Corporate Conduct Policy.

Conduct associated with bribery and corruption is a 'zero tolerance' issue and unacceptable under all circumstances. The Group has an anti-bribery policy which, in conjunction with the code of conduct and whistleblowing policy, sets out the responsibilities of all the Group's employees (including contractors) and Directors regarding dealing with outside parties.

These policies prohibit all personnel, in all jurisdictions in which the company operates or conducts commercial activities, from engaging in any activity that constitutes bribery or corruption and other improper inducements and/or payments.

To ensure that these values and the policy are properly adhered to, the Group has appointed an Anti-Bribery Compliance Officer who is responsible for monitoring the application of this policy.

Our whistleblowing procedure and policy ensures the safety and appropriate protection from recrimination for any employee or contractor reporting a breach of the corporate conduct policies.

### 7.2 Cyber security & data privacy

The mass adoption and continuation of working from home has enhanced prospects for cyber criminals, who have enjoyed more potential vulnerabilities to exploit. With cyber-crime for profit at an all-time high, Breville has responded by ramping up investment in its cybersecurity capabilities and strengthening the team further to protect and support both staff, contractors and key assets of the organisation.

## Directors' report continued

### Operating and financial review continued

#### ESG report continued

##### 7.2 Cyber security & data privacy cont'd

The Technology Services team has strengthened our cyber security and privacy programs culminating in the formal adoption of a security & privacy framework in the second half of FY22 for the organisation to align to.

On the security front, a large number of operational activities were completed throughout FY22 including rounds of penetration testing, vulnerability assessments, PCI Audits, and external reviews of some of our key cloud operating environments to highlight any risks that required remediation to ensure the continued safe operation of these environments.

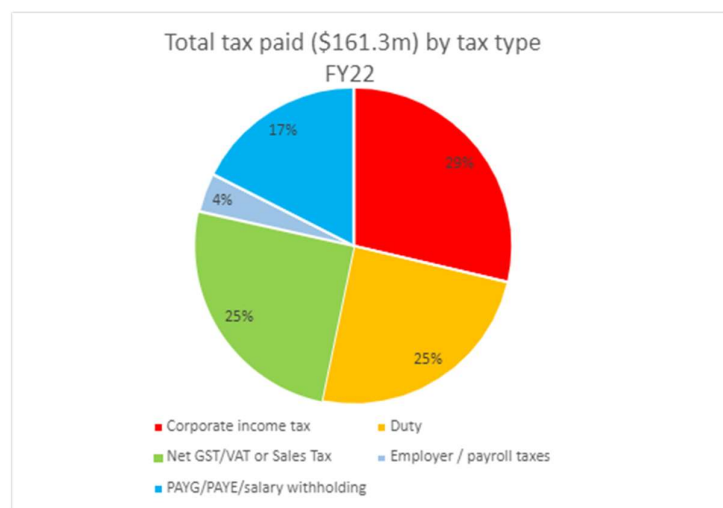
Additional to this all Breville staff have completed mandatory annual cybersecurity awareness training with specific security training for our software development teams globally. Multi-factor authentication was enabled for all staff globally providing better baseline security of their corporate identities along with enhanced visibility of activity to provide continuous protection against cyber-crime. The team continues to test overall security awareness via planned phishing campaigns which assist us to identify weaknesses / reinforce training and behaviours.

With respect to personal data, we completed the selection of a privacy and data mapping platform to facilitate an efficient capture and processing of data, and to reduce the compliance burden associated with meeting multiple privacy obligations around the world. The implementation of the core modules has been completed with additional capabilities to be added in the future.

Breville has cyber insurance in place.

##### 7.3 Tax transparency and governance

Breville takes a low risk, high compliance, high transparency approach to its global tax affairs, contributing significantly to the communities in which it operates. During FY22, Breville paid A\$161m in taxes globally comprising a significant amount of indirect taxation as well as corporate income tax.



The Board has oversight over the tax risk management framework and sets the Group's tax risk tolerance and level of justification required for tax positions. Tax risks are monitored by the Board, with assistance from the Audit & Risk Committee (A&RC). The global tax function oversees our tax approach across all territories ensuring a uniform approach and compliance with the framework in line with the Board's agreed tax risk appetite.

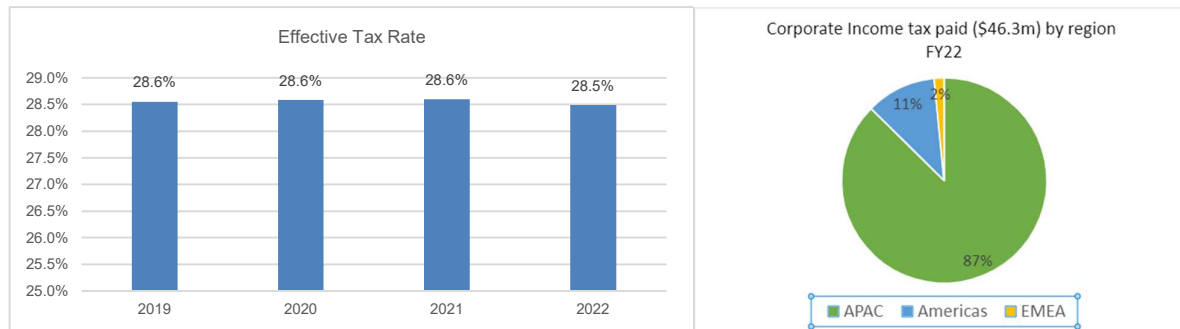
In 2020, the ATO finalised its Top 1000 Streamlined Assurance Review of the Breville Group Limited Australian tax consolidated group and Breville achieved a "High" overall level of assurance, reflecting our above stance.

## Directors' report continued

### Operating and financial review continued

### ESG report continued

#### 7.3 Tax transparency and governance cont'd



With IP largely generated and housed in Australia, and long-established variable license and service fee agreements in place between countries, the majority of the group's profits are repatriated and taxed in Australia, resulting in a group effective corporate tax rate of 28.5%, well above the global minimum tax rate of 15% under the OECD Pillar Two model rules.

#### 7.4 Policy availability

Breville's suite of policies on both governance and behaviours are reviewed, and refreshed, on a rolling annual basis.

The policies are publicly available in the corporate governance section of the company's website ([www.brevillegroup.com](http://www.brevillegroup.com))

- *Board Charter*
- *Audit & Risk Committee Charter*
- *People, Performance, Remuneration and Nominations Committee Charter*
- *Sustainability Committee charter*
- *Anti-Bribery & Corruption Policy*
- *Diversity & Inclusion charter*
- *Share Trading Policy*
- *Corporate Code of Conduct*
- *Continuous Disclosure Policy*
- *Selection and Appointment of Directors*
- *Criteria for Assessing Independence of Directors*
- *Shareholder Communications Policy*
- *Workplace Gender Equality Agency Report*
- *Ethical Sourcing Policy*
- *Modern Slavery Act Statement*
- *Sustainability Policy*
- *Whistle-blower Protection Policy*
- *Diversity and Inclusion Charter*
- *Reconciliation Action Plan*

## Directors' report continued

### Risk management

The company's risk management approach is discussed in the corporate governance statement on page 59.

### Dividends

The following dividends have been paid, declared, or recommended since the end of the preceding year.

	Cents per ordinary share	\$'000
Final FY22 dividend declared:	15.0	21,369
Dividends paid in the year:		
Interim FY22 dividend paid	15.0	20,903
Final FY21 dividend paid	13.5	18,814

### Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity that occurred during the year that have not otherwise been disclosed in this report or the consolidated financial statements.

### Annual general meeting (AGM) and Director nominations

The Group currently plans to hold its Annual General Meeting (AGM) in person on 10 November 2022.

In accordance with our constitution and ASX requirements, the closing date for the receipt of Director Nominations from persons wishing to be considered for election is 15 September 2022 (40 business days prior to AGM).

Should the nomination of a person for election be made by a Director the closing date for the receipt of nomination is 21 October 2022 (15 business days prior to AGM).

### Directors' interests

As at the date of this report, the interests of the Directors in the shares or other instruments of Breville Group Limited were:

	Ordinary shares
T. Antonie	43,791
L. Myers	133,000
J. Clayton	231,616
P. Cowan	10,968
S. Herman	42,484
D. Howell	140,000
K. Wright	21,859
T. Baxter	-

### Remuneration report (audited)

#### 1. Introduction and overview

The Directors are pleased to present the Group's remuneration report for the financial year ended 30 June 2022, which has been prepared in accordance with section 300A of the Corporations Act 2001 and has been audited by PricewaterhouseCoopers as required by section 308(3c) of the Corporations Act 2001.

Breville, led by Jim Clayton and his Executive team, has delivered sustained multi-year performance doubling the size of the business in the last 4 years and delivering outstanding shareholder value.

On a 4-year CAGR (compound average growth) basis revenues have grown by 21.4% pa, EBIT by 15.8% pa. Despite recent market declines, total shareholder returns over the last 4 years have exceeded 65.1%, and by share price appreciation of 54.8%.

# Directors' report continued

## Remuneration report (audited) continued

### 1. Introduction and overview continued

In FY22 Breville delivered another strong performance, against a backdrop of economic uncertainty and disrupted global supply chains. Breville gave, and met, EBIT guidance despite the turbulent backdrop delivering another year of double-digit revenue and profit growth.

FY22 Performance Highlights	1 Year	4-year CAGR*
Group revenue increase to A\$1.4 bn	+19.4%	+21.4%
Group EBIT increased to A\$156.4m	+14.6%	+15.8%
Group EPS increase to 75.9c	+15.3%	+13.9%
Share price declined to A\$17.99 on June 30 <sup>th</sup> 2022	(39.8)%	+54.8%*

\* Share price change shown as absolute growth over 4 years

### CEO Remuneration Package

Jim Clayton joined Breville as CEO in July 2015 and joined the Board as Managing Director on 18<sup>th</sup> August 2021.

Mr Clayton is a proven, high performing CEO who has transformed the Group over the last seven years, successfully expanding internationally and accelerating product development whilst delivering sustained growth in profit and shareholder returns. He has set, and is executing, a winning strategy for the Group against a range of global competitors.

During 2021 the Board negotiated a new package with Mr Clayton to secure his on-going leadership of the Group for the benefit of all shareholders. This was finalised, signed, and announced on 5<sup>th</sup> October 2021. The impact of the new package is reflected in table 6 showing total remuneration in FY22 of A\$5.6m with 46% fixed remuneration (both cash salary and fixed deferred remuneration rights) and 54% incentive based at risk remuneration (combination of STI and LTI).

In designing the new package, the Board sought to maximise alignment with shareholders' interests, through the extensive use of share-based payments in both fixed pay and incentives. The Board also sought to make it unattractive for a competing group to poach Mr Clayton by lengthening his notice period to 12 months and securing a non-compete of 12 months as well as rewarding Mr Clayton for outstanding performance.

In negotiating a competitive package an external benchmarking study was commissioned against three groups of peers:

- Group 1. ASX 80-130
- Group 2. ASX companies with a high proportion of revenue from outside of ANZ
- Group 3. A selection of international peers from the Household appliance Industry

The Board gave particular weight to the comparative remuneration of CEOs in **group 3** given that over 75% of Breville's revenue comes from outside of ANZ, the fact that Mr Clayton is a US citizen, and that he has a proven track record of success in the household appliance vertical.

As a number of the international peers in group 3 are larger in terms of market cap than Breville, consideration was also given to COO roles, as well as CEO roles, in shaping Mr Clayton's package.

Mr Clayton's revised total package was pegged at the bottom 25<sup>th</sup> percentile of the international peer group which equated to a level about half of the *average* of the international peer set CEO. This positioning reflects the larger market cap scale of the comparators and therefore included COO roles.

The negotiated package is at the low end of the range of this international peer set, lying in the bottom 25<sup>th</sup> percentile. It is relatively higher placed against ASX peers where, against the ASX 80-130, the total package is in the top 25<sup>th</sup> percentile. This is considered appropriate given Mr Clayton's tenure and track record of delivery.

The benchmarking study allowed the Board to propose a wholistic package, each element of which was then negotiated and agreed with Mr Clayton before being signed on 5<sup>th</sup> Oct 2021.

## Directors' report continued

### Remuneration report (audited) continued

#### 1. Introduction and overview continued

In terms of potential reward, paid or granted each year, rounded to nearest percent,

- 32% is fixed cash remuneration
- 14% is fixed deferred remuneration rights
- 30% is at risk STI
- 24% is at risk LTI performance rights

54% is at risk or performance related pay; 46% is fixed base pay.

Fixed deferred remuneration rights were chosen to deliver a portion of fixed pay to increase the retention incentives for Mr Clayton and to further align the package with shareholder interests in terms of share price appreciation. Rights are granted up to 5 years in advance of the service period, thus most existing rights were granted at an effective price of \$28.98. Given the recent share price softening Mr Clayton has taken an effective fixed pay cut unless he can lead the business to an increased share price over the coming years.

During October 2021, the Board undertook *extensive shareholder consultation*, talking with approximately 75% of the register by value, to discuss the new package, the process undertaken and its rationale. Shareholders expressed overwhelming support for Mr Clayton's leadership and strong support for securing his services through the enhanced package.

The package was comprehensively described in the explanatory memorandum to the 2021 AGM, explicitly in resolution 5 "Participation of the MD and CEO in the Breville Equity Incentive Plan" and resolution 6 "Approval of potential termination benefits". These resolutions received an 83.0% and an 87.3% FOR vote at the 2021 AGM.

The Remuneration report also received 89.7% support.

The Board view the appointment of Mr Clayton in July 2015, and incentivising his ongoing tenure, as critical to continuing the delivery of strong business performance and enhanced shareholder value and is delighted to have secured Mr Clayton for the next stage of the Group's growth journey. It is grateful for the shareholder support demonstrated at the AGM and in one-on-one discussions.

As of 30 June 2022, Mr Clayton held 435,797 unvested share rights, subject to various performance and service criteria that may vest in his favour in the future with potential value of \$7,839,988 (based on 30 June 2022 share price of \$17.99). Any proposed new performance or deferred remuneration rights to be issued to Mr Clayton in FY23 will be issued subject to shareholder approval at the AGM in November 2022.

No increase to Mr Clayton's package, other than that detailed in the explanatory memorandum for the AGM in November 2021, was made in FY22 nor is proposed for FY23.

#### **Other Executives: KMPs**

The strong performance of the Group over the last 4 years has been led by both Mr Clayton and his executive team. In FY22 the relativity of CEO and KMP packages was partially addressed.

No fixed cash remuneration increases were awarded to KMPs in FY22, however overall package increases of approximately 8% were approved and delivered in the form of fixed deferred remuneration rights.

This intent was pre-announced in the FY21 remuneration report, and the scheme follows similar principles to the CEO scheme.

The scheme is designed to reward, but importantly also to encourage retention, amongst this high performing team by increasing the weight of share-based remuneration within their packages.

The tranches of rights were issued with service periods for vesting ranging from one to five years. The total number of fixed deferred remuneration rights issued to each KMP equated to one year's total annual remuneration spread over the next 5 service years, based at a 20-day VWAP prior to 30 June 2021 of \$28.98. This further aligns KMPs' interests with shareholders in driving performance to improve the share price. The actual monetary value received as base pay by each KMP in each year will depend on the share price at time of vesting.

## Directors' report continued

### Remuneration report (audited) continued

#### 1. Introduction and overview continued

The vesting of total rights issued was back weighted as follows-

- 8% of rights vesting in August 2022
- 11% of rights vesting in August 2023
- 17% of rights vesting in August 2024
- 26% of rights vesting in August 2025
- 38% of rights vesting in August 2026

Although the total rights represent a potential annual package increase of 20% to the KMP (100% spread over 5 years), the effective increase in FY22 was an increase in 8% over the KMP FY21 packages.

This issuing of fixed deferred remuneration rights partially addresses the relativity of KMP packages to the CEO package.

Following the grant of these fixed deferred remuneration rights the KMP packages are split ~63% fixed and ~37% at risk (~56% and ~44% in prior year) and ~35% of remuneration is compensated via share-based remuneration.

Following a full benchmarking study, KMP packages will be further reviewed in FY23.

#### **LTI Performance Metrics**

The performance metrics applied to the Group's LTI performance rights have evolved steadily over the last 4 years against a very changeable and uncertain backdrop. Each year the Board has looked to find the best metrics to incentivise management to perform in the interests of long-term shareholder value creation.

**FY20 and earlier:** Historically the Board adopted relative TSR as the key LTI metric. Using a peer group of 60 ASX companies, in the consumer and industrial index, 100% vesting was awarded for achieving above 75th percentile relative TSR, 50% vesting for 50th percentile and 0% below that. Straight line pro-rating was used between 50<sup>th</sup> and 75<sup>th</sup> percentile. This neatly aligned management reward with shareholder returns and peer group performance.

**FY21:** At the height of COVID-19 asset price correction in June 2020, with expected "COVID-19 winners and losers" experiencing very different share price outcomes it was difficult to judge if everyone was starting the year from a level playing field. The Board moved the FY21 scheme to an absolute TSR basis, with minimum and maximum TSR targets and straight-line pro-rating between these two. In this environment it was difficult to call an appropriate absolute TSR target so the need for potential Board discretion in deciding appropriate vesting was explicitly flagged for this tranche of rights. Recent market price reductions means that all rights under this tranche are likely to be forfeited without Board intervention. The TSR targets, actual achievement, and vesting, as well as relative TSR (for information) will be reported in the FY23 remuneration report.

**FY22:** With heightened share price volatility in June 2021 the LTI metrics were moved to two internal targets – EBIT 3-year CAGR and revenue 3-year CAGR. A minimum EBIT CAGR needs to be achieved for any rights to vest. If this threshold is met, then 50% vesting is achieved. To achieve higher than 50% vesting a revenue 3-year CAGR must exceed a minimum target, to achieve 100% vesting a maximum target must be achieved with a sliding scale set between these 2 points. In addition to solid EBIT growth, it was judged that driving revenue growth would be in the best long-term interests of the group. The revenue and EBIT CAGR targets, achievement, and any vesting will be reported in the FY24 Remuneration report.

**FY23:** With even higher asset price uncertainty the Board considered it too early to return to the Group's preferred relative TSR targeting. In FY22 the Group's share price halved from maximum to minimum point, and then partially recovered, during a year when EBIT guidance was given, maintained, and met. A point-to-point share price measure currently appears to be too disconnected with management performance to be useful as an incentive metric. At the same time, the prospect of recession over the next three years, makes revenue an unreliable measure of success with the emerging demand line being very uncertain. The Board believes that management's success in delivering for shareholders, over the coming testing period, will be best measured by their delivery of sustained EBIT growth against whatever economic backdrop and demand line arises. 100% vesting will arise on exceeding a maximum 3-year EBIT CAGR and zero below a minimum floor. Between these two points, it is intended that the Board retrospectively judge the quality of performance against the actual economic backdrop in which the EBIT growth was achieved. This judgement will determine the vesting percentage to be awarded.

The EBIT CAGR targets, actual achievement, and vesting percentage awarded will be reported in the FY25 Remuneration report.

Although the same metric is employed for STI, the LTI scheme rewards sustained multi-period growth rather than a single year, peak performance.



## Directors' report continued

### Remuneration report (audited)

#### 1. Introduction and overview (continued)

Shareholder approval to grant rights to Mr Clayton under the above scheme will be sought at the November 2022 AGM.

##### **Non-Executive Directors**

To attract and retain Directors of a high calibre to a growing international company, a Directors' fee increase was implemented in January 2021. Total aggregate remuneration for FY21 and FY22 remained below the shareholder approved limit of \$1,400,000 previously agreed at the AGM in November 2016.

An increase in the aggregate remuneration limit to \$1,800,000 was proposed and approved by shareholders at the AGM in November 2021. This provides for future flexibility to attract high calibre, international Directors.

Tim Baxter, the Group's first non-Australian based Director joined the Board in June 2022.

#### 2. Key management personnel

KMPs are the persons with authority and responsibility for planning, directing, and controlling the activities of the Group and comprise the Directors of the Group and the Executives listed below.

**Table 1: Key management personnel (KMP)**

Name	Position	Term as KMP
<b>Non-Executive Directors</b>		
Tim Antonie	Non-Executive Chairperson	Full Year/Appointed Chairperson 11 <sup>th</sup> November 2021
Lawrence Myers	Non-Executive Deputy Chairperson <sup>(a),(d)</sup>	Full Year/Appointed Deputy Chairperson 18 <sup>th</sup> August 2021
Peter Cowan	Non-Executive Director <sup>(e)</sup>	Full Year
Sally Herman	Non-Executive Director <sup>(f)</sup>	Full Year
Dean Howell	Non-Executive Director <sup>(b),(d),(f)</sup>	Full Year
Kate Wright	Non-Executive Director <sup>(c),(b),(f)</sup>	Full Year
Tim Baxter	Non-Executive Director	Appointed 1 <sup>st</sup> June 2022
Steven Fisher	Non-Executive Chairperson	Retired 11 <sup>th</sup> November 2021
<b>Executive Directors</b>		
Jim Clayton	Managing Director & Group Chief Executive Officer	Full Year /Appointed Managing Director 18 <sup>th</sup> August 2021
<b>Executives</b>		
Scott Brady	Global Product Officer	Full Year
Martin Nicholas	Group Chief Financial Officer	Full Year
Mark Payne	Chief Operating Officer	Full Year
Cliff Torng	Global Go-to-Market Officer	Full Year

<sup>a</sup> Chair of Audit and Risk Committee

<sup>b</sup> Member of Audit and Risk Committee

<sup>c</sup> Chairperson, People Performance Remuneration and Nominations Committee (PPRNC)

<sup>d</sup> Member of PPRNC

<sup>e</sup> Chair of Sustainability Committee

<sup>f</sup> Member of Sustainability Committee



## Directors' report continued

### Remuneration report (audited) continued

#### 3. Remuneration framework

The People, Performance, Remuneration and Nominations Committee (PPRNC) reviews and recommends executive and employee remuneration arrangements each year within a framework designed to support the achievement of strategic goals, sustainable financial performance, and sustained growth in shareholder value.

From time to time the committee may engage external remuneration consultants to assist with this review. None were engaged in FY22. However, consultants provided a benchmarking study used when developing the FY22 CEO package.

Key principles that guide the remuneration framework include:

<b>Fair and competitive</b>	Provide appropriate rewards to attract and retain high calibre employees for an international and growing business. Market benchmarks are used, and include domestic and international peers, depending on the role being evaluated.
<b>Simple</b>	Clear, visible, and calculable reward linked to sustained company performance and shareholder value creation. Wherever possible executives will be aware of the status of their incentive achievement mid-period.
<b>Aligned to strategy</b>	Reward linked to achievement of strategic goals and sustainable performance of the company.
<b>Shareholder aligned</b>	Reward explicitly linked to short and long-term shareholder value creation.
<b>Sustained delivery</b>	Reward balanced to optimise long, medium, and short term, performance.

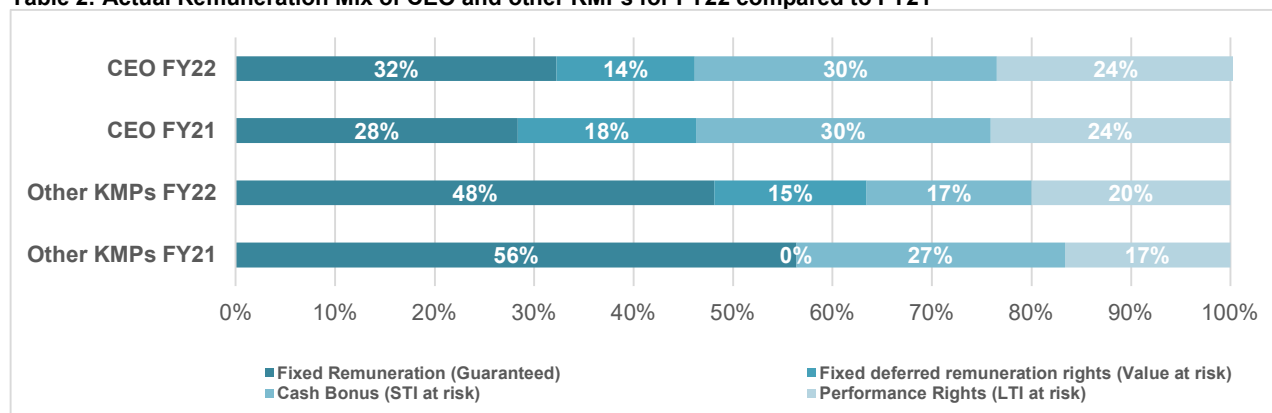
In implementing its remuneration framework and ensuring proper oversight, the committee:

- Sets compensation to motivate and retain a high performing global team in line with shareholder interests,
- Encourages an increasing level of executive shareholdings, in excess of minimum shareholding guidelines,
- Aligns interest of shareholders and executives via increasing share-based payments,
- Retrospectively discloses all performance hurdles and calculation of award and payments made to ensure transparency,
- Encourages increased variability of pay linked to short and long-term performance,
- Rewards sustained long-term performance, not just single year peak performance,
- Utilises measurable and shareholder relevant targets, and
- Retains Board discretion over the level of any award.

In establishing the remuneration arrangements each year, the Board and PPRNC specifically reviews the proportion of the fixed compensation and variable compensation (potential short-term and long-term incentives) that the executives are achieving. The Board aims to ensure the appropriate mix of fixed to variable remuneration, and specifically share-based and longer-term performance related, remuneration.

The actual remuneration mix for FY22 and FY21 is shown in table 2 below. The percentages achieved reflect both the CEO's new package described above and the introduction of a fixed deferred remuneration rights scheme for key executives.

**Table 2: Actual Remuneration Mix of CEO and other KMPs for FY22 compared to FY21**



## Directors' report continued

### Remuneration report (audited) continued

#### 3. Remuneration framework (continued)

- **Contracts** – Employment contracts are entered with executives designed to attract and retain the employees whilst safeguarding the Group's interests. None of the KMPs have fixed-term contracts.
- **Termination Provisions** – contracts include notice periods ranging from 3 months for KMPs to 12 months for the CEO. Amounts payable on termination vary from statutory entitlements to 12 months of fixed pay plus accrued leave balances. Any LTI performance rights not vested at the date of termination are forfeited and will lapse unless otherwise determined by the Board. Rights under the fixed deferred remuneration scheme will lapse on resignation but will be pro-rated for time served in the case of termination without cause. Specific termination arrangements, as part of the CEO's package, were proposed and approved by shareholders at the November 2021 AGM.
- **Hedging prohibited** – The Group has a policy that prohibits KMPs and their closely related parties from entering into an arrangement that has the effect of limiting the exposure to risk relating to an element of that member's compensation. The policy complies with the requirements of s.206J of the *Corporations Act 2001*.
- **Measurement** – The PPRNC is responsible for assessing performance against KPIs and recommending the STI and LTI to be awarded each year to the Board. To assist in this assessment, the committee receives detailed reports on performance from management which are based on independently verifiable, and in most cases, audited data. An external specialist is always used to calculate and report on actual and relative TSR performance for use in LTI evaluation. In the event of fraudulent or dishonest misconduct, the Board reserves the right to deem any unvested rights to have lapsed.

#### 4. Linking remuneration to performance

The Group's remuneration principles and framework aims to align executive remuneration to the Group's strategic and business objectives, sustained business performance and the creation of sustainable shareholder value.

The key measures that are used in Executive KMP incentive plans – EBIT, revenue growth and TSR – are measurable, verifiable, and well aligned to shareholder value creation.

- **Group Revenue** - A measure of the Group's success at growing the scale and scope of our operations. An auditable IFRS measure of marketplace success.
- **EBIT** - Earnings before interest and tax is a well-recognised measure of the Group's performance and ability to generate cash to fund growth and distribute dividends. It is well defined and measurable. EBIT is preferred to EBITDA given the strategic importance of investment in new product development and associated amortisation costs.
- **TSR** - Total Shareholder Return is a measure of share price appreciation, and dividends paid, expressed as a percentage of the opening share price. The Group measures both its own absolute TSR and its relative TSR which compares the company against an index of approximately 60 peers within the S&P/ASX200 Consumer Staples, Consumer Discretionary and Industrials indices.

## Directors' report continued

### Remuneration report (audited) continued

#### 4. Linking remuneration to performance (continued)

Table 3 below shows the Group's revenue, profit and TSR performance over the last 5 years.

The measures shown are consistent with the measures used in determining the variable amounts of remuneration to be awarded to executives. There is a strong alignment between executive reward and shareholder return as seen in the below table.

**Table 3: Five Year Group Performance (\$m)**

Year ended	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022
Group Revenue	652.3	760.0	952.2	1,187.7	<b>1,418.4</b>
Revenue Growth	7.7%	17.5%	25.3%	24.7%	<b>19.4%</b>
Revenue CAGR (4 Year)					<b>21.4%</b>
Group EBIT	86.9	97.3	97.7	136.4	<b>156.4</b>
EBIT Growth	10.0%	12.0%	0.4%	39.6%	<b>14.6%</b>
EBIT Growth CAGR (4 Year)					<b>15.8%</b>
NPAT	58.5	67.4	63.9	91.0	<b>105.7</b>
Earnings per share (cents)	45.0	51.8	48.8	65.8	<b>75.9</b>
EPS Growth	8.7%	15.2%	(5.8)%	34.8%	<b>15.3%</b>
Total dividends per share (cents)	33.0	37.0	41.0	26.5	<b>30.0</b>
Share price at 30 June (\$)	11.62	16.36	22.76	29.87	<b>17.99</b>
Share Price Change	11.2%	40.8%	39.3%	31.2%	<b>(39.8%)</b>
4 Year share price change					<b>54.8%</b>
One Year TSR	14.2%	43.8%	41.5%	32.6%	<b>(38.8)%</b>
4 Year TSR					<b>65.1%</b>
Average STI as % Maximum Opportunity	78.0%	76.0%	0%	100%	<b>100%</b>
Percentage of Executive LTI performance rights that vested/will vest related to schemes maturing in the year	100%	100%	100%	100%	<b>91.9%</b>

#### Performance against Targets

##### STI

- The Group FY22 STI paid out at 100% based on achieving an audited EBIT of \$156.4m (14.6% growth), having funded 100% STI, against a target for FY22 of \$156m set in June 2021. The target was based on 15% growth against the then forecast for FY21 EBIT. \$156m was given as guidance at the AGM, and then confirmed on 3<sup>rd</sup> May 2022, despite tougher trading conditions.
- The Group's annual FY23 STI plan has a stretch financial EBIT target based on a targeted EBIT growth for FY23. This target and actual will be retrospectively disclosed as a part of the FY23 remuneration report. No STI is awarded until this target is met. Once it is met the STI pool is funded, until full, at which point reported EBIT would be further increased. The EBIT target has to be delivered before a single dollar of STI is awarded.

## Directors' report continued

### Remuneration report (audited) continued

#### 4. Linking remuneration to performance (continued)

##### LTI

Two tranches of LTI were tested as of 30 June 2022 and will vest in August 2022.

- Tranche 3 of FY19 scheme was measured with a 4-year TSR of 70% putting the Group at 5th out of 53 peers and thus at the 92nd percentile of relative TSR. Being above the 75th percentile this tranche vested at 100%.
- Tranche 2 of the FY20 scheme was measured with a 3-year TSR of 15% putting the Group at 20th out of 59 peers and thus at the 67th percentile of relative TSR. Being between 50th percentile and 75th this tranche vested at 83.8%
- Average vesting across the two tranches measured was 91.9%
- TSR of the group, and peers, was calculated by an independently commissioned expert.

#### 5. Executive remuneration - detailed elements

There are four key components in executive remuneration

- Fixed Cash Remuneration**
- Fixed Deferred Remuneration Rights**
- Short Term Performance Incentive (STI)**
- Long Term Performance rights (LTI)**

##### i) Fixed Cash Remuneration

Executives receive their fixed cash remuneration in the form of cash, car allowance, health insurance, annual leave benefits, long service leave benefits and superannuation. Fixed cash remuneration is reviewed annually by the PPRNC, and in the case of the CEO the Board, or in the event of role change. The committee considers company and individual performance, relevant comparative market compensation and internal relativities. Breville increasingly competes in a global market for talent and employs both Australian and international executives. The Group regularly benchmarks both domestically, and internationally, when reviewing suitability of remuneration.

Details of fixed cash remuneration by KMPs is shown in the remuneration tables 6 and 7.

Remuneration component	Purpose & execution	FY22 outcomes
<b>Fixed Cash remuneration</b>	<p>Aims to provide competitive salary, including superannuation and non-monetary benefits, to attract and retain a high performing team.</p> <p>Fixed cash remuneration is reviewed annually, with outside assistance where needed, and set with reference to:</p> <ul style="list-style-type: none"> <li>• Size and complexity of role.</li> <li>• Market benchmarks (domestic &amp; international).</li> <li>• Experience, skills and competencies.</li> </ul>	<ul style="list-style-type: none"> <li>• CEO Fixed Cash remuneration was increased to \$A1.7m as detailed in the explanatory memorandum in the November 2021 AGM.</li> <li>• There was no fixed cash salary increase for any other Executive KMP in FY22.</li> </ul>

Annual leave and long service leave benefits shown in table 6 and 7 reflect the movement in accrued benefit owing to the individual in accordance with accounting standards. If leave balances increase, as during the COVID-19 pandemic when less leave was taken, or if base salary increases are implemented, then accrued benefits increase.

##### ii) Fixed Deferred Remuneration Rights

The scheme is a core part of fixed remuneration, rather than an incentive program, but the Board and KMPs regard it as an attractive alternative to a straight cash reward for delivering base remuneration. The number of rights that vest in a year is based on completion of a service period, just like base pay. The number of rights granted is calculated as the deferred salary amount divided by the share price at the time that the grant is agreed. Executives, like shareholders, benefit from any share price appreciation.

The scheme increases the weight of share-based remuneration within executive packages whilst maintaining the same potential fixed remuneration value and supports the retention and incentivisation of high performing executives. The fixed deferred remuneration scheme implemented for the CEO in FY20 was extended in FY22 to KMPs, and other key executives, as flagged in the FY21 remuneration report.

## Directors' report continued

### Remuneration report (audited) continued

#### 5. Executive remuneration - detailed elements (continued)

The accounting value of fixed deferred remuneration rights grants for which compensation is included in the remuneration tables 4, 6 and 7 is shown in table 11. Under AASB 2 accounting, although the rights relate to future specific periods of employment, part of the cost is recognised in the current period.

Remuneration component	Purpose & execution	FY22 outcomes
<b>Fixed Deferred remuneration rights</b>	<p>Delivers fixed remuneration to the executive in the form of an annual grant of deferred rights.</p> <p>Supports the retention of high performing international executives over sustained periods and may prove particularly effective as an incentive and retention tool in times of increased share price volatility.</p> <p><u>Conditions</u></p> <ul style="list-style-type: none"> <li>• Upon completion of a specific period of employment service (the service condition) the rights will vest and convert into fully paid ordinary shares in the company.</li> <li>• No consideration is payable by the executive on granting or exercise of the share rights as the rights satisfy part of the executive's base remuneration.</li> <li>• The rights automatically lapse if the executive resigns before the vesting date, or is terminated with cause, and vest, on a pro-rata basis, if the executive is terminated without cause.</li> <li>• No disposal restrictions apply to the shares received when the rights have vested.</li> </ul> <p><u>CEO Fixed Deferred Remuneration</u></p> <p>CEO rights are granted annually to ensure that 5 years of rights are ahead of the CEO at any time. Each tranche vests once the specified period of service has been completed.</p> <p>The number of rights granted in each tranche is calculated as a deferred remuneration amount divided by the VWAP at the time that the grant is agreed. From FY23 forward the annual deferred remuneration value is \$850,000. A tranche of rights vesting in FY27 will be proposed for shareholder approval at the November 2022 AGM.</p> <p><u>KMP Fixed Deferred Remuneration</u></p> <p>The total number of rights granted in FY22, covering five years of future service, was based on one year's total remuneration divided by the relevant share price at the time that the grant was agreed. The five years' worth of grants were back weighted to encourage continuing tenure with the Group.</p> <p>Rights enjoy the same conditions as the CEO scheme vesting occurring once the required period of service has been delivered. Weighting of rights to the service period required is described below:</p> <ul style="list-style-type: none"> <li>• 1 Year – 8%</li> <li>• 2 Year – 11%</li> <li>• 3 Year – 17%</li> <li>• 4 Year – 26%</li> <li>• 5 Year – 38%</li> </ul>	<p><u>CEO Fixed Deferred Remuneration</u></p> <p>New tranches of CEO rights were issued after approval by shareholders at the 11<sup>th</sup> November 2021 AGM.</p> <ul style="list-style-type: none"> <li>• Top up rights were issued to increase Mr Clayton's deferred remuneration element of pay to \$850,000 p.a. for FY23 onward (an increase of \$350,000 on pre-existing rights) in line with total new package.</li> <li>• A new grant equivalent to \$850,000 was issued vesting on completion of service through to 25 August 2026.</li> <li>• The issue of these rights was approved by shareholders at the 2021 AGM.</li> <li>• In FY22 65,561 of fixed deferred remuneration rights were granted to the CEO.</li> </ul> <p><u>KMP Fixed Deferred Remuneration</u></p> <ul style="list-style-type: none"> <li>• KMPs were issued five tranches of rights equivalent in total to one year's total remuneration, but spread over 5 vesting years and back weighted, so that the FY22 tranche value is equivalent to an 8% package increase.</li> <li>• In FY22 155,755 fixed deferred remuneration rights were issued to the KMP's.</li> </ul> <p>For accounting purposes, a fair value is determined on the rights of these shares and expensed over the full vesting period so part of the costs for future periods are recognised in the current period.</p>

## Directors' report continued

### Remuneration report (audited) continued

#### 5. Executive remuneration - detailed elements (continued)

Table 4: Fixed Deferred Remuneration included in Remuneration tables 6 and 7

Year of Issue	Conditions	Fair value right at Grant date \$	Number outstanding 30 June 2022	Number outstanding 30 June 2021
<b>FY20</b>	<ul style="list-style-type: none"> <li>- Issued for nil consideration</li> <li>- Exercise price is \$0.</li> <li>- Issue price of <b>\$16.70</b></li> <li>- Participant (Jim Clayton) must complete the service period between: <ul style="list-style-type: none"> <li>• 26 August 2019– 25 August 2020</li> <li>• 26 August 2020– 25 August 2021</li> <li>• 26 August 2021– 25 August 2022</li> <li>• 26 August 2022 – 25 August 2023</li> <li>• 26 August 2023 – 25 August 2024</li> </ul> </li> <li>- 34% vested as at 30 June 2022.</li> </ul>	<b>\$16.70</b>     <b>\$16.70</b>     <b>\$16.70</b>     <b>\$16.70</b>	-     -  <b>29,940</b>  <b>29,940</b>  <b>29,940</b>	-     29,940  29,940  29,940  29,940
<b>FY21</b>	<ul style="list-style-type: none"> <li>- Issued for nil consideration</li> <li>- Exercise price is \$0.</li> <li>- Issue price of <b>\$22.41</b></li> <li>- Participant (Jim Clayton) must complete the service period between: <ul style="list-style-type: none"> <li>• 26 August 2024 – 25 August 2025</li> </ul> </li> <li>- 0% vested as at 30 June 2022</li> </ul>	<b>\$19.60</b>	<b>22,311</b>	22,311
<b>FY22</b>	<ul style="list-style-type: none"> <li>- Issued for nil consideration</li> <li>- Exercise price is \$0.</li> <li>- Issue price of <b>\$28.98</b></li> <li><b>Jim Clayton must complete the service period between:</b> <ul style="list-style-type: none"> <li>• 26 August 2022 – 25 August 2023</li> <li>• 26 August 2023 – 25 August 2024</li> <li>• 26 August 2024 – 25 August 2025</li> <li>• 26 August 2025 – 25 August 2026</li> </ul> </li> <li>- 0% vested as at 30 June 2022</li> <li><b>Executive KMPs must complete the service period between</b> <ul style="list-style-type: none"> <li>• 26 August 2021 – 25 August 2022</li> <li>• 26 August 2022 – 25 August 2023</li> <li>• 26 August 2023 – 25 August 2024</li> <li>• 26 August 2024 – 25 August 2025</li> <li>• 26 August 2025 – 25 August 2026</li> </ul> </li> <li>- 0% vested as at 30 June 2022</li> </ul>	<b>\$29.28</b> <b>\$28.91</b> <b>\$28.54</b> <b>\$28.17</b>	<b>12,077</b> <b>12,077</b> <b>12,077</b> <b>29,330</b>	- - - -
		<b>\$27.21</b> <b>\$26.87</b> <b>\$26.52</b> <b>\$26.18</b> <b>\$25.85</b>	<b>11,810</b> <b>17,717</b> <b>26,574</b> <b>39,861</b> <b>59,793</b>	- - - - -

## Directors' report continued

### Remuneration report (audited) continued

#### 5. Executive remuneration - detailed elements (continued)

##### iii. Short term performance incentives (STI)

The Group operates an annual STI program available to executives and other employees and awards a cash bonus subject to the attainment of clearly defined business targets.

Remuneration component	Purpose & execution	FY22 outcomes
<b>Short term incentives (STI)</b>	<p>Aims to reward and incentivise executives and employees for achieving in-year company targets and is paid in cash.</p> <p>A pre-STI EBIT target is set by the Board in advance of the financial year. Until this pre-STI EBIT is exceeded no STI is awarded.</p> <p>If pre-STI EBIT exceeds the pre-STI target, the STI pool is funded until the maximum pool is reached. Shareholders are rewarded before any STI is awarded.</p> <p>The maximum pool is calculated as the sum of maximum STI dollar opportunities for each eligible participant.</p> <p>The CEO has a maximum STI opportunity of 100% of Fixed cash remuneration, other KMPs 35% and other staff are in a range of 5-35%.</p> <p>Once a pool is awarded it is distributed based on each individual's achievement of their individual targets.</p> <ul style="list-style-type: none"> <li>The CEO and KMPs are targeted on Group EBIT</li> <li>Regional Presidents and teams have Group EBIT and Regional EBIT targets</li> <li>Product Development team teams have Group EBIT and GM\$ from new-to-market product targets</li> <li>Functional Teams have Group EBIT and specific deliverables e.g., ERP on time implementation targets, or HSE targets</li> </ul> <p>Following finalisation of the annual audit, the PPRNC recommends the amount of STI to be paid to the Group CEO for Board approval. The PPRNC seeks and approves recommendations on other individual pay outs from the Group CEO.</p> <p>The level of STI pay out always remains at the discretion of the Board. The Board suspended the STI program at the end of FY20 due to a very uncertain economic outlook, on a discretionary basis 50% of potential was paid out during 1H21. STI was reintroduced in FY21 when greater medium term performance certainty was reached.</p>	<ul style="list-style-type: none"> <li>In June 2021 a FY22 pre STI EBIT target of \$156m was set.</li> <li>\$156m EBIT guidance was also given as guidance at the AGM in November 2021 and maintained throughout 2H22 despite a deterioration in trading conditions.</li> <li>The Group achieved EBIT of \$156.4m having funded 100% of the STI pool.</li> </ul>

##### iv) Long term performance incentives (LTI)

The Group operates an annual LTI program available to executives, and other employees, that grants performance rights that fully, or partially, vest into shares on the achievement of clearly defined medium term targets.

LTI grants to participants (excluding the CEO) are recommended by the CEO to the PPRNC. This recommendation, together with a recommendation by the PPRNC of an LTI grant to the CEO, is then put to the Board for approval. Performance conditions for the 3 years ahead are agreed at the same time taking into account what the Board considers to be the most effective means of incentivising management to deliver sustained enhancement of shareholder value in the context of the existing environment.

Under AASB 2 accounting, although the share rights relate to future specific periods of employment, part of the cost is recognised in the current period.



# Directors' report continued

## Remuneration report (audited) continued

### 5. Executive remuneration - detailed elements (continued)

Remuneration component	Purpose & execution	FY22 outcomes
<b>Long term incentives (LTI)</b>	<p>Aims to reward and incentivise executives to deliver sustained shareholder value over multiple periods.</p> <p>Annual performance right grants are made to the CEO, KMPs and other managers based on a percentage of their fixed cash remuneration ranging from 10% for employees to 65% for KMPs and 125% for the CEO.</p> <p>The number of rights issued is based on the value of shares in the company using a 20-trading day trailing volume weighted average price (VWAP) up to date of financial year end.</p> <p>The number of rights vesting in favour of the individual depends on the delivery of set performance metrics agreed each year.</p> <p><u>Conditions</u></p> <ul style="list-style-type: none"> <li>• Upon satisfaction of the performance hurdles, the performance rights will vest into fully paid ordinary shares in the company.</li> <li>• All unvested performance rights automatically lapse upon a participant ceasing employment unless otherwise determined by the Board.</li> <li>• Participants do not receive distributions or dividends on unvested performance rights.</li> <li>• The number of rights vesting is guided by the achievement of performance metrics, but the Board retains absolute discretion on the number of rights that vest.</li> <li>• To make the scheme globally tax efficient (reflecting different timing of taxation) there are no disposal restrictions after vesting, notwithstanding that any trading in shares is, at all times, subject to the company's share trading policy.</li> <li>• In the event of a takeover bid where the bidder and its associates become entitled to at least 50% of the voting shares of the company, any performance rights granted will vest where the Board, in its absolute discretion, is satisfied that performance is in line with any performance condition applicable to those performance rights. Any performance rights which do not vest will immediately lapse, unless otherwise determined by the Board.</li> </ul> <p><u>Performance Metrics</u></p> <p>Performance metrics are agreed and set each year to govern the potential vesting of the performance rights.</p> <p>For tranches of grants where relative TSR is not a performance hurdle the Board will measure and report relative TSR alongside the specific performance metric for information.</p>	<p><u>In Year grants</u></p> <ul style="list-style-type: none"> <li>• In FY22 the CEO received an LTI performance rights grant of 125% of Fixed Cash Remuneration or equivalent to 73,326 performance rights. The issue of these rights was approved at the AGM 11<sup>th</sup> November 2021</li> <li>• Other KMP's received a grant of 65% of fixed cash remuneration or equivalent to 50,621 performance rights.</li> </ul> <p><u>In Year LTI Vesting</u></p> <p>During FY22 100,800 rights vested in the CEO's favour under the schemes below, and 77,900 rights vested in favour of the other KMPs.</p> <p><u>FY18 Performance rights</u></p> <ul style="list-style-type: none"> <li>• 31,700 shares vested to the CEO and 16,500 to other KMPs as part of the third tranche of the FY18 performance-based grant. 100% of the potential rights in the tranche vested based on 4-year positive TSR of 194% which was above the 75<sup>th</sup> percentile of the peer Group.</li> </ul> <p><u>FY19 Performance rights</u></p> <ul style="list-style-type: none"> <li>• 34,100 shares vested to the CEO and 31,800 to other KMPs as part of the second tranche of the FY19 performance-based grant. 100% of the potential rights in the tranche vested based on 3-year positive TSR of 165% which was above the 75<sup>th</sup> percentile of the peer Group.</li> </ul> <p><u>FY20 Performance rights</u></p> <ul style="list-style-type: none"> <li>• 35,000 shares vested to the CEO and 29,600 to other KMPs as part of the first tranche of the FY20 performance-based grant. 100% of the potential rights in the tranche vested based on 2-year positive TSR of 79% which was above the 75<sup>th</sup> percentile of the peer Group.</li> </ul> <p><u>FY23 Vesting</u></p> <p>In FY23 it is expected that in August 2022:</p> <ul style="list-style-type: none"> <li>- 100% of FY19 performance rights will vest based on a 4-year positive TSR of 70%, putting the Group at the 92<sup>nd</sup> percentile on relative TSR.</li> <li>- 83.8% of FY20 performance rights will vest based on a 3-year positive TSR of 15%, putting the Group at the 67<sup>th</sup> percentile of relative TSR.</li> </ul>

## Directors' report continued

### Remuneration report (audited) continued

#### 5. Executive Remuneration - detailed elements continued

Table 5: LTI plans for which compensation is included in the remuneration tables 6 & 7.

LTI Plan for the year ended	Performance hurdles/conditions	Fair value per performance right at Grant date \$	Number outstanding 30 June 2022	Number outstanding 30 June 2021
<b>FY18 Performance based LTI rights</b>	<p>Issued for nil consideration.</p> <ul style="list-style-type: none"> <li>- Exercise price is \$0.</li> <li>- Term of two to four years with vesting as follows, each representing 33% of the total number of performance rights:                             <ul style="list-style-type: none"> <li>(a) Total shareholder return (TSR) from 30 June 2017 to 30 June 2019 applying both an Absolute Test and a Relative Test.</li> <li>(b) Total shareholder return (TSR) from 30 June 2017 to 30 June 2020 applying both an Absolute Test and a Relative Test.</li> <li>(c) Total shareholder return (TSR) from 30 June 2017 to 30 June 2021 applying both an Absolute Test and a Relative Test.</li> </ul> </li> </ul> <p>100% vested (144,900 shares) as at 30 June 2022 (nil lapsed).</p>	<p>\$7.05</p> <p>\$6.81</p> <p>\$6.68</p>	-	48,200
<b>FY19 Performance based LTI rights</b>	<p>Issued for nil consideration.</p> <ul style="list-style-type: none"> <li>- Exercise price is \$0.</li> <li>- Term of two to four years with vesting as follows, each representing 33% of the total number of performance rights:                             <ul style="list-style-type: none"> <li>(a) Total shareholder return (TSR) from 30 June 2018 to 30 June 2020 applying both an Absolute Test and a Relative Test.</li> <li>(b) Total shareholder return (TSR) from 30 June 2018 to 30 June 2021 applying both an Absolute Test and a Relative Test.</li> <li>(c) Total shareholder return (TSR) from 30 June 2018 to 30 June 2022 applying both an Absolute Test and a Relative Test.</li> </ul> </li> </ul> <p>67% vested (132,000 shares) as at 30 June 2022 (nil lapsed).</p>	<p>\$7.07</p> <p>\$6.81</p> <p>\$6.58</p>	65,700	131,600
<b>FY20 Performance based LTI rights</b>	<p>Issued for nil consideration.</p> <ul style="list-style-type: none"> <li>- Exercise price is \$0.</li> <li>- Term of two to four years with vesting as follows, each representing 33% of the total number of performance rights:                             <ul style="list-style-type: none"> <li>(a) Total shareholder return (TSR) from 30 June 2019 to 30 June 2021 applying both an Absolute Test and a Relative Test.</li> <li>(b) Total shareholder return (TSR) from 30 June 2019 to 30 June 2022 applying both an Absolute Test and a Relative Test.</li> <li>(c) Total shareholder return (TSR) from 30 June 2019 to 30 June 2023 applying both an Absolute Test and a Relative Test.</li> </ul> </li> </ul> <p>33% vested (64,600 shares) as at 30 June 2022 (nil lapsed).</p>	<p>\$6.51</p> <p>\$6.81</p> <p>\$7.06</p>	128,900	193,500
<b>FY21 Performance based LTI rights</b>	<p>Issued for nil consideration.</p> <ul style="list-style-type: none"> <li>- Exercise price is \$0.</li> <li>- Term of three years with vesting based on Absolute Test of total shareholder return (TSR) from 30 June 2020 to 30 June 2023.</li> <li>- minimum 0% and maximum 100% TSR targets set with straight line pro-rating between these two.</li> <li>-potential Board discretion in deciding appropriate vesting was explicitly flagged given volatile environment in which original TSR targets were set</li> </ul> <p>0% vested as at 30 June 2022 (nil lapsed).</p>	\$14.69	147,632	147,632
<b>FY22 Performance based LTI rights</b>	<p>Issued for nil consideration.</p> <ul style="list-style-type: none"> <li>- Exercise price is \$0.</li> <li>- Term of three years with vesting based on meeting a minimum EBIT CAGR growth target and Sales CAGR</li> <li>- If threshold EBIT CAGR is met then 50% vesting is achieved.</li> <li>- To achieve higher than 50% vesting a Sales 3-year CAGR must exceed a minimum target</li> <li>-to achieve 100% vesting a maximum target must be achieved</li> <li>- sliding scale set between these 2 points.</li> <li>- KMPs (Grant Date 6<sup>th</sup> October 2021)</li> <li>- Jim Clayton (Grant Date 11<sup>th</sup> November 2021 post shareholder approval)</li> </ul> <p>0% vested as at 30 June 2022 (nil lapsed).</p>	<p>\$25.96</p> <p>\$28.91</p>	123,947	-

## Directors' report continued

### Remuneration report (audited) continued

#### 6. Non-executive Director remuneration

In accordance with best practice corporate governance, the structure of non-executive Director and executive remuneration is separate and distinct. The Board seeks to set non-executive Director remuneration at a suitable level to attract and retain high calibre Directors whilst being commensurate with growing international companies of a similar size and type.

The remuneration of non-executive Directors is reviewed annually. Each Director receives a fee for being a Director of the company. An additional fee is also paid to each Director who also acts as Chairperson of a Board committee recognising the additional time commitment required by the Director to facilitate the running of the committee.

The Group's constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive Directors shall be determined from time to time by general meeting. The aggregate remuneration of \$1,800,000 per year was approved by shareholders at the annual general meeting held in November 2021.

The remuneration of non-executive Directors for the year ended 30 June 2022 is detailed in Table 6 on page 50 with the total fees paid of \$1,272,452 representing 70% of this approved aggregate remuneration.

Remuneration component	Purpose & execution	FY22 outcomes
<b>Non-executive Director fees</b>	<p>Aims to attract, reward, and retain high calibre Directors suitable for a fast-growing international business.</p> <p>Each Director receives a fee or base remuneration as a Director of the Group with an additional fee for acting as Chairperson or Chairperson of a Board committee recognising the additional time commitment required.</p> <ul style="list-style-type: none"> <li>Non-Executive Director remuneration is reviewed annually within the aggregate remuneration pool of \$1,800,000 approved by the AGM held in November 2021.</li> </ul>	<p>The aggregate remuneration pool was approved at the November 2021 AGM to \$1,800,000 to allow the Group to attract high calibre international Directors.</p> <ul style="list-style-type: none"> <li>Main Board Chairperson Fee: equivalent to \$350,000 p.a. inclusive of superannuation.</li> <li>Lawrence Myers was appointed Deputy Chairperson during FY22 and receives an additional \$40,000 pa inclusive of superannuation in this role.</li> <li>Main Board Member Fee: equivalent to \$145,000 p.a. inclusive of superannuation.</li> <li>Board Committee Chair Fee: equivalent to \$30,000 p.a. inclusive of superannuation. Board subcommittees included the Audit and Risk Committee (ARC), the People Performance Remuneration and Nominations Committee (PPRNC) and the Sustainability Committee.</li> <li>Lawrence Myers chairs the ARC; Kate Wright chairs the PPRNC; Peter Cowan Chairs the Sustainability committee.</li> <li>Tim Baxter was appointed as a non-executive board Director effective 1<sup>st</sup> June 2022.</li> <li>The total fees paid in FY22 of \$1,272,452 represents 70% of the shareholder approved aggregate remuneration of \$1,800,000.</li> </ul>

## Directors' report continued

### Remuneration report (audited) continued

#### 7. Statutory remuneration tables

**Table 6: KMP remuneration for the year ended 30 June 2022 (FY22)**

The following tables 6 and 7 set out the statutory KMP remuneration disclosures, prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards. No termination benefits were paid in FY22.

	Salary & fees <sup>(b)</sup>	Other	Superannuation	Long service leave	Fixed deferred remuneration rights	Subtotal	Cash Bonuses (STI)	Performance Rights (LTI)	Total	Fixed Remuneration	STI	LTI
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%	%
<b>Non-executive Directors</b>												
T. Antonie - <i>Chairperson</i>	249,764	-	24,976	-	-	274,740	-	-	274,740	100%	0%	0%
L. Myers - <i>Deputy Chairperson</i>	190,573	-	19,057	-	-	209,630	-	-	209,630	100%	0%	0%
P. Cowan	159,091	-	15,909	-	-	175,000	-	-	175,000	100%	0%	0%
S. Herman	131,818	-	13,182	-	-	145,000	-	-	145,000	100%	0%	0%
D. Howell	131,818	-	13,182	-	-	145,000	-	-	145,000	100%	0%	0%
K. Wright	159,091	-	15,909	-	-	175,000	-	-	175,000	100%	0%	0%
T. Baxter	11,918	-	-	-	-	11,918	-	-	11,918	100%	0%	0%
S. Fisher - <i>Retired</i>	123,785	-	12,379	-	-	136,164	-	-	136,164	100%	0%	0%
<b>Subtotal Directors</b>	1,157,858	-	114,594	-	-	1,272,452	-	-	1,272,452			
J. Clayton - <i>Managing Director</i>	1,672,500	-	27,500	105,117	748,836	2,553,953	1,700,000	1,343,241	5,597,194	46%	30%	24%
<i>Other key management personnel</i>												
S. Brady	542,500	30,000	27,500	8,490	197,902	806,392	210,000	257,330	1,273,722	63%	17%	20%
M. Nicholas	547,500	-	27,500	7,633	189,652	772,285	201,250	245,738	1,219,273	63%	17%	20%
M. Payne (a)	554,046	37,032	-	-	173,776	764,854	203,113	233,890	1,201,857	64%	17%	19%
C. Torng	527,500	-	27,500	5,664	183,047	743,711	194,250	236,543	1,174,504	63%	17%	20%
<b>Subtotal Executives</b>	3,844,046	67,032	110,000	126,904	1,493,213	5,641,195	2,508,613	2,316,742	10,466,550	54%	24%	22%
<b>Totals</b>	<b>5,001,904</b>	<b>67,032</b>	<b>224,594</b>	<b>126,904</b>	<b>1,493,213</b>	<b>6,913,647</b>	<b>2,508,613</b>	<b>2,316,742</b>	<b>11,739,002</b>	<b>59%</b>	<b>21%</b>	<b>20%</b>

(a) M. Payne salary is denominated in USD so reported numbers in AUD are subject to exchange rate fluctuations.

(b) Not included in salary and fees but recognised through the Income Statement is annual leave expense for J. Clayton \$246,997 (FY21: \$164,114), S. Brady \$19,131 (FY21: \$42,964), M. Nicholas \$29,920 (FY21: \$30,389), Mark Payne \$12,602 (FY21: \$9,833), Cliff Torng \$18,598 (FY21: \$48,291).

## Directors' report continued

### Remuneration report (audited) continued

#### 7. Statutory remuneration tables continued

Table 7: KMP Remuneration for the year ended 30 June 2021

	Salary & fees (c)	Other	Superannuation	Long service leave	Discretionary Salary repayment (d)	Deferred remuneration Rights	Subtotal	Discretionary bonus for FY20 performance (a)	Cash Bonuses (STI)	Performance rights (LTI)	Total	Fixed Remuneration	STI	LTI
	\$	\$	\$		\$	\$	\$	\$	\$					
<b>Non-executive Directors (c)</b>														
S. Fisher – Chairperson	297,720	-	25,593	-	-	-	323,313	-	-	-	323,313	100%	0%	0%
T. Antonie	121,923	-	11,583	-	-	-	133,506	-	-	-	133,506	100%	0%	0%
P. Cowan	121,923	-	11,583	-	-	-	133,506	-	-	-	133,506	100%	0%	0%
S. Herman	121,923	-	11,583	-	-	-	133,506	-	-	-	133,506	100%	0%	0%
D. Howell	121,923	-	11,583	-	-	-	133,506	-	-	-	133,506	100%	0%	0%
L. Myers	149,320	-	14,186	-	-	-	163,506	-	-	-	163,506	100%	0%	0%
K. Wright	149,320	-	14,186	-	-	-	163,506	-	-	-	163,506	100%	0%	0%
<b>Sub-total non-executive Directors</b>	1,084,052	-	100,297	-	-	-	1,184,349	-	-	-	1,184,349			
<b>Other key management personnel</b>														
J. Clayton	925,000	-	25,000	19,937	54,808	646,768	1,671,513	357,598	712,500	870,906	3,612,517	46%	30%	24%
S. Brady	545,000	30,000	25,000	12,105	33,958	-	646,063	106,348	210,000	195,467	1,157,878	56%	27%	17%
M. Nicholas	550,000	-	25,000	10,090	33,173	-	618,263	101,973	201,250	177,323	1,098,809	56%	28%	16%
M. Payne (b)	557,483	34,345	-	-	29,545	-	621,373	92,151	185,038	182,587	1,081,149	57%	26%	17%
C. Tornø	530,000	-	25,000	9,430	32,019	-	596,449	98,473	194,250	178,190	1,067,362	56%	27%	17%
<b>Sub-total executive KMP</b>	3,107,483	64,345	100,000	51,562	183,503	646,768	4,153,661	756,543	1,503,038	1,604,473	8,017,715	52%	28%	20%
<b>Totals</b>	<b>4,191,535</b>	<b>64,345</b>	<b>200,297</b>	<b>51,562</b>	<b>183,503</b>	<b>646,768</b>	<b>5,338,010</b>	<b>756,543</b>	<b>1,503,038</b>	<b>1,604,473</b>	<b>9,202,064</b>	<b>58%</b>	<b>25%</b>	<b>17%</b>

(a) Discretionary payment in lieu of FY20 bonus forgone includes a discretionary payment of 50 shares at a share price of \$26.96, which was part of a company-wide recognition for achieving \$1bn sales and was not specifically for KMPs.

(b) M. Payne salary is denominated in USD so reported numbers in AUD are subject to exchange rate fluctuations.

(c) Non-executive Director's salary increases were made effective from 1 January 2021.

(d) Repayment of salaries in lieu of salaries sacrificed in FY20.

## Directors' report continued

### Remuneration report (audited) continued

#### 7. Statutory remuneration tables continued

Table 8: KMP STI cash bonuses awards in FY22 and FY21 and LTI performance rights vesting in FY22

Name	STI Cash bonuses			Share-based LTI performance base compensation vesting in FY22		
	Financial Year	% Earned	% Forfeited	Financial Year Granted	% Vested	% Forfeited
J. Clayton	2022	100%	0%	2020	100%	0%
	2021	100%	0%	2019	100%	0%
				2018	100%	0%
S. Brady	2022	100%	0%	2020	100%	0%
	2021	100%	0%	2019	100%	0%
				2018	100%	0%
M. Nicholas	2022	100%	0%	2020	100%	0%
	2021	100%	0%	2019	100%	0%
M. Payne	2022	100%	0%	2020	100%	0%
	2021	100%	0%	2019	100%	0%
				2018	100%	0%
C. Tormg	2022	100%	0%	2020	100%	0%
	2021	100%	0%	2019	100%	0%
				2018	100%	0%

Table 9: KMP shareholdings

Ordinary shares held\* in Breville Group Limited (number)

30 June 2022	Balance at 1 July 2021	On exercise of rights	Net change other (a)	Balance at 30 June 2022
<b>Directors</b>				
T. Antonie	43,791	-	-	43,791
L. Myers	100,000	-	33,000	133,000
P. Cowan	10,968	-	-	10,968
S. Herman	42,484	-	-	42,484
D. Howell	140,000	-	-	140,000
K. Wright	21,764	-	95	21,859
T. Baxter	-	-	-	-
S. Fisher	130,000	-	(130,000)	-
<b>Executive Director</b>				
J. Clayton	180,443	130,740	(79,567)	231,616
<b>Other key management personnel</b>				
S. Brady	171,716	66,800	(133,516)	105,000
M. Nicholas	41,185	15,800	(32,835)	24,150
M. Payne	61,345	20,500	(20,530)	61,315
C. Tormg	119,785	19,800	(25,500)	114,085
<b>Total (b)</b>	<b>1,063,481</b>	<b>253,640</b>	<b>(388,853)</b>	<b>928,268</b>

\*Held directly, indirectly, or beneficially.

(a) All equity transactions with key management personnel have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

(b) ~0.6% of total share capital is owned by KMPs (~0.6% in FY21)

## Directors' report continued

### Remuneration report (audited) continued

#### 7. Statutory remuneration tables continued

**Table 9: KMP shareholdings (continued)**

Ordinary shares held\* in Breville Group Limited (number)

30 June 2021	Balance at 1 July 2020	On exercise of rights	Net change other (a)	Balance at 30 June 2021
<b>Directors</b>				
S. Fisher	127,764	-	2,236	<b>130,000</b>
P. Cowan	10,968	-	-	<b>10,968</b>
T. Antonie	43,791	-	-	<b>43,791</b>
S. Herman	42,484	-	-	<b>42,484</b>
D. Howell	139,264	-	736	<b>140,000</b>
L. Myers	100,000	-	-	<b>100,000</b>
K. Wright	21,764	-	-	<b>21,764</b>
<b>Other key management personnel</b>				
J. Clayton	335,264	173,467	(328,288)	<b>180,443</b>
S. Brady	326,351	21,900	(176,535)	<b>171,716</b>
M. Nicholas	32,835	8,300	50	<b>41,185</b>
M. Payne	50,015	21,800	(10,470)	<b>61,345</b>
C. Tornø	120,800	20,400	(21,415)	<b>119,785</b>
<b>Total</b>	<b>1,351,300</b>	<b>245,867</b>	<b>(533,686)</b>	<b>1,063,481</b>

(a) All equity transactions with key management personnel have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

**Table 10: KMP Performance rights granted**

The terms and conditions of each grant of performance rights affecting remuneration of key management personnel in this financial year or future reporting years are as follows:

	Grant Date	Expiry Date	Exercise price	Fair value per performance right at grant date (\$) (Note 19)	Vested and exercised 30 June 2022	Number of Rights
FY18 Performance based	13 Nov 17 (a)*	1 Oct 19	0.00	7.05	<b>Yes</b>	48,500
FY18 Performance based	13 Nov 17 (a)*	1 Oct 20	0.00	6.81	<b>Yes</b>	48,200
FY18 Performance based	13 Nov 17 (a)*	1 Oct 21	0.00	6.68	<b>Yes</b>	48,200
FY19 Performance based	11 Sep 18 (b)*	1 Oct 20	0.00	7.07	<b>Yes</b>	66,100
FY19 Performance based	11 Sep 18 (b)*	1 Oct 21	0.00	6.81	<b>Yes</b>	65,900
FY19 Performance based	11 Sep 18 (b)*	3 Oct 22	0.00	6.58	-	65,700
FY20 Performance based	11 Oct 19 (c)*	1 Oct 21	0.00	6.51	<b>Yes</b>	64,600
FY20 Performance based	11 Oct 19 (c)*	3 Oct 22	0.00	6.81	-	64,450
FY20 Performance based	11 Oct 19 (c)*	2 Oct 23	0.00	7.06	-	64,450
FY21 Performance based	7 Sep 20 (d)*	1 Oct 23	0.00	14.69	-	147,632
FY22 Performance based	6 Oct 21 (e)*	1 Oct 24	0.00	25.96	-	50,621
FY22 Performance based	11 Nov 21 (e)*	1 Oct 24	0.00	28.91	-	73,326

\*In addition to the TSR performance hurdle, the participant must be employed by the company on the vesting date.

(a) There are three equal tranches to be tested at 30 June 2019, 30 June 2020 and 30 June 2021 all with a total shareholder return hurdle (TSR) applying an absolute test and a relative test. Two tranches remain to be tested at 30 June 2020 and 30 June 2021 respectively.

(b) There are three equal tranches to be tested at 30 June 2020, 30 June 2021 and 30 June 2022 all with a total shareholder return hurdle (TSR) applying an absolute test and a relative test.

(c) There are three equal tranches to be tested at 30 June 2021, 30 June 2022 and 30 June 2023 all with a total shareholder return hurdle (TSR) applying an absolute test and a relative test.

(d) One tranche with an absolute total shareholder return hurdle (TSR) applying an absolute test.

(e) One tranche with an EBIT CAGR gate and max and min revenue CAGR target.



## Directors' report continued

### Remuneration report (audited) continued

#### 7. Statutory remuneration tables continued

**Table 11: Fixed Deferred remuneration rights holding of KMPs**

The terms and conditions of each grant of rights issues as deferred remuneration affecting remuneration of KMPs in this financial year or future reporting years are as follows:

	Grant Date	Expiry Date	Exercise price	Fair value at grant date (\$) (Note 19)	Vested and exercised 30 June 2022	Number of rights
Jim Clayton	29 Jan 20	1-Oct-21	0.00	16.70	Yes	29,940
Jim Clayton	29 Jan 20	3-Oct-22	0.00	16.70	-	29,940
Jim Clayton	29 Jan 20	2-Oct-23	0.00	16.70	-	29,940
Jim Clayton	29 Jan 20	1-Oct-24	0.00	16.70	-	29,940
Jim Clayton	7 Sep 20	3-Oct-25	0.00	19.60	-	22,311
Other KMPs	5 Oct 21	25-Aug-22	0.00	27.21	-	11,810
Other KMPs	5 Oct 21	25-Aug-23	0.00	26.87	-	17,717
Other KMPs	5 Oct 21	25-Aug-24	0.00	26.52	-	26,574
Other KMPs	5 Oct 21	25-Aug-25	0.00	26.18	-	39,861
Other KMPs	5 Oct 21	25-Aug-26	0.00	25.85	-	59,793
Jim Clayton	11 Nov 21	25-Aug-23	0.00	29.28	-	12,077
Jim Clayton	11 Nov 21	25-Aug-24	0.00	28.91	-	12,077
Jim Clayton	11 Nov 21	25-Aug-25	0.00	28.54	-	12,077
Jim Clayton	11 Nov 21	25-Aug-26	0.00	28.17	-	29,330

**Table 12: Unvested Performance and Fixed Deferred Remuneration Rights holdings of KMPs**

30 June 2022	Balance 30 June 2021	Granted as remuneration <sup>(a)</sup>	Vested and exercised	Other <sup>(b)</sup>	Balance 30 June 2022
<b>Other key management personnel</b>					
J. Clayton	427,650	138,887	(130,740)	-	<b>435,797</b>
S. Brady	63,403	54,866	(21,800)	-	<b>96,469</b>
M. Nicholas	55,578	52,580	(15,800)	-	<b>92,358</b>
M. Payne	58,874	48,180	(20,500)	-	<b>86,554</b>
C. Torng	57,498	50,750	(19,800)	-	<b>88,448</b>
	<b>663,003</b>	<b>345,263</b>	<b>(208,640)</b>	-	<b>799,626</b>

(a) Performance rights granted during the year are subject to performance hurdles and remaining in employment until the date of vesting.

(b) Includes forfeitures and lapses.

30 June 2021	Balance 30 June 2020	Granted as remuneration <sup>(a)</sup>	Vested and exercised	Other <sup>(b)</sup>	Balance 30 June 2021
<b>Other key management personnel</b>					
J. Clayton	466,827	103,190	(142,367)	-	427,650
S. Brady	67,900	17,403	(21,900)	-	63,403
M. Nicholas	47,200	16,678	(8,300)	-	55,578
M. Payne	64,100	16,574	(21,800)	-	58,874
C. Torng	61,800	16,098	(20,400)	-	57,498
	<b>707,827</b>	<b>169,943</b>	<b>(214,767)</b>	-	<b>663,003</b>

(a) Performance rights granted during the year are subject to performance hurdles and/or remaining in employment until date of vesting.

(b) Includes forfeitures and lapses.

## Directors' report continued

### Remuneration report (audited) continued

#### 8. LTI Relative TSR Peer group appendix

**Table 13: Bloomberg ASX200 Consumer Staples, Consumer Discretionary and Industrials Peer Group used for Relative TSR Measurement**

ASX Code	Company	Sector
A2M	The a2 Milk Company	Consumer Staples
ALG	Ardent leisure grp ltd	Consumer Discretionary
ALL	Aristocrat Leisure	Consumer Discretionary
ALQ	Als Limited	Industrials
ALX	Atlas Arteria	Industrials
ARB	ARB Corporation	Consumer Discretionary
ASB	Austal Limited	Industrials
AZJ	Aurizon Holdings Limited	Industrials
BAP	Bapcor Limited	Consumer Discretionary
BGA	Bega Cheese Limited	Consumer Staples
BKL	Blackmores Limited	Consumer Staples
BRG	Breville Group Limited	Consumer Discretionary
BXB	Brambles Limited	Industrials
CGC	Costa Group Holdings	Consumer Staples
COL	Coles Group	Consumer Staples
CTD	Corp Travel Limited	Consumer Discretionary
CWY	Cleanaway Waste Limited	Industrials
DMP	Domino PIZZA Enterpr	Consumer Discretionary
DOW	Downer Edi Limited	Industrials
EHL	Emeco Holdings	Industrials
ELD	Elders Limited	Consumer Staples
FLT	Flight Centre Travel	Consumer Discretionary
GEM	G8 Education Limited	Consumer Discretionary
GNC	Graincorp Limited Class A	Consumer Staples
GUD	G.U.D. Holdings	Consumer Discretionary
GWA	GWA Group Limited	Industrials
HVN	Harvey Norman	Consumer Discretionary
IEL	Idp Education Limited	Consumer Discretionary
ING	Inghams Group	Consumer Staples
IPH	IPH Limited	Industrials
IVC	Invocare Limited	Consumer Discretionary
JBH	JB Hi-Fi Limited	Consumer Discretionary
MMS	McMillan Shakespeare	Industrials
MND	Monadelphous Group	Industrials
MTS	Metcash Limited	Consumer Staples
NEA	Nearmap Limited	Industrials
NEC	Nine Entertainment	Communication Services
NWH	NRW Holdings Limited	Industrials
NWS	News Corp Class B Voting Common Stock-Cdi	Communication Services
OML	Ooh!Media Limited	Consumer Discretionary
PMV	Premier Investments	Consumer Discretionary
QAN	Qantas Airways	Industrials
QUB	QUBE Holdings Limited	Industrials
RWC	Reliance Worldwide	Industrials
SEK	Seek Limited	Communication Services
SGR	The Star Ent Group	Consumer Discretionary
SIQ	Smartgrp Corporation	Industrials
SKC	Skycity Ent Group Limited Foreign Exempt NZX	Consumer Discretionary
SSM	Service Stream	Industrials
SUL	Super Ret Rep Limited	Consumer Discretionary
SVW	Seven Group Holdings	Industrials
SWM	Seven West Media Limited	Consumer Discretionary
SXL	STHN Cross Media	Consumer Discretionary
TAH	Tabcorp Holdings Limited	Consumer Discretionary
TCL	Transurban Group	Industrials
TGR	Tassal Group Limited	Consumer Staples
TWE	Treasury Wine Estate	Consumer Staples
WEB	Webjet Limited	Consumer Discretionary
WES	Wesfarmers Limited	Consumer Discretionary
WOW	Woolworths Group Limited	Consumer Staples

## Directors' report continued

### Directors' meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of Board meetings attended by each Director or by each committee member, in the case of the audit and risk committee (A&RC) and the people, performance, remuneration and nominations committee (PPRNC), was as follows:

	Full Board	Audit & risk (A&RC)	People, performance, remuneration & nominations (PPRNC)	Sustainability Committee
<b>Number of meetings</b>	<b>12</b>	<b>5</b>	<b>4</b>	<b>2</b>
T. Antonie	16 (b)	5	4	0
L. Myers	16	5 (b)	4 (a)	0
J. Clayton (c)	14	4	2	0
P. Cowan	15	5	4	2 (b)
S. Herman	16	5	4	2 (a)
D. Howell	16	5 (a)	4 (a)	0
K. Wright	16	5 (a)	4 (b)	2 (a)
T. Baxter (d)	2	1	1	0
S. Fisher	5	2	1	0

#### Notes

- (a) A member of the relevant committee. All board members are invited to attend the committee meetings.
- (b) Designates the current chairperson of the Board or committee.
- (c) Jim Clayton appointed Managing Director on 18th August 2021.
- (d) Tim Baxter appointed Director on 1<sup>st</sup> June 2022 – 100% attendance after appointment.

### Committee membership

As of the date of this report, the company had an audit and risk committee (A&RC) and a people, performance, remuneration and nominations committee (PPRNC) and a Sustainability committee. The details of the functions and memberships of the committees are presented in the corporate governance statement.

- The current members, as at the date of this report, of the A&RC are L. Myers (Chairperson), D. Howell and K. Wright.
- The current members, as at the date of this report, of the PPRNC are K. Wright (Chairperson), D. Howell and L. Myers.
- The current members, as at the date of this report, of the Sustainability committee are P. Cowan (Chairperson), K. Wright, S. Herman and D. Howell.

All Chairs and members of the A&RC and PPRNC are independent.

All Board Members may attend A&RC and PPRNC and Sustainability committee meetings by standing invitation.

### Indemnification of Directors and officers

The Directors and officers of the company are indemnified by the company against losses or liabilities that they may sustain or incur as an officer of the company in the proper performance of their duties. During the financial year, the company paid premiums in respect of contracts to insure the Directors and officers of the company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premiums.

### Likely future developments and expected results

Disclosure of information as to likely future developments in the operations of the consolidated entity and expected results of those operations would be prejudicial to the interests of the consolidated entity. Accordingly, such information has not been included in this report.

### Environmental regulations and performance

The consolidated entity is not involved in any activities that have a marked influence on the environment within its area of operation. The Group's commitment to sustainability including environmental initiatives is outlined in pages 15 - 34 of the Directors' Report.

## Directors' report continued

### Corporate governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors support the principles of good corporate governance. The company's corporate governance statement is on page 59.

### Performance rights

#### Unissued shares

As of the date of this report there were 1,687,103 potential unissued shares under the performance rights and fixed deferred remuneration share rights schemes (2021: 1,388,145). Refer to note 19 of the financial report for further details of the performance rights outstanding and fixed deferred remuneration share rights. Neither performance rights holders, nor fixed deferred remuneration share rights holders, have any right, by virtue of the performance right, to participate in any share issue of the company.

#### Lapse of unvested performance rights

During the year 101,606 unvested performance rights lapsed following the cessation of employment of employees or executives and no unvested performance rights lapsed as a result of performance hurdles not being met. (2021: 1,954 unvested performance rights lapsed following the cessation of employment of employees or executives and no unvested performance rights lapsed as a result of performance hurdles not being met).

### Auditor's declaration of independence

Attached on page 123 is a copy of the auditor's declaration provided under section 307C of the *Corporations Act 2001* in relation to the audit for the year ended 30 June 2022. This auditor's declaration forms part of this Directors' report.

### Non-audit services

During the financial year ended 30 June 2022 the company's auditor, PricewaterhouseCoopers, provided non-audit services to Breville Group entities. Details of the amounts paid to the auditor PricewaterhouseCoopers for the provision of non-audit services during the year ended 30 June 2022 are set out in note 21 on page 119. These services primarily relate to tax compliance and advisory services.

For FY22, the ratio between audit and non-audit fees is 1.4 to 1.0.

A portion of the non-audit fees associated with taxation and accounting advisory services in FY22 are non-recurring in nature relating to VAT consulting in Europe and immigration and visa support. The group moved its US tax compliance work in FY22.

In accordance with the recommendation from the A&RC of the company, the Directors are satisfied that the provision of the non-audit services during the year is compatible with the general standard of independence imposed by the Corporations Act. Also, in accordance with the recommendation from the A&RC, the Directors are satisfied that the nature and scope of each type of non-audit service provided means that auditor independence was not compromised. The auditors have also provided the audit and risk committee with a report confirming that, in their professional judgement, they have maintained their independence in accordance with the firm's requirements, the provisions of APES 110 Code of Ethics for Professional Accountants and the applicable provisions of the Corporations Act.

## Directors' report continued

### Significant events after year end

On 1st July 2022 Breville Group Limited acquired 100% of the issued shares in LELIT, an Italian based speciality coffee group, for consideration of approximately \$140m. As a rapidly growing disruptor in the premium Italian-made espresso machine and grinder market, the acquisition of LELIT strategically complements Breville's award-winning coffee portfolio and brings together two iconic companies in the design and distribution of preeminent home coffee equipment. The financial effects of this transaction have not been recognised at 30 June 2022. The operating results and assets and liabilities of the acquired company will be consolidated from 1 July 2022.

At the time the financial statements were authorised for issue, the group had not yet completed the accounting for the acquisition of LELIT. In particular, the fair values of the assets disclosed above have only been determined provisionally as the independent valuations have not been finalised. It is also not yet possible to provide detailed information about each class of acquired receivables and any contingent liabilities of the acquired entity.

No other matters or circumstances have arisen since the end of the year that significantly affected or may affect the operations of the consolidated entity.

Signed in accordance with a resolution of Directors.



Timothy Antonie  
Non-executive Chairperson

Sydney  
23 August 2022

## Corporate governance statement

The Board of Directors is responsible for the corporate governance practices of the company and is committed to adhering to the Australian Securities Exchange ('ASX') Corporate Governance Council ('council') 'Corporate Governance Principles and Recommendations (4<sup>th</sup> Edition)'.

The ASX principles that have been adopted are outlined below.

The company's corporate governance practices throughout the year ended 30 June 2022 were compliant with the council's principles and recommendations, except for those differences disclosed and explained in this statement.

The following documents are available in the corporate governance section of the company's website **brevillegroup.com**.

- Board charter
- Audit and risk committee charter
- People, performance, remuneration and nomination committee charter
- Sustainability committee charter
- Code of conduct
- Anti-bribery and corruption
- Whistleblower Protection Policy
- Ethical sourcing policy
- Modern Slavery statement
- Diversity & inclusion policy
- Share trading policy
- Continuous disclosure policy
- Selection and appointment of Directors
- Criteria for assessing independence of Directors
- Shareholder communications policy
- Minimum shareholding guideline policy
- Workplace gender equality agency report
- Sustainability Policy

The skills, diversity, and term in office of the current Directors as of the date of this report are as follows:

Director	Appointed	Term in Office	Qualifications	Non-executive	Independent	Last elected
Timothy Antonie (Chairperson)	2013	9 years	BEcon	Yes	No	2020
Jim Clayton	2021	1 year	BBA, Finance, JD	No	No	N/A
Peter Cowan	2018	4 years	Other	Yes	Yes	2021
Sally Herman	2013	9 years	BA, GAICD	Yes	No	2019
Dean Howell	2008	14 years	FCA, CTA	Yes	Yes	2020
Lawrence Myers	2013	9 years	B.Acct, CA, CTA	Yes	Yes	2021
Kate Wright	2016	6 years	BA	Yes	Yes	2019
Timothy Baxter	2022	0 years	BS	Yes	Yes	-

The Board has a wide range of skills which are necessary for the effective management of the business including in the following areas:

- Corporate strategy and executive leadership
- Multinational businesses and global markets
- Marketing
- Consumer goods
- Product development and technology
- Retail
- Risk management
- Banking compliance and governance
- Accounting, tax, reporting, and financial analysis
- Mergers, acquisitions, and capital raisings
- Human resources and executive remuneration
- Investor relations

## Corporate governance statement continued

Breville maintains a majority independent Board and is steadily evolving its Board composition to benefit from diversity in all its forms including gender, skill set, experience, ethnicity, and geography.

As previously announced the Group was committed to adding another independent Director in FY22. Given that 80% of the Group's revenue in FY22 was outside of Australia, with 52% in North America, priority was given to adding a highly credentialed, non- Australian based Director. In June 2022 Mr Tim Baxter joined the Board bringing specific experience of leading a consumer products business on a global scale and adding geographic and nationality diversity to the Board. Mr Baxter is the first non-Australian based Director the group has appointed. Along with Mr Clayton, Mr Baxter's appointment increases the number of North Americans on the Board to two, or 25%.

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

#### Role of the Board and management

The Board guides and monitors the business and affairs of the company on behalf of the shareholders, by whom it is elected and to whom it is accountable. The Board has adopted formal guidelines for Board operation and membership. These guidelines outline the roles and responsibilities of the Board and its members and establish the relationship between the Board and management.

The Board is responsible for approving the strategic direction of the company, establishing goals for management including the annual budget, monitoring the achievement of those goals and establishing a sound system of risk oversight and management. The Board will regularly review its performance and the performance of its committees. The respective roles and responsibilities of the Board and management are outlined further in the Board charter.

#### Appointment of Board members

A detailed process is undertaken for the appointment of new Board members, including appropriate checks as to background, experience and skill set and any potential conflicts of interest.

During FY22 Jim Clayton joined the Board as Managing Director and Tim Baxter joined the Board as a Non-Executive Director. Both are US citizens with Tim Baxter being based in the New York area. Mr. Baxter brings deep operational expertise in Consumer Electronics, inclusive of ecosystem development and connected devices. This skillset and global experience will enhance the Board's capability to continue to deliver sustained global growth.

As at the date of this annual report, all Directors have a written agreement outlining their roles and responsibilities. New Directors receive a comprehensive briefing package prior to their appointment.

#### Company secretaries

The company secretaries are directly accountable to the Board on all matters relating to the proper functioning of the Board.

#### Diversity policy

The company is an equal opportunity employer and values differences such as gender, age, sexuality, culture, disability and, ethnicity. The company's diversity policy aims to ensure a corporate culture that supports workplace diversity whilst providing access to equal opportunities at work based on merit. This policy is available on the company's website in the corporate governance section and is subject to periodic review and may be changed by resolution of the Board.

#### Diversity policy objectives

The objectives set by the Board in accordance with the diversity policy, and progress towards achieving them, including gender balance, are:

- Representation of women trained in recruitment and on selection panels: Ongoing progress was made during the year with additional women being trained in these skills;
- Issuing the company's equal opportunity statement to recruiting agencies: This continued during the year;
- Explicit requirement of recruiting agencies to provide a gender balance of suitable, qualified, shortlisted candidates for interview: This initiative continued to progress during the year;
- Promoting a safe workplace free from harassment or discrimination of any kind: Training and education programs which included topics on unconscious bias, harassment, bullying, victimisation and discrimination were conducted during the year;
- Enhancing the gender balance in career development in senior and managerial roles;
- Continue flexible working arrangements where operationally appropriate; and
- A target gender balance of at least 40% of either gender in managerial and executive roles and approximately 30% for the Board.



## Corporate governance statement continued

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

#### Diversity policy objectives continued

The proportion of women employees in the company at 30 June 2022 is shown in the below table.

	30 June 2022	30 June 2021
Women on the Board <sup>1</sup>	25%	29%
Women in senior and executive roles <sup>2</sup>	34%	35%
Women in managerial roles <sup>3</sup>	36%	36%
Women in company	45%	45%

<sup>1</sup> The number of women on the Board remained at 2. Proportion after the appointment of Tim Baxter reduced to 25%.

<sup>2</sup> The senior and executive role measure is comprised of all executive staff reporting to the CEO and their direct reports.

<sup>3</sup> Managerial roles include all executive, senior and management roles.

To assist the Board in fulfilling its responsibilities in relation to diversity, the implementation of these objectives is overseen by the people, performance, remuneration and nominations committee (PPRNC). The committee shall:

- report to the Board at least annually, on the company's progress in achieving the objectives set for achieving gender diversity;
- regularly oversee a review of the relative proportion of women across the company and their relative positions; and
- consider other initiatives to promote diversity in the workplace.

The composition of the Breville Board is evolving with the last three non-executive Director appointments all being independent, one of whom is a woman. Future appointments will seek to enhance both the skill set and diversity of the Board in all forms.

#### Workplace equality

In accordance with the requirements of the Workplace Gender Equality Act 2012 (Act), Breville Pty Limited lodged its annual compliance report with the Workplace Gender Equality Agency. This report is available on the company's website at the corporate governance section.

#### Evaluating the performance of the Board

The Chairperson is responsible for evaluating the Board's performance by way of an annual internal assessment. Each Director provides written feedback in relation to the performance of the Board and Directors against a set of agreed criteria. This feedback is reported by the Chairperson to the Board following the assessment.

#### Evaluating the performance of key executives

The performance of key executives is reviewed against specific and measurable qualitative and quantitative performance criteria and includes:

- financial measures of the company's performance;
- development and achievement of strategic objectives;
- development of management and staff;
- compliance with legislative and company policy requirements; and
- achievement of key performance indicators.

#### Performance evaluation

All key executives were subject to an annual performance review with their direct manager during the reporting period.

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

#### Board composition

The company's constitution states that there must be a minimum of three Directors and contains detailed provisions concerning the tenure of Directors. The Board currently comprises seven non-executive Directors and one executive Director. The Directors' report, on pages 6 and 7, outlines the relevant skills, experience and expertise held by each Director in office at the date of this report. The Board annually assesses if there is a need for its existing Directors to undertake professional development to ensure they perform their role effectively.

## Corporate governance statement continued

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

#### Board composition continued

In accordance with good corporate governance, where the Chairperson of the Board is not an independent Director, the Board considers it to be useful and appropriate to designate an independent Director to serve in a lead capacity to co-ordinate the activities of the other independent Directors, including acting as principal liaison between the independent Directors and the Chairperson and representing the Board as the lead independent Director when the Chairperson is unable to do so because of his non-independent status.

As the Chairperson is not independent, the Board appointed Mr. Myers as its lead independent Director. Mr. Myers was subsequently appointed as Deputy Chairperson in FY22.

#### Director independence

In considering whether a Director is independent, the Board refers to the company's "Criteria for assessing independence of Directors" at the corporate governance section of the company's website, which is consistent with the council's recommendations. Independent Directors of the company are those that are not involved in the day-to-day management of the company and are free from any real or reasonably perceived business or other relationship that could materially interfere with the exercise of their unfettered and independent judgement.

In accordance with the definition of independence above, and the materiality thresholds outlined in the company's policy 'Criteria for assessing independence of Directors', it is the Board's view that Mr. Peter Cowan, Mr. Dean Howell, Mr. Lawrence Myers, Mr. Tim Baxter and Ms. Kate Wright are independent Directors. Mr. Dean Howell's independence was explicitly reviewed in light of his tenure with the Group, and this was reconfirmed given his track record of independent opinion and action and the fact that the executive team was substantially changed over the last 7 years. Thus, Mr. Howell's tenure working with this current leadership team is no longer than most of the Board.

The following Directors are not classified independent Directors:

- Mr Timothy Antonie (non-executive Chairperson) is a non-executive Director of Premier Investments Ltd, a substantial shareholder of the company; and
- Ms Sally Herman (non-executive Director) is a non-executive Director of Premier Investments Ltd, a substantial shareholder of the company.
- Jim Clayton (Managing Director) in his dual role as Chief Executive Officer is not considered independent.

Regardless of whether Directors are defined as independent, all Directors are expected to bring independent views and judgement to Board deliberations. The majority of the Board members are independent Directors.

#### Material personal interest requirement

The Corporations Act provides that unless agreed by the Board, where any Director has a material personal interest in a matter, the Director will not be permitted to be present during discussions, or to vote on the matter.

#### Access to independent advice

There are procedures in place to enable Directors, in connection with their duties and responsibilities as Directors, to seek independent professional advice at the expense of the company. Prior written approval of the Chairperson is required, which will not be unreasonably withheld.

#### Induction and continuing professional development

Newly appointed Directors participate in an extensive induction program. This includes the provision of information relevant to their role as a listed company Director, and briefings with other Directors and key members of management on the Group's strategy, operations, structure and material risks. Directors are also encouraged to undertake ongoing professional development to develop and maintain the skills and knowledge required to perform their role effectively.

#### Board committees

The Board has established the ARC, the PPRNC and the Sustainability committee to assist in the execution of its duties and to allow detailed consideration of complex issues.

The composition of these committees is shown on page 56. The ARC and PPRNC comprises only independent Directors. The recently established sustainability committee is chaired by an independent, non-executive Director and has only non-executive membership.

## Corporate governance statement continued

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

#### Values

The culture and values of the group are led by the Board and, supported by policy and procedure, underpin the ethical and responsible behaviour expected by all members of the group.

The company has been undertaking an extensive refresh of its values which will be published in FY23.

#### Code of conduct

The Board has formally adopted a code of conduct ("code") for all employees (including Directors). The code aims at maintaining the highest ethical standards, corporate behaviour and accountability across the Group. These obligations are also consistent with the duties imposed on Directors by the Corporations Act. In addition, Directors are obliged to be independent in judgement and to ensure that all reasonable steps are taken to be satisfied as to the soundness of Board decisions.

#### Whistleblower, anti-bribery and corruption policies

The Group has an anti-bribery and corruption policy which, in conjunction with the code of conduct and whistleblowing policy, sets out the responsibilities of all the Group's employees (including contractors) and Directors regarding dealing with outside parties.

The policy prohibits all personnel in all jurisdictions in which the company operates or conducts commercial activities from engaging in any activity that constitutes bribery or corruption and other improper inducements and/or payments.

To ensure that these values and the policy are properly adhered to, the Group has appointed an Anti-Bribery Compliance Officer who is responsible for monitoring the application of this policy. Breaches of the whistleblower and anti-bribery and corruption policy are reported to the Board via the Group CFO.

### Principle 4: Safeguard integrity of corporate reports

#### Audit and risk committee

The Board has an ARC, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the consolidated entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information. The Board has delegated the responsibility for monitoring and maintaining the framework of internal control and ethical standards of the company to the ARC.

Among its responsibilities, the ARC:

- ensures that company accounting policies and practices are in accordance with current and emerging accounting standards;
- reviews all accounts of the Group to be publicly released;
- recommends to the Board the appointment and remuneration of the external auditors;
- reviews the scope of external audits
- assesses the performance and independence of the external auditors, including procedures governing partner rotation;
- reviews corporate governance practices;
- monitors and assesses the systems for internal compliance and control, legal compliance and risk management including operational and strategic risks; and
- reviews and carries out an annual assessment of the company's risk management framework.

#### Composition of committee

The members of the ARC as at the date of this report are:

- Mr Lawrence Myers (Chairperson)
- Mr Dean Howell
- Ms Kate Wright

The Directors' report, on page 56, outlines the number of ARC meetings held during the year and the member's attendance at those meetings. It also outlines the qualifications of ARC members on pages 6 and 7.

Board members, group CEO, company secretaries, group CFO; the external auditors and any other persons considered appropriate may attend meetings of the ARC by invitation. The committee also meets from time to time with the external auditors independent of management.

In accordance with the council's recommendation 4.2, the ARC is structured so that it:

- comprises only non-executive Directors;
- is chaired by an independent chair, who is not chair of the Board; and
- has at least three members, in Breville's case, all of whom are independent Directors

## Corporate governance statement continued

### Principle 4: Safeguard integrity of corporate reports continued

#### Audit and risk committee continued

In accordance with the council's recommendation 4.2 the group CEO and group CFO provide the Board with a written declaration confirming that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system operated effectively in all material respects.

#### Composition of committee

Periodic disclosures which are not subject to external audit are reviewed and presented to the Board for approval and are subject to rigorous internal review prior to publication.

### Principle 5: Make timely and balanced disclosure

The company's continuous disclosure policy complies with the council's recommendation 5.1. This policy is available on the company's website under the corporate governance section.

Materials used for investor and analyst briefing purposes are made public via ASX announcements.

The Board approves all material market announcements before release. Any new, or substantive, analyst presentations are released on the ASX Market Announcements Platform.

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

#### Communication policy

The Company is committed to providing all shareholders with comprehensive, timely and equal access to information about its activities to enable them to make informed investment decisions. The company's shareholder communication policy and all governance information are available on the corporate governance section of the company's website.

The company aims to facilitate effective communication with shareholders in a number of ways, including through:

- the Annual General Meeting (AGM), which shareholders are encouraged to attend and participate in, including by exercising their voting rights and asking questions of the Chair and the Board. The company ensures that all substantive resolutions at the AGM, or any other meeting of shareholders, are decided by a poll rather than a show of hands;
- an investor relations program, which includes scheduled and ad-hoc briefing sessions with investors, analysts and other stakeholders;
- the Breville Group website which provides up-to-date information about the company, its governance framework and recent ASX announcements; and
- notifications from the company's share registry.

#### Electronic communication

Shareholders can elect to receive communications from the company's share registry electronically. Shareholders are also able to send communications to the company and receive responses to these communications electronically.

#### Briefings

The company keeps a record of briefings held with investors and analysts, including a record of those present and the time and place of the meeting.

### Principle 7: Recognise and manage risk

The company is committed to the identification, monitoring and management of risks associated with its business activities including financial, operational, compliance, climate, ethical conduct, brand and product quality risks. The company has embedded in its management and reporting systems a number of risk management controls.

These include:

- a bi-annual presentation of the risk register and risk matrix to the Board and the ARC identifying key risks, mitigants and the residual risk compared to Board risk appetite.
- policies and procedures for the management of financial risk and treasury operations including exposures to foreign currencies and movements in interest rates;
- annual strategic planning sessions;
- annual budgeting and monthly reporting systems for all businesses that enable the monitoring of progress against performance targets and the evaluation of trends;
- policies and procedures that enable management of the company's material business risks; and
- guidelines and limits for approval of capital expenditure;

## Corporate governance statement continued

### Principle 7: Recognise and manage risk continued

#### Audit and risk committee

The company operates a twice yearly extensive self-assessment process as well as external audits but does not have an internal audit function. The establishment of an internal audit function is under review for potential implementation in FY24/25. Management is responsible to the Board for the internal control and risk management systems and reporting to the Board on the effectiveness of the management of its material business risks. The A&RC assists the Board in monitoring this function.

During FY22, the ARC directly undertook the duties and responsibilities typically delegated to a separate risk committee.

#### Sustainability committee

The Sustainability committee is responsible for assisting the Board in fulfilling its oversight responsibilities in relation to sustainability policies, strategies and programs of the Group. This responsibility includes reviewing, monitoring and making recommendations to the Board in relation to any material sustainability risks, including those associated with the execution of the Group sustainability agenda, as well as the integrity of the Group's sustainability reporting.

The Sustainability committee is composed of the following Directors as of the date of this report:

- Mr Peter Cowan (Chairperson)
- Ms Sally Herman
- Ms Kate Wright
- Mr Dean Howell (Joined July 2022)

The Sustainability committee comprises:

- an independent chairperson; and
- at least three members, all of whom are non-executive Directors.

For details on the number of meetings of the Sustainability committee held during the year and the members' attendance at those meetings, refer to the Directors' report on page 56.

The Group's exposure to economic, environmental and social sustainability risks, together with how these risks are managed, are detailed in the Operating and Financial Review section of the Directors' report.

### Principle 8: Remunerate fairly and responsibly

#### People, performance, remuneration and nominations committee

The PPRNC is responsible for overseeing the remuneration and nomination of both key executive and non-executive Board roles as well as the remuneration strategy for the group.

The PPRNC is composed of the following Directors as of the date of this report:

- Ms Kate Wright (Chairperson)
- Mr Dean Howell
- Mr Lawrence Myers

In accordance with the council's recommendation 8.1, the PPRNC comprises:

- an independent Chairperson; and
- at least three members, in Breville's case all of whom are independent

The PPRNC is considered to be independent as of the date of this report.

For details on the number of meetings of the PPRNC held during the year and the members' attendance at those meetings, refer to the Directors' report on page 56.

The company's policies for participants in equity-based remuneration schemes are published on its website. Key management personnel (KMPs) and associates are prohibited from entering transactions with options, hedging arrangements or other derivative products. All trading activity by KMPs, and their associates, in relation to the company's shares, requires formal sign off by the Company Secretary and Chairperson.

#### Remuneration disclosure

For details of the company's remuneration philosophy and framework, and the remuneration received by Directors and executives in the current period, please refer to the remuneration report contained in the Directors' report on pages 35 to 55.

#### Equity based remuneration schemes and share trading

The securities trading policy details restrictions on the trading of shares received via equity-based remuneration schemes or otherwise acquired. All transactions by KMP's explicitly require Chairperson approval.

## Consolidated income statement

For the year ended 30 June 2022

	Note	Consolidated	
		30 June 2022 \$'000	30 June 2021 \$'000
Revenue	3(a)	1,418,437	1,187,659
Cost of sales	3(b)	(932,500)	(773,991)
<b>Gross profit</b>		<b>485,937</b>	<b>413,668</b>
Other income		405	284
Employee benefits expenses	3(e)	(158,530)	(117,833)
Premises & utilities expenses		(17,360)	(12,344)
Advertising and marketing expenses		(68,310)	(66,428)
Other expenses	3(d)	(55,317)	(54,049)
<b>Earnings before interest, tax, depreciation &amp; amortisation (EBITDA)</b>		<b>186,825</b>	<b>163,298</b>
Depreciation and amortisation expense	3(c)	(30,464)	(26,868)
<b>Earnings before interest &amp; tax (EBIT)</b>		<b>156,361</b>	<b>136,430</b>
Finance costs	3(f)	(8,844)	(9,157)
Finance income	3(f)	317	130
<b>Profit before income tax</b>		<b>147,834</b>	<b>127,403</b>
Income tax expense	4	(42,117)	(36,435)
<b>Net profit after income tax for the year attributable to members of Breville Group Limited</b>		<b>105,717</b>	<b>90,968</b>
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share for profit attributable to the ordinary equity holders of the Company:</b>			
Basic earnings per share	13	75.9	65.8
Diluted earnings per share	13	75.3	65.2

The accompanying notes form an integral part of this consolidated income statement.

# Consolidated statement of comprehensive income

	Note	Consolidated	
		30 June 2022 \$'000	30 June 2021 \$'000
<b>Net Profit after income tax for the year</b>		<b>105,717</b>	90,968
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Foreign currency translation differences		19,361	(14,742)
Net change in fair value of cash flow hedges		21,940	488
Income tax on other comprehensive income	4	(7,650)	4,370
<b>Other comprehensive income for the year, net of income tax</b>		<b>33,651</b>	(9,884)
Total comprehensive income for the year is attributable to:			
Owners of Breville Group Limited		139,368	81,084
Total comprehensive income for the year attributable to owners of Breville Group Limited arises from:			
Continuing operations		139,368	81,084

The accompanying notes form an integral part of this consolidated statement of comprehensive income.



# Consolidated statement of financial position

As at 30 June 2022

		<b>Consolidated</b>	
		<b>30 June</b>	<b>30 June</b>
	<b>Note</b>	<b>2022</b>	<b>2021</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Current assets</b>			
Cash and cash equivalents (excluding bank overdrafts)	5	168,256	129,907
Trade and other receivables	6	194,202	119,335
Inventories	7	445,884	216,670
Current tax receivables	4	2,464	4,927
Other financial assets	16	33,484	2,625
<b>Total current assets</b>		<b>844,290</b>	<b>473,464</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	33,477	26,796
Deferred tax assets	4	13,684	17,426
Right-of-use assets	10	44,656	33,186
Intangible assets	9	241,047	217,442
Other financial assets	16	1,998	2,326
<b>Total non-current assets</b>		<b>334,862</b>	<b>297,176</b>
<b>Total assets</b>		<b>1,179,152</b>	<b>770,640</b>
<b>Current liabilities</b>			
Trade and other payables	6	292,272	175,796
Lease liabilities	10	12,172	7,210
Current tax liabilities	4	8,849	11,861
Provisions	6	29,482	23,592
Other financial liabilities	16	330	626
<b>Total current liabilities</b>		<b>343,105</b>	<b>219,085</b>
<b>Non-current liabilities</b>			
Trade and other payables	6	9,770	12,194
Borrowings	15	172,349	-
Lease liabilities	10	37,643	31,506
Deferred tax liabilities	4	105	61
Provisions	6	1,763	1,309
<b>Total non-current liabilities</b>		<b>221,630</b>	<b>45,070</b>
<b>Total liabilities</b>		<b>564,735</b>	<b>264,155</b>
<b>Net assets</b>		<b>614,417</b>	<b>506,485</b>
<b>Equity</b>			
<b>Equity attributable to equity holders of Breville Group Limited</b>			
Issued capital	14	323,165	309,615
Reserves	14	13,845	(14,537)
Retained earnings		277,407	211,407
<b>Total equity</b>		<b>614,417</b>	<b>506,485</b>

The accompanying notes form an integral part of this consolidated statement of financial position.

## Consolidated statement of changes in equity

For the year ended 30 June 2022

Consolidated	Note	Issued capital \$'000	Foreign currency translation \$'000	Employee equity benefits reserve \$'000	Cash flow hedges \$'000	Retained earnings \$'000	Total \$'000
<b>2022</b>							
<b>At 1 July 2021</b>		309,615	(11,821)	(3,916)	1,200	211,407	506,485
Foreign currency translation reserve		-	19,361	-	-	-	19,361
Cash flow hedges		-	-	-	21,940	-	21,940
Income tax on items taken directly to equity	4	-	-	(1,070)	(6,580)	-	(7,650)
<b>Total other comprehensive income for the year</b>		-	19,361	(1,070)	15,360	-	33,651
Profit for the year ended		-	-	-	-	105,717	105,717
<b>Total comprehensive income for the year ended</b>		-	<b>19,361</b>	<b>(1,070)</b>	<b>15,360</b>	<b>105,717</b>	<b>139,368</b>
<b>Transactions with owners in their capacity as owners:</b>							
Dividends paid	12	-	-	-	-	(39,717)	(39,717)
Ordinary shares issued for Performance Rights Plan (LTI) and Fixed Deferred Remuneration Plan, net of transaction costs and tax	14(a)	13,550	-	(13,576)	-	-	(26)
Ordinary shares acquired by the Trustee of the Breville Group Performance Share Plan (LTI)	14(b)	(12,626)	-	-	-	-	(12,626)
Transferred to participants of the performance rights plan	14(b)	12,626	-	-	-	-	12,626
Share-based payments		-	-	8,307	-	-	8,307
<b>At 30 June 2022</b>		<b>323,165</b>	<b>7,540</b>	<b>(10,255)</b>	<b>16,560</b>	<b>277,407</b>	<b>614,417</b>

The accompanying notes form an integral part of this consolidated statement of changes in equity.

## Consolidated statement of changes in equity continued

For the year ended 30 June 2022

Consolidated	Note	Issued capital \$'000	Foreign currency translation \$'000	Employee equity benefits reserve \$'000	Cash flow hedges \$'000	Retained earnings \$'000	Total \$'000
<b>2021</b>							
<b>At at 1 July 2020</b>		246,445	2,921	(1,721)	859	166,579	415,083
Foreign currency translation reserve		-	(14,742)	-	-	-	(14,742)
Cash flow hedges		-	-	-	488	-	488
Income tax on items taken directly to equity	4	-	-	4,517	(147)	-	4,370
<b>Total other comprehensive income for the year</b>		-	(14,742)	4,517	341	-	(9,884)
Profit for the year ended		-	-	-	-	90,968	90,968
<b>Total comprehensive income for the year ended</b>		-	(14,742)	4,517	341	90,968	81,084
<b>Transactions with owners in their capacity as owners:</b>							
Dividends paid	12	-	-	-	-	(46,140)	(46,140)
Ordinary shares issued to underwriters, net of transactions costs and tax, and participants of the DRP		27,971	-	-	-	-	27,971
Ordinary shares issued for Performance Rights Plan (LTI) and Fixed Deferred Remuneration Plan, net of transaction costs and tax		11,659	-	(453)	-	-	11,206
Ordinary shares issued net of transaction costs and tax, on acquisition of Baratza		23,540	-	-	-	-	23,540
Ordinary shares acquired by the Trustee of the Breville Group Performance Share Plan (LTI)		(11,206)	-	-	-	-	(11,206)
Transferred to participants of the performance rights plan		11,206	-	(11,206)	-	-	-
Share-based payments		-	-	4,947	-	-	4,947
<b>At 30 June 2021</b>		<b>309,615</b>	<b>(11,821)</b>	<b>(3,916)</b>	<b>1,200</b>	<b>211,407</b>	<b>506,485</b>

The accompanying notes form an integral part of this consolidated statement of changes in equity.

## Consolidated statement of cash flows

For the year ended 30 June 2022

	Note	Consolidated	
		30 June 2022 \$'000	30 June 2021 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		1,458,572	1,314,512
Payments to suppliers and employees		(1,445,886)	(1,148,624)
Finance income received		353	130
Finance costs paid		(7,834)	(8,351)
Income tax paid		(47,358)	(33,400)
<b>Net cash flows (used in) from operating activities</b>	5(a)	<b>(42,153)</b>	124,267
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment	8	(16,550)	(8,523)
Proceeds from sale of property, plant and equipment		42	57
Development of intangible assets		(26,142)	(22,592)
Cash consideration paid on acquisition of business		-	(60,636)
<b>Net cash (used in) from investing activities</b>		<b>(42,650)</b>	(91,694)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	5(b)	284,989	56,547
Repayment of borrowings	5(b)	(116,068)	(57,902)
Proceeds from ordinary shares issued to underwriters of Dividend Reinvestment Plan (DRP)		-	27,607
Equity dividends paid	12(a)	(39,717)	(45,630)
Principal elements of lease payments	10	(7,674)	(7,479)
<b>Net cash from (used in) financing activities</b>		<b>121,530</b>	(26,857)
<b>Net increase in cash and cash equivalents</b>		<b>36,727</b>	5,716
Cash and cash equivalents at the beginning of the financial year		129,907	128,457
Net foreign exchange difference		1,622	(4,266)
<b>Cash and cash equivalents at end of year</b>	5(a)	<b>168,257</b>	129,907

The above Consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# Notes to the financial statements

For the year ended 30 June 2022

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## Notes to the financial statements continued

For the year ended 30 June 2022

### Key numbers

#### Note 1. Summary of significant accounting policies

Breville Group Limited is a for profit company limited by shares incorporated in Australia. Breville Group Limited shares are quoted on the Australian Securities Exchange.

This financial report covers the consolidated entity comprising Breville Group Limited and its subsidiaries (Company or Group).

A description of the Group's operations and of its principal activities is included in the operating and financial review in the directors' report on pages 8 to 34. The directors' report is unaudited (except for the remuneration report) and does not form part of the financial report.

##### (a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards.

The financial report has also been prepared on a historical cost basis, except for derivative financial instruments and non-current other payables, which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the company under ASIC Corporations (Rounding in Financial/Directors Reports) Instrument 2016/191. The Company is an entity to which the class order applies.

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

##### (b) Compliance with IFRS

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

##### (c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Breville Group Limited and its subsidiaries as at 30 June each year.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The financial statements of subsidiaries are prepared for the same reporting period, using consistent accounting policies. In preparing the consolidated financial statements, all inter-Group balances and transactions, income and expenses and profit and loss resulting from intra-Group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

##### (d) Significant accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

# Notes to the financial statements continued

For the year ended 30 June 2022

## Note 1. Summary of significant accounting policies continued

### (d) Significant accounting judgements, estimates and assumptions continued

#### Impairment of goodwill & intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in note 11.

#### Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a risk neutral methodology for non-market measures, the Monte-Carlo or Black-Scholes option pricing model for market measures, using the assumptions detailed in note 19.

#### Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group Company's domicile. As the Company assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognised.

#### Warranty and faulty goods

Provision for warranty and faulty goods is recognised at the date of sale of the relevant products, at the Group's best estimate of the expenditure required to settle the Group's liability. Factors that could impact the estimated claim information include the success of the Group's quality initiatives, as well as parts and labour costs. The related carrying amounts are disclosed in note 6.

#### Allowance for uncollectible receivables

Estimation is required to assess the risk of probability weighted outcomes in determining an adequate level of provisions for uncollectible receivables. As required by accounting standards the Group considers past, current and future economic conditions. The Group uses a matrix based approach and groups its customers into different risk portfolios when measuring its expected credit losses.

### (e) Notes to the financial statements

Notes relating to individual line items in the financial statements include accounting policy information where it is considered relevant to an understanding of these items. Details of the impact of new accounting policies and all other accounting policy information are disclosed in note 24 of the financial report.



## Notes to the financial statements continued

For the year ended 30 June 2022

### Note 2. Operating segments

#### Operating Segments

The Group has identified its operating segments in line with AASB 8 *Operating Segments* based on the internal reports that are reviewed by the chief operating decision makers (group chief executive officer and Board of directors) in assessing performance and in determining the allocation of resources.

The Group's external reporting segments are 'Global Product' and 'Distribution'.

'Global Product' sells premium products designed and developed by Breville, which are sold globally. Products may be sold directly or through 3rd parties, and may be branded Breville®, Sage®, Baratza® or carry a 3<sup>rd</sup> party brand.

'Distribution' sells products that are designed and developed by a 3rd party. Breville distributes these products pursuant to a license or distribution agreement, or they are sourced directly from manufacturers. Products in this business unit may be sold under a brand owned by the Group (e.g. Breville®, Kambrook®), or they may be distributed under a 3<sup>rd</sup> party brand.

#### (a) Segment results

	Consolidated					
	30 June 2022			30 June 2021		
Consolidated 2022	Global Product \$'000	Distribution \$'000	Total \$'000	Global Product \$'000	Distribution \$'000	Total \$'000
<b>Segment revenue</b>	<b>1,178,560</b>	<b>239,877</b>	<b>1,418,437</b>	<b>984,159</b>	<b>203,500</b>	<b>1,187,659</b>
Cost of sales	(749,800)	(182,700)	(932,500)	(621,334)	(152,657)	(773,991)
<b>Gross Profit</b>	<b>428,760</b>	<b>57,177</b>	<b>485,937</b>	<b>362,825</b>	<b>50,843</b>	<b>413,668</b>
<b>GM%</b>	<b>36.4%</b>	<b>23.8%</b>	<b>34.3%</b>	<b>36.9%</b>	<b>25.0%</b>	<b>34.8%</b>
<b>EBIT</b>			<b>156,361</b>			<b>136,430</b>
Finance income			317			130
Finance costs			(8,844)			(9,157)
<b>Profit before income tax</b>			<b>147,834</b>			<b>127,403</b>

#### (b) Segment revenue

	Consolidated	
	30 June 2022 \$'000	30 June 2021 \$'000
<b>Global Product</b>		
Americas	605,012	492,951
EMEA	295,160	257,029
APAC	278,388	234,179
<b>Total Global Product revenue</b>	<b>1,178,560</b>	<b>984,159</b>

#### Distribution

Revenue generated from USA, Canada, Australia and New Zealand.

# Notes to the financial statements continued

For the year ended 30 June 2022

## Note 3. Revenue and expenses

	Consolidated	
	30 June 2022 \$'000	30 June 2021 \$'000
Note		
<b>(a) Revenue</b>		
Sale of goods	1,418,437	1,187,659
<b>Total revenue</b>	<b>1,418,437</b>	<b>1,187,659</b>
<b>(b) Cost of sales</b>		
Costs of inventories recognised as an expense	819,883	684,399
Costs of delivering goods to customers	64,238	47,632
Warranty expense	48,379	41,960
<b>Total cost of sales</b>	<b>932,500</b>	<b>773,991</b>
<b>(c) Depreciation and amortisation expense</b>		
Depreciation - right-of-use assets	7,876	6,086
Depreciation - plant and equipment	4,506	4,619
Depreciation - production tools	5,320	5,262
Amortisation - computer software	259	182
Amortisation - development costs	12,323	10,541
Amortisation - customer relationships	180	178
<b>Total depreciation and amortisation expense</b>	<b>30,464</b>	<b>26,868</b>
<b>(d) Other expenses:</b>		
Net foreign exchange (gain)/loss	185	2,922
Other product related costs	7,747	8,380
Information technology costs	19,702	21,367
Professional and administration costs <i>(including insurance and M&amp;A diligence costs)</i>	14,653	9,041
Other	13,030	12,339
<b>Total other expenses</b>	<b>55,317</b>	<b>54,049</b>
<b>(e) Employee benefits expenses</b>		
Wages & salaries, leave and other employee related benefits	127,609	94,342
Short term incentives	15,120	11,062
Defined contribution plan expense	7,494	6,141
Share-based payments expense	8,307	6,288
<b>Total employee benefits expenses</b>	<b>158,530</b>	<b>117,833</b>

## Notes to the financial statements continued

For the year ended 30 June 2022

### Note 3. Revenue and expenses continued

#### (f) Finance costs/income

	Consolidated	
	30 June 2022 \$'000	30 June 2021 \$'000
Note		
Finance costs paid or payable on borrowings and bank overdrafts:		
Interest and borrowing costs	6,255	6,898
Interest on other payables – non current (deferred consideration)	1,010	1,045
Interest on lease liabilities	1,579	1,214
Finance costs	8,844	9,157
Finance income	(317)	(130)
<b>Total net finance costs</b>	<b>8,527</b>	<b>9,027</b>

#### Recognition and measurement

##### Sale of goods

Revenue from Contracts with Customers is recognised at a point in time when the performance obligation of transferring goods to the buyer has been satisfied and the transaction price can be measured. Goods are considered transferred to the buyer when the buyer obtains control of those goods, which is at the earlier of delivery of the goods or the transfer of legal title to the buyer. Revenue is measured at the fair value of the consideration received or receivable, net of returns, allowances, trade discounts and volume rebates.

##### Employee Expenses

Employee benefit expenses increased by \$40,697,000 to \$158,530,000 from pcpc \$117,833,000 due to the wages and salaries associated with headcount increases, mainly in the customer services, supply chain, technology services and R&D teams in FY22. Some remuneration package changes to increase retention were also implemented during the year.

Under the performance rights plan (LTI) and fixed deferred remuneration rights plan participants are issued with rights over the ordinary shares of Breville Group Limited issued in accordance with the Breville Group Limited Share Plan. See pages 44 to 48 for details of the two plans.

##### Premises & Utilities expenses

Premises & utilities expenses include variable third party warehouse costs, overflow storage locations, utilities, repairs and maintenance costs.

##### Other Expenses

Other expenses increased by \$1,268,000 to \$55,317,000 from pcpc \$54,049,000 largely due to professional fees associated with the LELIT acquisition.

##### Finance costs/income

Borrowing costs are recognised as an expense when incurred. Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

# Notes to the financial statements continued

For the year ended 30 June 2022

## Note 4. Income tax

	Consolidated	
	30 June 2022 \$'000	30 June 2021 \$'000

The major components of income tax expense are:

### Income statement

#### Current income tax

Current income tax charge	40,532	42,118
Adjustments in respect of current income tax of previous years	3,844	(1,888)

#### Deferred income tax

Relating to the origination and reversal of temporary differences	2,443	(3,795)
Adjustments in respect of deferred income tax of previous years	(4,702)	-

<b>Total income tax expense reported in the income statement</b>	<b>42,117</b>	<b>36,435</b>
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	Consolidated	
	30 June 2022 \$'000	30 June 2021 \$'000

### Deferred income tax related to items charged or credited directly to other comprehensive income

Employee equity benefits reserve	1,070	(4,517)
Net (loss)/gain on revaluation of cash flow hedges	6,580	147

<b>Income tax (benefit)/expense reported in other comprehensive income</b>	<b>7,650</b>	<b>(4,370)</b>
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A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the parent entity's applicable income tax rate is as follows:

	Consolidated	
	30 June 2022 \$'000	30 June 2021 \$'000

<b>Profit before income tax</b>	<b>147,834</b>	<b>127,403</b>
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Tax at the Australian tax rate of 30.0% (2021 - 30.0%)	44,350	38,221
Adjustments in respect of income tax of previous years	(858)	(1,888)
Effect of different rates of tax on overseas income	(612)	(798)
Expenditure not allowable for income tax purposes	1,987	1,138
Share Based Payments	(2,499)	(1,392)
Other	(251)	1,154
<b>Income tax expense reported in the income statement</b>	<b>42,117</b>	<b>36,435</b>

# Notes to the financial statements continued

For the year ended 30 June 2022

## Note 4. Income tax continued

### Deferred income tax

Deferred income tax at 30 June relates to the following:

	Consolidated Statement of financial position		Consolidated Income statement	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	\$'000	\$'000	\$'000	\$'000
<b>Deferred income tax</b>				
Deferred income tax at 30 June relates to the following:				
<b>Deferred tax liabilities</b>				
Brand names	1,875	1,875	-	-
Development costs and production tools	22,068	15,829	(6,239)	(2,544)
Other intangibles	3,833	1,869	(1,964)	(1,109)
Cash flow hedge reserve	7,028	515	-	-
Accelerated depreciation for tax purposes	320	430	(259)	75
<b>Gross deferred income tax liabilities</b>	<b>35,124</b>	<b>20,518</b>		
<b>Deferred tax assets</b>				
Losses available for offset against future taxable income	1,630	55	1,575	(138)
Provisions and accruals	24,544	14,358	10,186	1,248
Other long term payables	-	-	-	(743)
Employee benefits	8,756	5,902	2,854	3,496
Revaluation of inventories	110	1,119	(1,009)	342
Employee equity benefits reserve	5,225	7,583	(2,358)	641
Net leasing liability	1,520	1,649	(129)	323
Other	6,918	7,217	(398)	2,204
<b>Gross deferred income tax assets</b>	<b>48,703</b>	<b>37,883</b>		
<b>Net deferred income tax assets</b>	<b>13,579</b>	<b>17,365</b>		
<b>Deferred tax expense</b>			<b>2,259</b>	<b>3,795</b>

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
<b>Current income tax</b>		
Current tax receivables	2,464	4,927
Current tax liabilities	8,849	11,861

At 30 June 2022, there is no recognised or unrecognised deferred income tax liability (2021: \$nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, as the Group has no current intention of distributing existing retained earnings in jurisdictions where liability for additional taxation exists should such amounts be remitted.

## Notes to the financial statements continued

For the year ended 30 June 2022

### Note 4. Income tax continued

#### Recognition and measurement

##### *Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

##### *Deferred tax*

Deferred income tax is provided on all temporary differences between the tax bases of assets/liabilities and their carrying amounts at balance sheet date for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes in relation to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

##### *Tax consolidation legislation*

Breville Group Limited and its wholly-owned Australian resident controlled entities (excluding the Breville Group Performance Share Plan Trust) have implemented the tax consolidated legislation as of 1 July 2003.

Breville Group Limited is the head entity of the tax consolidated Group. For further information, refer to note 18.

# Notes to the financial statements continued

For the year ended 30 June 2022

## Note 5. Cash and cash equivalents

	Note	Consolidated	
		30 June 2022 \$'000	30 June 2021 \$'000
Cash at bank and on hand		<b>168,256</b>	129,907

Notes:

- Cash at bank earns interest at floating rates based on daily bank deposit rates.
- At 30 June 2022, the Group had available \$189,956,000 (2021: \$269,141,000) of undrawn committed borrowing and overdraft facilities in respect of which all conditions precedent had been met (see note 15).
- The fair value of cash and cash equivalents is \$168,256,000 (2021: \$129,907,000).

Cash and cash equivalents	<b>168,256</b>	129,907
Borrowings	<b>(172,349)</b>	-
<b>Net cash</b>	<b>(4,093)</b>	129,907

### (a) Reconciliation of net profit after tax for the year to net cash flows from operating activities

<b>Profit for the year</b>	<b>105,717</b>	90,968
<b>Adjustments for:</b>		
Depreciation and amortisation	<b>30,401</b>	26,868
Share-based payments	<b>8,307</b>	4,938
Foreign exchange losses/(gains)	<b>248</b>	3,392
Loan to supplier	<b>(8,988)</b>	(2,692)
Other	<b>18</b>	(63)
<b>Changes in assets and liabilities:</b>		
Decrease/(increase) in:		
Trade receivables, prepayments and other receivables	<b>(44,872)</b>	36,771
Inventories	<b>(222,380)</b>	(62,935)
Other current assets	<b>468</b>	(2,140)
Non-current assets	<b>(5,709)</b>	(3,250)
(Decrease)/increase in:		
Current liabilities	<b>97,855</b>	38,129
Non-current liabilities	<b>(3,218)</b>	(5,719)
<b>Net cash (used in)/from operating activities</b>	<b>(42,153)</b>	124,267

### (b) Net debt reconciliation

Consolidated	Cash \$'000	Borrowings \$'000	Total \$'000
<b>Net debt as at 1 July 2020</b>	128,457	-	128,457
Cash flows	5,716	(1,355)	4,361
Foreign exchange adjustments	(4,266)	1,355	(2,911)
<b>Net debt/(cash) as at 30 June 2021</b>	129,907	-	129,907
Cash flows	36,727	(168,921)	(132,195)
Foreign exchange adjustments	1,622	(3,428)	(1,805)
<b>Net debt/(cash) as at 30 June 2022</b>	<b>168,256</b>	<b>(172,349)</b>	<b>(4,093)</b>



## Notes to the financial statements continued

For the year ended 30 June 2022

### Note 5. Cash and cash equivalents continued

#### (c) Disclosure of financing facilities

Refer to note 15.

#### Recognition and measurement

Cash and cash equivalents in the balance sheet comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

### Note 6. Receivables, payables and provisions

#### Trade and other receivables

	<b>Consolidated</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current assets</b>		
Trade receivables from contracts with customers	<b>182,166</b>	123,922
Allowance for uncollectible receivables	<b>(11,563)</b>	(15,111)
Trade receivables, net	<b>170,603</b>	108,811
Prepayments	<b>17,536</b>	6,396
Other receivables	<b>6,063</b>	4,128
<b>Total current trade receivables, prepayments and other receivables</b>	<b>194,202</b>	119,335

#### Notes:

- (a) Trade receivables are non-interest bearing and are generally on 30-60 day terms. During the period \$3,652,000 of allowance for uncollectible receivables was utilised, of which the write off mostly relates to debts from a European distributor that has been in liquidation since 2020 and was settled in FY22. The remaining provision was reduced by (\$369,000) (2021 increased by \$1,517,000) and recognised by the Group as an (income)/expense in 'other expenses' for the current year.

Prepayments has increased over the period due to advance payments to suppliers for inventory.

	<b>Consolidated</b>
	<b>30 June</b>
	<b>2022</b>
	<b>\$'000</b>
<b>Carrying amount at the beginning of the year:</b>	<b>15,111</b>
Provision	(369)
Write offs	(3,652)
Net exchange differences	473
<b>Carrying amount at the end of the year:</b>	<b>11,563</b>

At 30 June 2022 an ageing analysis of those trade receivables (net of allowance for uncollected receivables) are as follows:

## Notes to the financial statements continued

For the year ended 30 June 2022

### Note 6. Receivables, payables and provisions continued

#### Trade and other receivables continued

	<b>Consolidated</b>	
	<b>30 June 2022 \$'000</b>	<b>30 June 2021 \$'000</b>
Current	<b>163,960</b>	105,705
31 – 60 days overdue	<b>3,001</b>	1,804
61+ days overdue	<b>3,642</b>	1,302
<b>Trade receivables, net</b>	<b>170,603</b>	108,811

Trade receivables (net) past due, but not impaired, amount to \$6,643,000 (2021: \$3,106,000). In all instances each operating unit has been in contact with the relevant debtor and is satisfied that payment will be received in full or has been provided for. Debtor days have remained steady at 61 days (FY21: 59 days).

#### Recognition and measurement

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost. Bad debts are written off when incurred. An allowance for uncollectible, or doubtful, receivables is calculated on a probability weighted measure of expected credit losses using historic, present and future economic conditions. The carrying value and estimated net fair values of the trade and other receivables is assumed to approximate their fair value, being the amount at which the asset could be exchanged between willing parties.

Details regarding the effective interest rate and credit risk of current receivables are disclosed in note 16.

## Notes to the financial statements continued

For the year ended 30 June 2022

### Note 6. Receivables, payables and provisions continued

#### Trade and other payables

	Consolidated	
	30 June 2022 \$'000	30 June 2021 \$'000
<b>Current</b>		
Trade and other payables - unsecured	292,272	175,796
Total current trade and other payables	292,272	175,796
<b>Non-current</b>		
Other payables (a)	9,770	12,194
	9,770	12,194

#### Notes:

(a) Relates to earn-outs in relation to the acquisition of ChefSteps which is measured at fair value.

#### Recognition and measurement

Current trade and other payables are carried at amortised cost. Trade payables represent liabilities for goods and services provided to the Group prior to the end of the year, including customer rebates, that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, non-interest bearing and are usually settled on 30 day terms. The carrying value and estimated net fair values of the trade and other payables is assumed to approximate their fair value, being the amount at which the liability could be settled in a current transaction between willing parties. Details regarding interest rate, foreign exchange and liquidity risk exposure are disclosed in note 15.

Provisions	Consolidated	
	30 June 2022 \$'000	30 June 2021 \$'000
<b>Current</b>		
Warranty and faulty goods	16,116	13,645
Employee benefits – annual leave	9,935	6,919
Employee benefits – long service leave	3,378	2,972
Other provisions	53	56
Total current provisions	29,482	23,592
<b>Non-current</b>		
Employee benefits - long service leave	1,763	1,309
Total non-current provisions	1,763	1,309

## Notes to the financial statements continued

For the year ended 30 June 2022

### Note 6. Receivables, payables and provisions continued

#### (a) Movements in provisions

Consolidated	Warranty and faulty goods \$'000	Employee benefits -annual leave \$'000	Employee benefits - long service \$'000	Other Provisions \$'000	Total \$'000
<b>Carrying amount at the beginning of the year:</b>					
Current	13,645	6,919	2,972	56	23,592
Non-Current	-	-	1,309	-	1,309
Total	13,645	6,919	4,281	56	24,901
<b>Movement in provisions during the year:</b>					
Amounts utilised during the year	(48,128)	(3,344)	(124)	-	(51,596)
Additional provisions made in the year	50,065	6,248	975	-	57,288
Net exchange differences	534	112	9	(3)	652
Net movement	2,471	3,016	860	(3)	6,344
<b>Carrying amount at the end of the year:</b>					
Current	16,116	9,935	3,378	53	29,482
Non-Current	-	-	1,763	-	1,763
Total	16,116	9,935	5,141	53	31,245

#### Recognition and measurement

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured as the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### Warranties and faulty goods

Provisions for warranty and faulty goods are recognised at the date of sale of the relevant products. A provision for warranty and faulty goods represents the present value of the best estimate of the future sacrifice of economic benefits expected that will be required for warranty and faulty goods claims on products sold. This estimate is based on the historical trends experienced on the level of repairs and returns. Assumptions used to calculate the provision for warranty and faulty goods were based on the level of warranty and faulty goods claims experienced during the last year. During the COVID pandemic related lock downs in various markets, the ability of consumers to make returns has been somewhat constrained. Returns have normalised as reflected in amounts utilised.

## Notes to the financial statements continued

For the year ended 30 June 2022

### Note 6. Receivables, payables and provisions continued

#### Recognition and measurement continued

##### *Employee benefits - annual leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Contributions to the defined contribution fund are recognised as an expense as they become payable.

##### *Employee benefits – long service*

The provision for employee benefits represents the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using appropriate market yields at the reporting date to estimate the future cash outflows.

### Note 7. Inventories

	Consolidated	
	30 June 2022 \$'000	30 June 2021 \$'000
<b>Current assets</b>		
Finished goods	338,263	142,102
Stock in transit	107,621	74,568
Total inventories	<u>445,884</u>	<u>216,670</u>

#### Recognition and measurement

Inventories are valued at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. This includes the transfer from equity of gains and losses on cash flow hedges of purchases of finished goods. Costs are assigned to individual items of inventory on a weighted average cost basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

# Notes to the financial statements continued

For the year ended 30 June 2022

## Note 8. Property, plant and equipment

<b>Consolidated 2022</b>	<b>Plant and equipment \$'000</b>	<b>Production tools \$'000</b>	<b>Total \$'000</b>
<b>At the beginning of the year</b>			
Cost or fair value	35,230	44,761	79,991
Accumulated depreciation	(25,923)	(27,272)	(53,195)
<b>Net carrying amount</b>	<b>9,307</b>	<b>17,489</b>	<b>26,796</b>
<b>Reconciliation of the carrying amount:</b>			
<b>Carrying amount at the beginning of year</b>	9,307	17,489	26,796
Additions	4,640	11,910	16,550
Disposals	(79)	(65)	(144)
Depreciation charge	(4,506)	(5,320)	(9,826)
Net exchange difference	78	23	101
<b>Carrying amount at the end of year</b>	<b>9,440</b>	<b>24,037</b>	<b>33,477</b>
<b>At the end of the year</b>			
Cost or fair value	40,450	56,607	97,057
Accumulated depreciation and impairment	(31,010)	(32,570)	(63,580)
<b>Net carrying amount</b>	<b>9,440</b>	<b>24,037</b>	<b>33,477</b>
<b>Consolidated 2021</b>	<b>Plant and equipment \$'000</b>	<b>Production tools \$'000</b>	<b>Total \$'000</b>
<b>At the beginning of the year</b>			
Cost or fair value	33,419	38,903	72,322
Accumulated depreciation	(21,918)	(22,029)	(43,947)
<b>Net carrying amount</b>	<b>11,501</b>	<b>16,874</b>	<b>28,375</b>
<b>Reconciliation of the carrying amount:</b>			
<b>Carrying amount at the beginning of the year</b>	11,501	16,874	28,375
Additions	2,667	5,877	8,544
Disposals	(44)	-	(44)
Depreciation charge	(4,619)	(5,262)	(9,881)
Net exchange difference	(198)	-	(198)
<b>Carrying amount at the end of year</b>	<b>9,307</b>	<b>17,489</b>	<b>26,796</b>
<b>At the end of the year</b>			
Cost or fair value	35,230	44,761	79,991
Accumulated depreciation	(25,923)	(27,272)	(53,195)
<b>Net carrying amount</b>	<b>9,307</b>	<b>17,489</b>	<b>26,796</b>

## Notes to the financial statements continued

For the year ended 30 June 2022

### Note 8. Property, plant and equipment continued

A summary of the policies applied to the Group's intangible assets is as follows:

<b>(a) Property and equipment</b>	
Internally generated / Acquired	Acquired
Recognition	Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each year end. An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset at the time of derecognition) is included in the income statement in the year in which they arise.
Useful lives	Finite
Depreciation method	Depreciation on plant and equipment is calculated on a straight line basis over the estimated useful life of between 2 and 10 years.
Impairment test	When an indication of impairment exists, an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount. The amortisation method is reviewed at each year end.
<b>(b) Production tools</b>	
Internally generated / Acquired	Acquired
Recognition	Production tools are manufacturing components including moulds, dies, jigs, gauges, cutting equipment and patterns that are used in conjunction with manufacturing equipment. The tools are specified, purchased and owned by Breville, although they are deployed in our manufacturing partners' plants. Production tools is stated at cost less accumulated depreciation and any accumulated impairment losses. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each year end. An item of production tooling is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset at the time of derecognition) is included in the income statement in the year in which they arise.
Useful lives	Finite
Depreciation method	Depreciation on production tools is calculated on a straight line basis over the estimated useful life of 5 years.
Impairment test	When an indication of impairment exists, an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount. The amortisation method is reviewed at each year end.



## Notes to the financial statements continued

For the year ended 30 June 2022

### Note 9. Non-current assets - intangible assets

	Consolidated	
	30 June 2022 \$'000	30 June 2021 \$'000
Development costs	54,573	40,380
Computer software	1,671	1,425
Customer relationships	401	581
Other intangible assets	-	-
Goodwill & Brand Names	184,402	175,056
<b>Total intangible assets (net carrying amount)</b>	<b>241,047</b>	<b>217,442</b>

Consolidated 2022	Development costs \$'000	Computer software \$'000	Customer relationships \$'000	Goodwill & Brand Names \$'000	Total \$'000
<b>At the beginning of the year</b>					
At cost (gross carrying amount)	122,140	1,771	1,835	175,056	300,802
Accumulated amortisation and impairment	(81,760)	(346)	(1,254)	-	(83,360)
<b>Net carrying amount</b>	<b>40,380</b>	<b>1,425</b>	<b>581</b>	<b>175,056</b>	<b>217,442</b>
<b>Reconciliation of the carrying amount:</b>					
<b>Carrying amount at the beginning of year</b>	40,380	1,425	581	175,056	217,442
Additions	25,637	505	-	-	26,142
Amortisation	(12,323)	(259)	(180)	-	(12,762)
Net exchange difference	879	-	-	9,346	10,225
<b>Carrying amount at the end of year</b>	<b>54,573</b>	<b>1,671</b>	<b>401</b>	<b>184,402</b>	<b>241,047</b>
<b>At the end of the year</b>					
Cost (gross carrying amount)	148,850	2,244	1,835	184,402	337,331
Accumulated amortisation and impairment	(94,277)	(573)	(1,434)	-	(96,284)
<b>Net carrying amount</b>	<b>54,573</b>	<b>1,671</b>	<b>401</b>	<b>184,402</b>	<b>241,047</b>

## Notes to the financial statements continued

For the year ended 30 June 2022

### Note 9. Non-current assets - intangible assets continued

Consolidated 2021	Development costs \$'000	Computer software \$'000	Customer relationships \$'000	Goodwill & Brand Names \$'000	Total \$'000
<b>At the beginning of the year</b>					
At cost (gross carrying amount)	100,680	981	1,835	98,193	201,689
Accumulated amortisation and impairment	(71,266)	(169)	(1,076)	-	(72,511)
<b>Net carrying amount</b>	<b>29,414</b>	<b>812</b>	<b>759</b>	<b>98,193</b>	<b>129,178</b>
<b>Reconciliation of the carrying amount:</b>					
Carrying value at the beginning of the year	29,414	812	759	98,193	129,178
Additions	21,797	795	-	656	23,248
Additions from acquisition of Baratza (i)	-	-	-	81,557	81,557
Amortisation	(10,541)	(182)	(178)	-	(10,901)
Net exchange difference	(290)	-	-	(5,350)	(5,640)
<b>Carrying amount at the end of year</b>	<b>40,380</b>	<b>1,425</b>	<b>581</b>	<b>175,056</b>	<b>217,442</b>
<b>At the end of the year</b>					
At cost (gross carrying amount)	122,140	1,771	1,835	175,056	300,802
Accumulated amortisation and impairment	(81,760)	(346)	(1,254)	-	(83,360)
<b>Net carrying amount</b>	<b>40,380</b>	<b>1,425</b>	<b>581</b>	<b>175,056</b>	<b>217,442</b>

**Notes:**

- (i) Acquisition of Baratza - Goodwill of \$81,557,000 was recognised arising from the acquisition of Baratza, LLC, a US-based business on 1 October 2020, for a total consideration of \$84,176,000. \$60,636,000 of the consideration was paid in cash (net of cash acquired in the business) and \$23,540,000 by the issue of 884,956 fully paid ordinary shares in Breville priced at the 20-day VWAP of Breville shares traded on the ASX prior to 1 October 2020 at a value of \$26.60 per share. The cash portion was funded from existing cash reserves. The shares are subject to a trading lock. The acquisition has been included within the Global Product segment.

A summary of the policies applied to the Group's Property and Equipment assets is as follows:

(a) Development costs	
Internally generated / Acquired	Internally generated and acquired products and product platforms
Recognition	Capitalised at cost and recognised only after the Group can demonstrate the technical feasibility and commercial viability of the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Research costs are expensed as incurred.
Useful lives	Finite
Amortisation method	Amortised straight-line over the period of expected future sales, no more than 3-5 years, from the related launch date on a straight-line basis.
Impairment test	Annually and more frequently when an indication of impairment exists. An impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount. The amortisation method is reviewed at each year end.

## Notes to the financial statements continued

For the year ended 30 June 2022

### Note 9. Non-current assets - intangible assets continued

<b>(b) Computer software</b>	
Internally generated / Acquired	Internally generated and acquired software
Recognition	Capitalised at cost
Useful lives	Finite
Amortisation method	Amortised over the useful life, not exceeding 7 years, on a straight-line basis.
Impairment test	When an indication of impairment exists. The amortisation method is reviewed at each year end.
<b>(c) Customer relationships</b>	
Internally generated / Acquired	Acquired customer relationships
Recognition	Capitalised at cost or if acquired as part of a business combination at fair value at the date of acquisition
Useful lives	Finite
Amortisation method	Amortised over the useful life, not exceeding 10 years, on a straight-line basis.
Impairment test	Annually and more frequently when an indication of impairment exists. The amortisation method is reviewed at each year end.
<b>(d) Goodwill and brand names</b>	
Internally generated / Acquired	Acquired goodwill and brand names
Recognition	Initially capitalised at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Capitalised at cost or if acquired as part of a business combination at fair value at the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.
Useful lives	Indefinite
Amortisation method	No amortisation
Impairment test	Annually and more frequently when an indication of impairment exists.

The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

# Notes to the financial statements continued

For the year ended 30 June 2022

## Note 10. Leases

This note provides information for leases where the Group is a lessee. The Group does not act as a lessor. Breville leases offices, vehicles and several of its warehouses. While the warehouses are operated by a third parties, in some instances Breville has the right to control use and therefore accounts for these contracts as leases.

### (a) Amounts recognised in the consolidated statement of financial position

		Consolidated	
		30 June 2022 \$'000	30 June 2021 \$'000
	Note		
<b>Right-of-use assets</b>			
Buildings		44,580	33,186
Vehicles		76	-
<b>Total</b>	10(a)(i)	<b>44,656</b>	<b>33,186</b>
<b>Lease liabilities</b>			
Current		12,172	7,210
Non-current		37,643	31,506
<b>Total</b>		<b>49,815</b>	<b>38,716</b>

(i) Additions to the right-of-use assets during FY22 were \$16,665,000 (FY21: \$22,556,000).

### (b) Amounts recognised in the consolidated income statement

		Consolidated	
		30 June 2022 \$'000	30 June 2021 \$'000
	Note		
<b>Depreciation charge of right-of-use assets</b>			
Buildings	3(c)	7,863	6,074
Vehicles	3(c)	13	12
		<b>7,876</b>	<b>6,086</b>

### Other expenses

Interest expense on lease liabilities (included in finance cost)	1,579	1,214
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The total cash outflow for leases during FY22 was \$9,253,000 (includes principal elements of lease payments of \$7,674,000 (refer consolidated statement of cash flows) plus interest expense on lease liabilities of \$1,579,000). (FY21: total cash outflow for leases of \$8,693,000 (includes principal elements of lease payments of \$7,479,000 (refer consolidated statement of cash flows) plus interest expense on lease liabilities of \$1,214,000).

As at 30 June 2022, the Group's leases do not contain any variable payment terms.

# Notes to the financial statements continued

For the year ended 30 June 2022

## Note 10. Leases continued

### (c) The group's leasing activities and how these are accounted for

The Group leases various office buildings, third party warehouses and motor vehicles, with rental contracts typically spanning fixed periods of 1 to 10 years, with some having options to extend.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Breville Group Limited, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

## Notes to the financial statements continued

For the year ended 30 June 2022

### **Note 10. Leases continued**

#### **(c) The group's leasing activities and how these are accounted for continued**

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

## Notes to the financial statements continued

For the year ended 30 June 2022

### Note 11. Impairment testing of goodwill and intangibles with indefinite lives

On a consistent basis, goodwill and brand names acquired through business combinations have been allocated to these cash generating units or Groups of cash generating units for impairment testing as follows:

- Global Product APAC
- Global Product Americas
- Global Product EMEA
- Distribution

In all cases the recoverable amount of the individual cash generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the Board.

The pre-tax discount rates applied to cash flow projections are in the range of 9.6% to 10.9% (2021: of 9.6% to 11.2%), depending on the CGU. This discount rate has been determined using the weighted average cost of capital which incorporates both the cost of debt and the cost of capital. Cash flows beyond the approved 30 June 2023 budgets are extrapolated using a 2.0% - 3.0% growth rate (2021: 2.0% - 3.0%), which is considered a reasonable estimate of the long-term average growth rate for the wholesale consumer products industry.

Management has performed sensitivity testing by cash generating unit (CGU), based on assessing the effect of changes in revenue growth rates as well as discount rates. Management consider any reasonable likely combination of changes in these key assumptions would not result in the carrying value of the goodwill or brand names exceeding the recoverable amount.

#### Key assumptions used in value in use calculations for the cash generating units for 30 June 2022 and 30 June 2021.

The key assumptions on which management has based its cash flow projections when determining the value in use of the cash generating units are budgeted revenue and gross margins. The basis used to determine the value assigned to the budgeted revenue and gross margins are based on past performance and expectations for the future.

	<b>Consolidated</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Global Product APAC</b>		
goodwill	<b>22,794</b>	22,794
brand names with indefinite useful lives	<b>13,800</b>	13,800
<b>Global Product Americas</b>		
goodwill (a)	<b>121,924</b>	112,578
<b>Distribution</b>		
goodwill	<b>8,109</b>	8,109
brand names with indefinite useful lives	<b>17,775</b>	17,775
	<b>184,402</b>	175,056
<b>All cash generating units</b>		
goodwill	<b>152,827</b>	143,481
brand names with indefinite useful lives	<b>31,575</b>	31,575
<b>Total carrying amount of goodwill and brand names</b>	<b>184,402</b>	175,056

(a) Goodwill in the Global Product Americas segment is subject to foreign exchange revaluation. There were no acquisition or additions to Goodwill during the period and the movement represents change in foreign exchange only.



## Notes to the financial statements continued

For the year ended 30 June 2022

### **Note 11. Impairment testing of goodwill and intangibles with indefinite lives continued**

#### **Recognition and measurement**

##### *Intangible assets – goodwill*

The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates. When the recoverable amount of a cash generating unit is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash generating unit and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

##### *Impairment of non-financial assets other than goodwill*

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

## Notes to the financial statements continued

For the year ended 30 June 2022

### Capital management

#### Note 12. Dividends

	Consolidated	
	30 June 2022 \$'000	30 June 2021 \$'000
<b>(a) Dividends on ordinary shares declared, paid or issued via Dividend Reinvestment Plan (DRP) during the year:</b>		
Final dividend for the year ended 30 June 2021 of 13.50 cents per share, 13.50 cents (100%) franked (2021: final partially franked dividend for 2020 of 20.5 cents per share, 12.3 cents (60%) franked)		
Paid in cash	18,814	27,567
Shares issued via DRP	-	511
<b>Final dividend</b>	<b>18,814</b>	<b>28,078</b>
Interim dividend for the year ending 30 June 2022 of 15.00 cents per share, 15.00 cents (100%) franked (2021: interim partially franked dividend for 2021 of 13.00 cents per share, 13.00 cents (100%) franked)		
Interim fully franked dividend based on tax paid at 30.0%	20,903	18,062
<b>Interim dividend</b>	<b>20,903</b>	<b>18,062</b>
Total dividends declared and paid during the year of 28.50 cents per share, 28.50 cents (100%) franked (2021: Total dividends of 33.50 cents per share (25.30 cents (76%) franked))		
	39,717	46,140
<b>Total dividends</b>	<b>39,717</b>	<b>46,140</b>
<b>(b) Dividends on ordinary shares proposed and not recognised as a liability:</b>		
Final fully franked dividend for 2022 of 15.00 cents per share, 15.00 cents (100%) franked (2021: final partially franked dividend of 13.50 cents per share, 13.50 cents (100%) franked)		
	21,369	18,757
<b>(c) Franking credit balance</b>		
<b>The amount of franking credits in the parent available for the subsequent year are:</b>		
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2021 - 30.0%)	32,763	17,718
Franking (debits)/credits that will arise from the payment of income tax (receivable)/payable as at the end of the year	586	4,244
Franking debits that will be used on the payment of dividends subsequent to the end of the financial year	(9,158)	(8,038)
<b>Total franking credit balance</b>	<b>24,191</b>	<b>13,924</b>

The tax rate at which dividends are franked is 30.0% (2021: 30.0%).

## Notes to the financial statements continued

For the year ended 30 June 2022

### Note 13. Earnings per share

The following reflects the income and share data used in the basic and diluted earnings per share computations:

#### Earnings used in calculating basic and diluted earnings per share:

	Consolidated	
	30 June 2022 \$'000	30 June 2021 \$'000
Note		
Net profit attributable to ordinary equity holders of Breville Group Limited	<b>105,717</b>	90,968

#### Weighted average number of shares used as the denominator

	2022 Number	2021 Number
Weighted average number of ordinary shares for basic and diluted earnings per share	<b>139,294</b>	138,339
Weighted average number of exercised, forfeited or expired potential ordinary shares included in diluted earnings per share	<b>140,345</b>	139,505

On the 1st July 2022 BRG completed its acquisition of LELIT the Italian-based prosumer coffee group. Consideration included the issue of 3,100,205 BRG ordinary shares. The issue of shares is not included in the earnings per share calculations, as they would not be expected to have a significant impact. For further details of the acquisition refer to Note 23.

#### Recognition and measurement

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted for:

- cost of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses;
- other non-discretionary changes in revenue or expenses during the period that would result from the dilution of potential ordinary shares; and
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

# Notes to the financial statements continued

For the year ended 30 June 2022

## Note 14. Issued capital and reserves

### Issued Capital

	<b>Consolidated</b>	
	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Ordinary shares – authorised, issued and fully paid	323,165	309,615
Ordinary shares – held by the Breville Group Employee Share Trust	-	-
<b>Total contributed equity</b>	<b>323,165</b>	<b>309,615</b>

### Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### Ordinary shares held by the Breville Group Employee Share Trust

Ordinary shares held by the Breville Group Employee Share Trust in order to fulfil its obligations under the Breville Group Limited Share Plan are deducted from equity. No gain or loss is recognised in the consolidated income statement on the purchase of the Group's equity instruments by the Breville Group Employee Share Trust.

The ordinary shares held by the Breville Group Employee Share Trust, if any, are yet to be allocated to LTI or fixed deferred remuneration participants. They will be allocated to participants once performance rights vest and they are exercised. The ordinary shares held by the Breville Group Employee Share Trust, if any, have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. The ordinary shares held by the Breville Group Employee Share Trust, if any, entitle their holder to one vote, either in person or by proxy, at a meeting of the company. Details are provided in note b and note 19.

### (a) Movements in ordinary shares:

<b>Details</b>	<b>Consolidated</b>		<b>Consolidated</b>	
	<b>30 June 2022</b>		<b>30 June 2021</b>	
	<b>Number of shares</b>	<b>\$'000</b>	<b>Number of shares</b>	<b>\$'000</b>
<b>Beginning of the year</b>	<b>138,940,804</b>	<b>309,615</b>	136,544,125	246,445
<b>Movements during the year</b>				
Ordinary shares issued during the year for Performance Rights Plan (LTI) and Fixed Deferred Remuneration Plan (net of transaction costs). (i)	418,740	13,550	423,167	11,659
Ordinary shares issued, net of transaction costs and tax, as part DRP (ii)	-	-	1,088,556	27,971
Ordinary shares issued on acquisition of Baratza (iii)	-	-	884,956	23,540
<b>End of the year</b>	<b>139,359,544</b>	<b>323,165</b>	138,940,804	309,615

- (i) During the year the group issued 418,740 fully paid ordinary shares (2021: 423,167) of Breville Group Limited as a result of the vesting of performance and fixed deferred remuneration rights issued under the Breville Group share plan. The average value attributable to these issued shares was \$32.42 (2021: \$27.55), as of the date of issue.
- (ii) In October 2020 the group issued shares at \$25.79 per share as part of the fully underwritten dividend reinvestment Plan (DRP).
- (iii) In October 2020 the group issued shares at \$26.60 per share as part of the consideration for the acquisition of Baratza, LLC.

## Notes to the financial statements continued

For the year ended 30 June 2022

### Note 14. Issued capital and reserves continued

#### Issued Capital continued

##### (b) Movements in ordinary shares held by the Breville Group Employee Share Trust:

Details	30 June 2022		30 June 2021	
	Number of shares	\$'000	Number of shares	\$'000
<b>Beginning of the year</b>	-	-	-	-
<b>Movements during the year</b>				
Ordinary shares transferred to participants of the Breville Group Share Plan (i)	389,440	12,626	406,700	11,206
Ordinary shares subscribed to/acquired by the Breville Group Employee Share Trust during the year - cash (ii)	(389,440)	(12,626)	(406,700)	(11,206)
<b>End of the year</b>	-	-	-	-

- (i) During the year the Trustee of the Breville Group Employee Share Trust transferred 389,440 ordinary company shares (2021: 406,700) to participants in order to fulfil its obligations under the Breville Group Limited Share Plan.
- (ii) During the year the Trustee of the Breville Group Employee Share Trust subscribed to 389,440 ordinary shares of Breville Group Limited (2021: subscribed to 406,700 shares) in order to fulfil its obligations under the Breville Group Limited Share Plan. The average value placed on these subscriptions was \$32.42 per share (2021: average value placed on these subscriptions was \$27.55 per share). Details are provided in note 17(b) and note 19.

##### (c) Rights over ordinary shares:

The Company has a share-based payment rights scheme under which rights to subscribe for the Company's shares have been granted to certain executives and other employees (refer note 18). At the end of the year there were 1,687,103 (2021: 1,388,145) potential unissued ordinary shares in respect of rights that were outstanding.

#### Reserves

	Consolidated	
	30 June 2022 \$'000	30 June 2021 \$'000
<b>Reserves</b>		
Foreign currency translation	7,540	(11,821)
Employee equity benefits reserve	(10,255)	(3,916)
Cash flow hedges	16,560	1,200
<b>Total reserves</b>	<b>13,845</b>	<b>(14,537)</b>

#### Nature and purpose of reserves

**Foreign currency translation reserve** - This reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

**Employee equity benefits reserve** - This reserve is used to record the value of equity benefits provided to employees as part of their remuneration. Refer to note 19 for further details of these plans.

**Cash flow hedge reserve** - This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

## Notes to the financial statements continued

For the year ended 30 June 2022

### Note 15. Borrowings

	Consolidated	
	30 June 2022 \$'000	30 June 2021 \$'000
<b>Current</b>		
Total current borrowings	-	-
<b>Non-current</b>		
Borrowings	(172,349)	-
Total non-current borrowings	(172,349)	-

#### Terms and conditions

The Group operates under one primary facility with Australia and New Zealand Banking Group Limited (ANZ) enabling all jurisdictions to borrow under one global facility. The facility agreement has a number of financial covenants all of which have been fully complied with as at the years ended 30 June 2022 and 30 June 2021. Borrowings may include Australian dollar, US dollar, Canadian dollar, British pounds, Euro and New Zealand dollar denominated amounts.

Breville Group Limited has issued corporate guarantees in favour of the local bank (HSBC) in Canada and Mexico. HSBC provides the day to day US, Canadian, UK, French, Mexican and German transactional banking facilities.

#### Fair value

The carrying value and estimated net fair values of the borrowings held with banks (determined under Level 2, as described in note 16) approximates their fair value. Fair values of the company's interest-bearing loans are determined by using a effective interest rate method. The non-performance risk as at 30 June 2022 was assessed to be insignificant (2021: insignificant). Details regarding interest rate, foreign exchange and liquidity risk are disclosed in note 16.

# Notes to the financial statements continued

For the year ended 30 June 2022

## Note 15. Borrowings continued

### Fair value continued

	Consolidated	
	30 June 2022 \$'000	30 June 2021 \$'000

### Financing facilities available

At reporting date, the following financial facilities have been negotiated and were available to the Group:

Facilities used as at reporting date	178,933	6,045
Facilities unused as at reporting date	196,717	275,492
<b>Total facilities</b>	<b>375,650</b>	<b>281,537</b>

#### (a) Facilities used at the reporting date:

Non-current cash advance facilities – committed	172,349	-
Non-current cash advance facilities – uncommitted	-	-
Overdraft facilities	-	-
Business transactions facilities	785	304
Indemnity/guarantee facilities	5,799	5,741
Documentary credit facilities	-	-
Facilities used as at reporting date	<b>178,933</b>	<b>6,045</b>

#### (b) Facilities unused at the reporting date:

Non-current cash advance facilities – committed	179,206	259,255
Overdraft facilities	10,750	9,886
Business transactions facilities	2,959	3,478
Indemnity/guarantee facilities	3,077	2,207
Documentary credit facilities	725	666
<b>Facilities unused as at reporting date</b>	<b>196,717</b>	<b>275,492</b>

#### (c) Total facilities:

Non-current cash advance facilities – committed	351,555	259,255
Overdraft facilities	10,750	9,886
Business transactions facilities	3,744	3,782
Indemnity/guarantee facilities	8,876	7,948
Documentary credit facilities	725	666
<b>Total Facilities</b>	<b>375,650</b>	<b>281,537</b>

### Group facilities

At 30 June 2022, the Group had debt facilities with ANZ bank including;

- \$250,000,000 committed multicurrency facilities with tenures between 1.5 and 5 years
- \$100,000,000 one year uncommitted facility.

Borrowings may include Australian dollar, US dollar, Canadian dollar, British pounds, Euro and New Zealand dollar denominated amounts.

# Notes to the financial statements continued

For the year ended 30 June 2022

## Note 15. Borrowings continued

### Recognition and measurement

All borrowings, including cash advance facilities, are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings, including cash advance facilities, are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the liabilities are derecognised.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

## Note 16. Financial risk management

The Group's principal financial instruments, other than derivatives, comprises cash advances, bank overdrafts, cash at bank and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Group also enters into derivative transactions, primarily forward exchange contracts. The purpose is to manage the currency risks arising from the Group's business operations and its sources of finance. It is the Group's policy that no speculative trading in derivatives shall be undertaken. The main risks arising from the Group's financial instruments are foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

### Recognition and measurement

#### *Derivative financial instruments and hedging*

The Group may use derivative financial instruments such as forward exchange contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. The fair value of the forward exchange contracts is estimated using market observable inputs. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify for hedge accounting, are taken directly to the income statement for the year.

The fair value of forward exchange contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles and where applicable, exercise prices.

For the purposes of hedge accounting, hedges are classified as cash flow hedges when they hedge exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

#### *Cash flow hedges*

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in income statement.



# Notes to the financial statements continued

For the year ended 30 June 2022

## Note 16. Financial risk management continued

### Recognition and measurement continued

#### Cash flow hedges continued

	Consolidated	
	30 June 2022 \$'000	30 June 2021 \$'000
<b>Cash flow hedges</b>		
Forward exchange contracts - Assets	23,987	2,340
Forward exchange contracts - Liabilities	(330)	(626)
	<b>23,657</b>	<b>1,714</b>

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the income statement.

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

#### Other Financial assets at amortised cost

These amounts generally arise outside of the usual operating activities of the Group. Interest may be charged at commercial rates, the Group has obtained collateral over the balance. The non-current receivables are expected to be repaid within 3 years of the reporting period.

	Consolidated	
	30 June 2022 \$'000	30 June 2021 \$'000
Loans to suppliers – Current	9,497	285
Loans to suppliers – Non Current	1,998	2,326
	<b>11,495</b>	<b>2,611</b>

### Interest rate risk

The Group is exposed to interest rate risk on its borrowings, cash balances and derivative financial instruments. The Group's policy is to manage its interest rate risk using a mix of fixed and variable rate debt where appropriate. Cash advance facilities have short term fixed interest rates with maturities ranging between 1 and 3 months, therefore within the financial year they are exposed to interest rate risk.

At 30 June 2022, the Group has the following exposure to interest rate risk:

## Notes to the financial statements continued

For the year ended 30 June 2022

### Note 16. Financial risk management continued

#### Interest rate risk continued

	Consolidated	
	30 June 2022 \$'000	30 June 2021 \$'000
Cash at bank	168,256	129,907
Borrowings	(172,349)	-
Net exposure	(4,093)	129,907

At 30 June 2022, 100% of the Groups borrowings are exposed to floating rates. On a principal net payable of \$4,093,000 (2021: Receivable \$129,907,000), at an average payable rate including line fee and margin of 2.0% and average receivable rate of 0.2%, an increment of 0.5% in the market rates would result in an increase in finance costs of \$24,000. The group's net exposure to interest rate risk calculated as at 30 June 2022 is not representative of its exposure during the financial year due to seasonality in the volume of sales such that financial performance is historically weighted in favour of the half to 31 December.

This seasonality results in a higher level of receivable and inventory balances and in the first half of the year a consequent increase in working capital requirements.

#### Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign exchange rate fluctuations. Such exposure arises primarily from purchases of inventory by a business unit in currencies other than the unit's functional currency (purchases are predominately US dollar denominated). Other foreign exchange risk only arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

To hedge exposure arising from the purchase of inventories or payments in currencies other than the business unit's functional currency, forward exchange contracts may be utilised. At inception these hedge contracts are designated as cash flow hedges to hedge the exposure to the variability in cash flows arising as a result of movements in exchange rates below contracted exchange rates for options and for movements above or below a contracted exchange rate for forward exchange contracts.

Also, as a result of the Group's investment in its overseas operations, the Group's balance sheet can be affected significantly by movements in the exchange rates of the jurisdictions it operates within.

At 30 June 2022, the Group has the following financial assets and liabilities exposed to foreign currency risk:

	Consolidated	
	30 June 2022 \$'000	30 June 2021 \$'000
Cash at bank	12,108	2,547
Trade and other receivables	5,689	4,519
Trade and other payables	(10,586)	(3,734)
Other financial assets – derivative assets – forward exchange contracts	23,987	2,340
Other financial liabilities – derivative liabilities – forward exchange contracts	(330)	(626)
Loans to suppliers	11,495	2,611
Net exposure	42,363	7,657

## Notes to the financial statements continued

For the year ended 30 June 2022

### Note 16. Financial risk management continued

#### Foreign currency risk continued

##### Instruments used by the Group

Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposures to fluctuations in interest and foreign exchange rates.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The fair value of all derivative assets and liabilities have been determined under Level 2. The fair value of Non-current other payables of \$9,770,000 has been determined under Level 3. Expected cash outflows are estimated based on the terms of the sale contract and the entity's knowledge of the business and how the current economic environment is likely to impact the valuation. Changes in the fair value are not expected to differ significantly from the carrying value.

##### (i) Forward exchange contracts – cash flow hedges

The majority of the Group's inventory purchases from suppliers are denominated in US dollars (US\$). In order to manage exchange rate movements and to manage the inventory costing process, the Group has entered into forward exchange contracts to purchase USD, Euro and CHF. These contracts are hedging highly probable forecasted purchases and highly probable forecasted payments and they are timed to mature when settlement of purchases or the payments are scheduled to be made. All forward exchange contracts have 0-12 months maturity (2021: 0-12 months).

The cash flows are expected to occur between 0-12 months from 1 July 2022 (2021: 0-12 months) and the cost of sales and where applicable the sale of goods within the income statement will be affected in the next financial year as the inventory is sold or the payments are made. At balance date, the details of outstanding contracts are:

	<b>Consolidated</b>	
	<b>30 June 2022 \$'000</b>	<b>30 June 2021 \$'000</b>
<b>Buy USD</b>	<b>295,167</b>	139,579
<b>Buy Euro</b>	<b>84,746</b>	13,235
<b>Buy CHF</b>	<b>18,479</b>	23,502

The cash flow hedges of the forecast purchases and forecast payments are considered to be highly effective and any gain or loss on the contracts is taken directly to equity. Where the contracts are hedging highly probable forecasted inventory purchases, when the inventory is received or the risk is assumed, the amount recognised in equity is adjusted to the inventory account in the balance sheet. During the year \$7,517,591 was credited to inventory (2021: \$4,172,000 debited) and \$29,174,191 was debited (2021: \$6,446,127 debited) to equity in respect of the Group.

At 30 June 2022, the Group had hedged 58% (2021: 37%) of its forecast foreign currency purchases extending to June 2023 (2021: June 2022). The remaining 42% (2021: 63%) is exposed to some foreign exchange risk, however is also naturally hedged within the Group.

# Notes to the financial statements continued

For the year ended 30 June 2022

## Note 16. Financial risk management continued

### (i) Forward exchange contracts – cash flow hedges continued

In respect of net derivative assets and liabilities above, being the fair value of forward exchange contracts designated as cash flow hedges, a decrease of 10% in the US dollar exchange rate against local currencies, all other variables held constant, would result in an increase in equity of \$30,743,000 (2021: \$11,671,000). Conversely, an increase of 10% in the US dollar exchange rate against local currencies, all other variables held constant, would result in a decrease in equity of \$25,153,000 (2021: \$9,349,000).

### Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Board monitors the Group's gearing ratio and compliance with debt covenants on a regular basis. The Group's gearing ratio at 30 June 2022 was 0.7% and 30 June 2021 is nil due to the Group being in a net cash position. The gearing ratio is defined as Group net borrowings divided by capital employed (net borrowings plus shareholders' equity).

### Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets (including trade receivables), excluding investments, of the Group that has been recognised on the balance sheet is the carrying value amount, net of any uncollectible receivables (measured on a collective basis).

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group appropriately provides for expected credit losses on a timely basis, and in calculating the expected credit loss rates, the Group considers historic loss rates for each category of customers, adjusting for forward looking macroeconomic data.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In certain instances, where deemed appropriate, receivable insurance is acquired to offset the Group's exposure to credit risk.

Economic headwinds have meant a number of retailers/customers have experienced cashflow difficulties with potential increase in the risk of delayed payments or bankruptcy. At the same time insurers have reduced insurable limits with a number of customers heightening the Group's exposure to credit risk.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is appropriately provided for.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and certain derivative instruments, the Group's exposure to credit risk arises from default of the counter party with a maximum exposure equal to the carrying amount of these instruments. These counter parties are large multi-national banks.

### Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowing facilities and bank overdrafts.

### Group financial liabilities

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows. See note 15 for details of available facilities.

At 30 June 2022, the remaining contractual maturities of the Group's financial liabilities are:

## Notes to the financial statements continued

For the year ended 30 June 2022

### Note 16. Financial risk management continued

#### Group financial liabilities continued

	<b>Consolidated</b>	
	<b>30 June 2022 \$'000</b>	<b>30 June 2021 \$'000</b>
Less than 1 year	<b>304,773</b>	183,632
Between 1 and 5 years	<b>219,762</b>	43,700
	<b>524,535</b>	<b>227,332</b>

The table below analyses the Group's remaining contractual maturities by the type of financial liability. The amounts disclosed are the contractual undiscounted cash flows.

	<b>Consolidated 30 June 2022</b>			<b>Consolidated 30 June 2021</b>		
	<b>Less than 1 year \$'000</b>	<b>Between 1 and 5 years \$'000</b>	<b>Total \$'000</b>	<b>Less than 1 year \$'000</b>	<b>Between 1 and 5 years \$'000</b>	<b>Total \$'000</b>
Trade and other payables	<b>292,271</b>	<b>9,770</b>	<b>302,041</b>	175,796	12,194	187,990
Borrowings	-	<b>172,349</b>	<b>172,349</b>	-	-	-
Lease liabilities	<b>12,172</b>	<b>37,643</b>	<b>49,815</b>	7,210	31,506	38,716
Other financial liabilities	<b>330</b>	-	<b>330</b>	626	-	626
	<b>304,773</b>	<b>219,762</b>	<b>524,535</b>	<b>183,632</b>	<b>43,700</b>	<b>227,332</b>

Contractual maturities disclosed in the tables above include contracted interest payments. Total borrowings disclosed in note 15 exclude such contracted interest payments.

## Notes to the financial statements continued

For the year ended 30 June 2022

### Note 17. Interests in other entities

The consolidated financial statements include the financial statements of Breville Group Limited and the subsidiaries listed in the following table.

Legal entity	Country of incorporation	Note	Equity interest	
			30 June 2022 %	30 June 2021 %
Thebe International Pty Limited	Australia	17(a)	100	100
<i>Investments not held directly by Breville Group Limited:</i>				
Breville Holdings Pty Limited	Australia	17(a)	100	100
Breville Pty Limited	Australia	17(a)	100	100
Breville R&D Pty Limited	Australia		100	100
Breville Group Employee Share Trust	Australia	17(b)	-	-
Breville New Zealand Limited	New Zealand		100	100
HWI International Limited	Hong Kong		100	100
Breville Services (Shenzhen) Company Limited	China		100	100
Breville Holdings USA, Inc.	USA		100	100
Breville USA, Inc.	USA		100	100
Baratza LLC	USA		100	100
Holding HWI Canada, Inc	Canada		100	100
HWI Canada, Inc.	Canada		100	100
Breville Canada, L.P.	Canada		100	100
BRG Appliances Limited	UK		100	100
Sage Appliances GmbH	Germany		100	100
Sage Appliances France SaS	France		100	100
Breville Mexico, S.A. de C.V.	Mexico		100	100
Breville Korea Limited	Korea		100	100

Breville Group Limited, a company incorporated in Australia is the ultimate parent of the Group.

#### (a) Entities subject to reporting relief

Pursuant to *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*, relief has been granted to Thebe International Pty Limited, Breville Pty Limited and Breville Holdings Pty Limited from the *Corporations Act 2001* requirements for preparation, audit and lodgement of their financial reports.

As a condition of the instrument, Breville Group Limited and Thebe International Pty Limited entered into a Deed of Cross Guarantee on 4 November 1999. This deed was subsequently assumed by Breville Pty Limited and Breville Holdings Pty Limited under an assumption deed dated 19 December 2001. The effect of the deed is that Breville Group Limited has guaranteed to pay any deficiency in the event of winding up of either controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that Breville Group Limited is wound up or if it does not meet its obligation under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

The entities comprising the "closed group" are Breville Group Limited, Thebe International Pty Limited, Breville Pty Limited and Breville Holdings Pty Limited. The Consolidated statement of financial position and income statement of the entities that are members of the "closed group" are detailed in Note 20.

#### (b) Breville Group Employee Share Trust

A trust fund has been established with the appointment of an independent Trustee. The trust is funded by funds irretrievably contributed to it by the company and the Trustee uses these funds to either subscribe for a new issue of shares in the company or purchase shares on the ASX in order to fulfil its obligations under the Breville Group Limited Share Plan.

# Notes to the financial statements continued

For the year ended 30 June 2022

## Note 17. Interests in other entities continued

### (b) Breville Group Employee Share Trust continued

The trust does not form part of the Breville Group Limited Australian tax consolidation group.

During the year the Trustee of the Breville Group Employee Share Trust subscribed to 389,440 ordinary shares of Breville Group Limited (2021: subscribed to 406,700 shares) in order to fulfil its obligations under the Breville Group Employee Share Trust. The average value placed on these subscriptions was \$32.42 per share (2021: average value placed on these subscriptions was \$27.55 per share). Details are provided in note 14.

## Note 18. Parent entity information

### (a) Summary financial information

As at and throughout the financial year ended 30 June 2022 the parent company of the Group was Breville Group Limited.

	30 June 2022 \$'000	30 June 2021 \$'000
<b>Results of the parent entity</b>		
<b>Profit of the parent entity</b>	47,852	51,490
<b>Total comprehensive income of the parent entity</b>	47,852	51,490
<b>Financial position of the parent entity</b>		
Current assets	118,426	104,167
Total assets	335,939	320,008
Current liabilities	586	-
Total liabilities	586	-
<b>Net assets</b>	335,353	320,008
<b>Equity attributable to the equity holders of the parent</b>		
Issued capital	323,165	309,615
Employee equity benefits reserve	(10,255)	(3,916)
Retained earnings	22,443	14,309
<b>Total shareholders' equity</b>	335,353	320,008

### Contingencies

The parent company has guaranteed under the terms of an ASIC class order any deficiency of funds if Thebe International Pty Limited, Breville Pty Limited and Breville Holdings Pty Limited are wound up. No such deficiency currently exists.

The parent company has issued corporate guarantees in favour of HSBC local banks in Canada and Mexico.

### Tax consolidation

Breville Group Limited and its 100% owned Australian resident subsidiaries (excluding the Breville Group Performance Share Plan Trust) have formed a tax consolidated Group with effect from 1 July 2003.

The head entity, Breville Group Limited and each subsidiary in the tax consolidated Group are required to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Breville Group Limited also recognises:

## Notes to the financial statements continued

For the year ended 30 June 2022

### **Note 18. Parent entity information continued**

#### **Tax consolidation continued**

- (a) the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group; and
- (b) assets or liabilities arising for Group under the tax funding agreement as amounts receivable from or payable to other entities in the Group.

Members of the tax consolidated Group have entered into a tax funding agreement. The tax funding agreement supports the calculation of current tax liabilities (and assets) and deferred tax assets/liabilities on a stand-alone basis. Calculation is performed in accordance with AASB 112 Income Tax. The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries' intercompany accounts with the tax consolidated Group head company, Breville Group Limited.

No amounts have been recognised in the financial statements in respect of the tax sharing agreement should the head entity default on its tax payment obligations on the basis that the possibility of default is remote.



# Notes to the financial statements continued

For the year ended 30 June 2022

## Further details

### Note 19. Share-based payments

#### Performance rights plan (LTI) and fixed deferred remuneration rights plan

Under the performance rights plan (LTI) and fixed deferred remuneration rights plan participants are issued with rights over the ordinary shares of Breville Group Limited issued in accordance with the Breville Group Limited Share Plan. See pages 44 to 48 of the Remuneration report for details of the two plans.

At 30 June 2022 there were 1,687,103 (2021: 1,388,145) total rights outstanding under both plans, 1,149,704 (2021: 1,246,074) under the performance rights plan (LTI) and 537,399 (2021: 142,071) under the fixed deferred remuneration rights plan. The expense recognised in the income statement in relation to share-based payments is disclosed in note 3(e).

#### Recognition and measurement

Performance rights issued to employees (including key management personnel) are accounted for as share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value has been determined by an external valuer using a risk neutral methodology for non market valuations and Black Scholes or Monte-Carlo model for market valuations, further details of which are given below.

Market based performance conditions are reflected within the fair value at grant date. Service and non-market performance conditions are not taken into account when determining the grant date fair value of the awards. The likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date). At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period. The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

## Notes to the financial statements continued

For the year ended 30 June 2022

### Note 19. Share-based payments continued

#### Rights granted and outstanding under the performance rights plan (LTI)

The following table illustrates the number and weighted average exercise prices ("WAEP") of and movements in performance rights issued during the year:

	Note	30 June 2022	WAEP	30 June 2021	WAEP
		Number of performance rights		Number of performance rights	
Outstanding at the beginning of the year		1,246,074	0.00	1,183,900	0.00
Performance rights granted during the year		364,450	0.00	410,828	0.00
Performance rights exercised during the year		(388,800)	0.00	(346,700)	0.00
Performance rights lapsed during the year		(72,020)	0.00	(1,954)	0.00
Outstanding at the end of the year (a)		1,149,704	-	1,246,074	-
Exercisable at the end of the year		-	-	-	-

#### Rights outstanding under the performance rights plan (LTI)

(a) The outstanding balance as at 30 June 2022 is represented by:

Number of performance rights	Measure	Period start	Period End	Grant date	Vesting date	Expiry date	WAEP \$	Fair value at grant date (\$)
114,900	Relative TSR	30-Jun-18	30-Jun-22	11-Sep-18	29-Aug-22	3-Oct-22	0.00	6.58
19,700	Relative TSR	30-Jun-18	30-Jun-22	16-Nov-18	29-Aug-22	3-Oct-22	0.00	6.58
154,950	Relative TSR	30-Jun-19	30-Jun-22	11-Oct-19	29-Aug-22	03-Oct-22	0.00	6.81
146,600	Relative TSR	30-Jun-19	30-Jun-23	11-Oct-19	29-Aug-23	2-Oct-23	0.00	7.06
373,592	Absolute TSR	30-Jun-20	30-Jun-23	7-Sep-20	29-Aug-23	1-Oct-23	0.00	14.69
265,748	EBIT CAGR & Revenue CAGR	30-Jun-21	30-Jun-24	6-Oct-21	27-Aug-24	01-Oct-24	0.00	25.96
74,214	EBIT CAGR & Revenue CAGR	30-Jun-21	30-Jun-24	11-Nov-21	27-Aug-24	01-Oct-24	0.00	28.91
<b>1,149,704</b>							<b>0.00</b>	

## Notes to the financial statements continued

For the year ended 30 June 2022

### Note 19. Share-based payments continued

#### Rights granted and outstanding under the fixed deferred remuneration plan

The following table illustrates the number and weighted average exercise prices ("WAEP") of and movements in fixed deferred remuneration plan issued during the year:

	Note	30 June 2022	WAEP	30 June 2021	WAEP
		Number of performance rights		Number of performance rights	
Outstanding at the beginning of the year		142,071	0.00	196,227	0.00
Rights granted during the year		460,801	0.00	22,311	0.00
Rights exercised during the year		(29,940)	0.00	(76,467)	0.00
Rights lapsed during the year		(35,533)	0.00	-	0.00
Outstanding at the end of the year (b)		537,399	-	142,071	-
Exercisable at the end of the year		-	-	-	-

#### Rights outstanding under the fixed deferred remuneration plan

##### Notes

(b) The outstanding balance as at 30 June 2022 is represented by:

Number of performance rights	Note	Grant date	Vesting date	Expiry date	WAEP \$	Fair value at grant date (\$)
29,940	(i)	29-Jan-20*	25-Aug-22	3-Oct-22	0.00	16.70
29,940	(ii)	29-Jan-20*	25-Aug-23	2-Oct-23	0.00	16.70
29,940	(iii)	29-Jan-20*	25-Aug-24	1-Oct-24	0.00	16.70
22,311	(iv)	7-Sep-20	25-Aug-25	3-Oct-25	0.00	19.60
27,208	(v)	5-Oct-21	25-Aug-22	25-Aug-22	0.00	27.21
36,442	(ii)	5-Oct-21	25-Aug-23	25-Aug-23	0.00	26.87
70,570	(iii)	5-Oct-21	25-Aug-24	25-Aug-24	0.00	26.52
81,991	(iv)	5-Oct-21	25-Aug-25	25-Aug-25	0.00	26.18
122,989	(v)	5-Oct-21	25-Aug-26	25-Aug-26	0.00	25.85
20,507		6-Oct-21	25-Aug-23	2-Oct-23	0.00	16.70
12,077	(ii)	11-Nov-21	25-Aug-23	25-Aug-23	0.00	29.28
12,077	(iii)	11-Nov-21	25-Aug-24	25-Aug-24	0.00	28.91
12,077	(iv)	11-Nov-21	25-Aug-25	25-Aug-25	0.00	28.54
29,330	(v)	11-Nov-21	25-Aug-26	25-Aug-26	0.00	28.17
<b>537,399</b>					<b>0.00</b>	

\* material terms and conditions of the grant were agreed in January 2020 but administrative finalisation of grants were delayed due to COVID-19 priorities. In line with AASB2, fair value was based on the price at the time when grant was agreed when VWAP for H1 FY20 was \$16.70.

# Notes to the financial statements continued

For the year ended 30 June 2022

## Note 19. Share-based payments continued

### Rights granted and outstanding under the fixed deferred remuneration plan continued

### Rights outstanding under the fixed deferred remuneration plan continued

#### Notes continued

- (i) Rights granted as fixed deferred remuneration with vesting condition that the participants must complete the service period between 26 August 2021 - 25 August 2022.
- (ii) Rights granted as fixed deferred remuneration with vesting condition that the participant must complete the service period between 26 August 2022 - 25 August 2023.
- (iii) Rights granted as fixed deferred remuneration with vesting condition that the participant must complete the service period between 26 August 2023 - 25 August 2024.
- (iv) Rights granted as fixed deferred remuneration with vesting condition that the participant must complete the service period between 26 August 2024 - 25 August 2025.
- (v) Rights granted as fixed deferred remuneration with vesting condition that the participant must complete the service period between 26 August 2025 - 25 August 2026.

### Rights granted under the performance rights plan and fixed deferred remuneration plan

The remaining contractual life for the performance and the fixed deferred remuneration rights outstanding at 30 June 2022 is between 1 and 4 years (2021: 1 and 4 years).

The exercise price for performance rights and the fixed deferred remuneration rights outstanding at the end of the year was \$nil (2021: \$nil).

The weighted average fair value of performance rights granted under the performance rights plan during the year was \$26.60 (2021: \$14.69).

In the current period ending 30 June 2022 rights issued under the performance rights plan and fixed deferred remuneration plan are measured using a risk neutral methodology (CAGR EBIT, CAGR Revenue and service period).

In the prior period, fair value of the equity-settled performance rights granted under the performance rights plan is estimated as of the date of grant using a Monte-Carlo option-pricing model, taking into account the terms and conditions upon which the options and performance rights were granted.

The following table lists the inputs to the model used for the grants during the year ended 30 June 2022 and 30 June 2021:

# Notes to the financial statements continued

For the year ended 30 June 2022

## Note 19. Share-based payments continued

Rights granted under the performance rights plan and fixed deferred remuneration plan continued

	30 June 2022		
	Performance rights	Fixed Deferred Remuneration	Performance rights and Fixed Deferred Remuneration (Jim Clayton)
Grant date	6 Oct 21	5 Oct 21	11 Nov 21
Vesting Date - Performance Rights	27 Aug 24	-	27 Aug 24
Vesting Date - Fixed Deferred Remuneration Rights		25 Aug 22	25 Aug 22
		25 Aug 23	25 Aug 23
		25 Aug 24	25 Aug 24
		25 Aug 25	25 Aug 25
		25 Aug 26	25 Aug 26
Share price at the grant date	26.81	27.39	29.85
Dividend Yield	1.0%	1.0%	1.0%
Franking rate	100%	100%	100%
Imputation credits valuation factor	65%	65%	65%
Implied pre-tax effective dividend yield (p.a)	1.3%	1.3%	1.3%
Right exercise price	0.00	0.00	0.00
			30 June 2021
			(Monte- Carlo)
Grant date			7 Sep 20
Vesting date			29 Aug 23
Dividend yield (%)			2.50%
Expected volatility (%)			35.00
Historical volatility (%)			35.00
Risk-free interest rate (%)			0.30
Expected life of performance right			2.9 years
Performance right exercise price (\$)			0.00
Weighted average share price (\$) <sup>(1)</sup>			22.41
Weighted average fair value (\$) <sup>(1)</sup>			14.69
(1) At grant date			

The expected life of the performance rights is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of performance rights granted were incorporated into the measurement of fair value.

The weighted average fair value of share rights granted under the fixed deferred remuneration plan during the year was \$26.18 (2021: \$19.60).

# Notes to the financial statements continued

For the year ended 30 June 2022

## Note 20. Related party transactions

	30 June 2022 \$'000	30 June 2021 \$'000
<b>(i) Consolidated statement of financial position for class order closed group</b>		
<b>Current assets</b>		
Cash and cash equivalents	111,935	60,324
Trade and other receivables	49,293	52,483
Inventories	57,816	44,053
Other financial assets	24,260	2,625
<b>Total current assets</b>	<b>243,304</b>	<b>159,485</b>
<b>Non-current assets</b>		
Investments	274,534	247,212
Right-of-use-assets	6,048	8,318
Plant and equipment	11,256	11,531
Intangible assets	119,969	102,728
Deferred tax assets	1,054	8,696
Other financial assets	1,998	2,326
<b>Total non-current assets</b>	<b>414,859</b>	<b>380,811</b>
<b>Total assets</b>	<b>658,163</b>	<b>540,296</b>
<b>Current liabilities</b>		
Trade and other payables	107,215	107,869
Current tax liabilities	586	4,244
Provisions	15,018	10,507
Lease liabilities	4,135	3,690
Other financial liabilities	330	625
<b>Total current liabilities</b>	<b>127,284</b>	<b>126,935</b>
<b>Non-current liabilities</b>		
Borrowings	35,000	-
Lease liabilities	5,605	9,497
Provisions	1,625	1,180
<b>Total non-current liabilities</b>	<b>42,230</b>	<b>10,677</b>
<b>Total liabilities</b>	<b>169,514</b>	<b>137,612</b>
<b>Net assets</b>	<b>488,649</b>	<b>402,684</b>
<b>Equity</b>		
Issued capital	323,165	309,615
Reserves	6,304	(2,715)
Retained earnings	159,180	95,784
<b>Total equity</b>	<b>488,649</b>	<b>402,684</b>

# Notes to the financial statements continued

For the year ended 30 June 2022

## Note 20. Related party transactions continued

### (ii) Consolidated income statement for class order closed group

<b>Profit from ordinary activities before income tax expense</b>	<b>139,516</b>	94,540
Income tax expense relating to ordinary activities	(36,403)	(29,623)
<b>Net profit</b>	<b>103,113</b>	64,917
Accumulated profits at the beginning of the year	<b>95,784</b>	77,007
Dividends paid or reinvested	(39,717)	(46,140)
<b>Accumulated profits at the end of the year</b>	<b>159,180</b>	95,784

### (a) Ultimate controlling entity

The ultimate controlling entity of the Group in Australia is Breville Group Limited.

### (b) Wholly owned Group transactions

During the financial period, loans were advanced and repayments received on inter-Group accounts with subsidiaries in the wholly owned Group. These transactions were undertaken on commercial terms and conditions.

### (c) Key management personnel

	Note	Consolidated	
		30 June 2022	30 June 2021
		\$	\$
<b>Compensation by category: key management personnel</b>			
Short-term	20(c)(ii)	<b>9,070,762</b>	7,345,732
Post-employment	20(c)(i)	<b>224,594</b>	200,297
Other long-term		<b>126,904</b>	51,562
LTI Share-based payment		<b>2,316,742</b>	1,604,473
<b>Total</b>		<b>11,739,002</b>	9,202,064

(i) This comprises defined contribution plans expense of \$224,594 (2021: \$200,297)

(ii) Not included in Short-term but recognised through the Income Statement is annual leave expense for J. Clayton \$246,997 (FY21: \$164,114), S. Brady \$19,131 (FY21: \$42,964), M. Nicholas \$29,920 (FY21: \$30,389), Mark Payne \$12,602 (FY21: \$9,833), Cliff Torng \$18,598 (FY21: \$48,291).

## Notes to the financial statements continued

For the year ended 30 June 2022

### Note 21. Auditor's remuneration

	Consolidated	
	30 June 2022	30 June 2021
	\$	\$
<b>Amounts received or due and receivable from the entity and any other entity in the consolidated entity:</b>		
<b>PricewaterhouseCoopers Australia - primary auditors</b>		
<b>Parent entity</b>		
Audit or review services - Parent	<b>670,362</b>	658,261
Taxation and accounting advisory services - Parent	<b>256,079</b>	130,036
<b>Network Firms of PricewaterhouseCoopers Australia</b>		
<b>Controlled entities</b>		
Taxation and accounting advisory services - Controlled entities	<b>333,895</b>	594,790
Audit or review services - Controlled entities	<b>158,638</b>	153,739
<b>Total services provided by PricewaterhouseCoopers</b>	<b>1,418,974</b>	1,536,826

### Note 22. Contingencies

Indemnity agreements have been entered into with certain officers of the Group in respect of expenses and liabilities they incur in their official capacities. No monetary limit applies to these agreements and no known obligations have emerged as a result of these agreements.

Cross guarantees given by Breville Group Limited, Thebe International Pty Limited, Breville Holdings Pty Limited and Breville Pty Limited are described in note 17(a).

Breville Group Limited has issued corporate guarantees in favour of the local bank (HSBC) which provides the day to day US, Canadian, UK, French, Mexican and German transactional banking facilities.

### Note 23. Events occurring after the reporting period

On 1st July 2022 Breville Group Limited acquired 100% of the issued shares in LELIT, an Italian based speciality coffee group, for consideration of approximately \$140m. As a rapidly growing disruptor in the premium Italian-made espresso machine and grinder market, the acquisition of LELIT strategically complements Breville's award-winning coffee portfolio and brings together two iconic companies in the design and distribution of preeminent home coffee equipment. The financial effects of this transaction have not been recognised at 30 June 2022. The operating results and assets and liabilities of the acquired company will be consolidated from 1 July 2022.

At the time the financial statements were authorised for issue, the group had not yet completed the accounting for the acquisition of LELIT. In particular, the fair values of the assets disclosed above have only been determined provisionally as the independent valuations have not been finalised. It is also not yet possible to provide detailed information about each class of acquired receivables and any contingent liabilities of the acquired entity.

No other matters or circumstances have arisen since the end of the year which significantly affected or may affect the operations of the consolidated entity.

The financial report of Breville Group Limited for the year ended 30 June 2022 was authorised for issue in accordance with a resolution of the directors on 23 August 2022.



# Notes to the financial statements continued

For the year ended 30 June 2022

## Note 24. Other accounting policies

### (a) Foreign currency translation

#### (i) Functional and presentation currency

Both the functional and presentation currency of Breville Group Limited and its Australian subsidiaries are Australian dollars (AUD or A\$). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

#### (ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the foreign subsidiaries is either:

- USD - United States dollar (Breville Holdings USA, Inc. and Breville USA, Inc.);
- HKD - Hong Kong dollar (HWI International Limited);
- CAD - Canadian dollar (HWI Canada, Inc., Holding HWI Canada, Inc. and Breville Canada, L.P.);
- NZD - New Zealand dollar (Breville New Zealand Limited);
- GBP - British pound (BRG Appliances Limited);
- RMB - Chinese Renminbi (Breville Services (Shenzhen) Company Limited);
- EUR - Euro (Sage Appliances GmbH and Sage Appliances France SaS);
- MXN - Mexican Peso (Breville Mexico, S.A. de C.V.); and
- KRW - South Korean Won (Breville Korea Limited)

As of the reporting date the assets and liabilities of these foreign subsidiaries are translated into the presentation currency of Breville Group Limited. They are translated at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the year.

The exchange differences arising on the retranslation of the financial statements of foreign subsidiaries are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

#### (iii) Disposal of foreign operations

In some instances companies in the Breville Group provide intra-Group funding to other Group entities by way of permanent equity loans. In these instances any foreign exchange movements are recognised in equity (foreign currency translation reserve) as these equity loans are considered to form part of the net investment in the subsidiary.

### (b) Investments and other financial assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through the income statement, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each year end.

# Notes to the financial statements continued

For the year ended 30 June 2022

## Note 24. Other accounting policies continued

### (b) Investments and other financial assets continued

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

#### (i) Held to maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts.

For investments carried at amortised cost, gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

#### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

For investments carried at amortised cost, gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

### (c) Other Taxes

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST) or value added tax (VAT) except:

- where the GST/VAT incurred on the purchase of goods and services is not recoverable from the taxation authority, in which case the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the applicable amount of GST/VAT included.

The net amount of GST/VAT recoverable/payable is included in receivables/payables in the statement of financial position.

Cash flows are included in the cash flow statement on a gross basis and the GST/VAT component of cash flows arising from investing and financing activities are classified as operating cash flows.

Commitments and contingencies are disclosed net of recoverable/payable GST/VAT.

### (d) New accounting standards and interpretations

#### (i) Changes to accounting policy and disclosures

The accounting policies of the Group are consistent with those of the previous financial year.

The Group adopted all other new and amended Australian Accounting Standards and Interpretations that became applicable during the current financial year.

The adoption of other Standards and Interpretations did not have a significant impact on the Group's financial results or statement of financial position.

## Directors' declaration

In accordance with a resolution of the directors of Breville Group Limited, I state that:

1. In the directors' opinion:

- (a) the financial statements and notes set out on pages 66 to 121 are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date, and
  - (ii) complying with Accounting Standards and the *Corporations Regulations 2001*;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as disclosed in note 1;
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and
- (d) at the date of this declaration, there are reasonable grounds to believe that the members of the extended Closed Group will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

2. This declaration is made after receiving the declarations by the Chief Executive Officer and Chief Financial Officer required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2022.

On behalf of the Board



Timothy Antonie  
 Non-executive Chairperson

Sydney  
 23 August 2022



## Auditor's Independence Declaration

As lead auditor for the audit of Breville Group Limited for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Breville Group Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Aishwarya Chandran', written over a horizontal line.

Aishwarya Chandran  
Partner  
PricewaterhouseCoopers

Sydney  
23 August 2022

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## Independent auditor's report

To the members of Breville Group Limited

### Report on the audit of the financial report

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#### Our opinion

In our opinion:

The accompanying financial report of Breville Group Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2022
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated income statement for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

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#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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## Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality	Audit scope
<ul style="list-style-type: none"> <li>For the purpose of our audit we used overall Group materiality of \$7.3 million, which represents approximately 5% of the Group's profit before tax.</li> <li>We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.</li> <li>We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.</li> <li>We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.</li> </ul>	<ul style="list-style-type: none"> <li>Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.</li> <li>The Group comprises entities located globally, with the most financially significant operations being located in Australia and the United States of America.</li> <li>PwC Australia undertook all audit procedures to obtain sufficient appropriate audit evidence to express an opinion on the Group's financial report as a whole.</li> </ul>

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
<p><b>Estimated recoverable amount of goodwill and intangibles with indefinite lives</b> <i>(Refer to note 11)</i></p> <p>Under Australian Accounting Standards, the Group is required to test goodwill and intangibles with indefinite lives annually for impairment, irrespective of whether there are indicators of impairment.</p> <p>The Group assesses goodwill and intangibles with indefinite lives for impairment at the cash generating unit ('CGU') level. This assessment is inherently complex and judgemental. It requires judgement by the Group in forecasting the operational cash flows of the CGUs, and determining discount rates and terminal value growth rates used in the discounted cash flow models used to assess impairment (the 'models').</p> <p>The recoverable amount of goodwill and intangibles with indefinite lives was a key audit matter given the:</p> <ul style="list-style-type: none"><li>• financial significance of intangible assets to the consolidated statement of financial position; and</li><li>• judgement applied by the Group in completing the impairment assessments.</li></ul>	<p>Assisted by PwC valuation experts in aspects of our work, our audit procedures included, amongst others:</p> <ul style="list-style-type: none"><li>• assessing the identification of CGUs and the allocation of carrying value of assets and liabilities and cash flows to those CGUs for consistency with our knowledge of the Group;</li><li>• assessing whether the models applied by the Group for impairment testing were prepared in accordance with the requirements of Australian Accounting Standards;</li><li>• comparing the cash flow forecasts in the models to the Board approved budget;</li><li>• testing the mathematical accuracy and integrity of the models;</li><li>• assessing the terminal value growth rates and discount rates applied in the models;</li><li>• assessing cash flow forecasts, which contain key growth assumptions included in the models against historical performance and budget accuracy, future strategic plans, and other market information;</li><li>• performing sensitivity analyses over the key assumptions used in the models to understand the impact of reasonably possible changes to key assumptions; and</li><li>• evaluating the related financial statement disclosures for consistency with Australian Accounting Standards requirements.</li></ul>

Key audit matter	How our audit addressed the key audit matter
<p><b>Revenue from contracts with customers</b> (Refer to note 3)</p> <p>The Group's accounting policy is to recognise revenue when the performance obligation of transferring goods to the customer has been satisfied and the transaction price can be measured.</p> <p>Revenue was a key audit matter given the financial significance of revenue to the financial report and the significant audit effort required to gather sufficient appropriate audit evidence for revenue recognition.</p>	<p>Our procedures over the recognition of revenue included, amongst others:</p> <ul style="list-style-type: none"> <li>• considering the Group's accounting policy in line with Australian Accounting Standard requirements;</li> <li>• obtaining a sample of revenue transactions and testing back to source documentation, including identifying performance obligations, assessing whether the transactions occurred and were recognised in the correct period; and</li> <li>• evaluating the related financial statement disclosures for consistency with Australian Accounting Standards requirements.</li> </ul>

### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Company information, Directors' report and Corporate governance statement. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.



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### **Responsibilities of the directors for the financial report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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### **Auditor's responsibilities for the audit of the financial report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at [https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf). This description forms part of our auditor's report.

### **Report on the remuneration report**

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#### **Our opinion on the remuneration report**

We have audited the remuneration report included in pages 35 to 55 of the directors' report for the year ended 30 June 2022.

In our opinion, the remuneration report of Breville Group Limited for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

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## Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

The logo for PricewaterhouseCoopers, featuring the company name in a stylized, cursive script.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Aishwarya Chandran', with a horizontal line underneath.

Aishwarya Chandran  
Partner

Sydney  
23 August 2022