

# adairs

CORPORATE GOVERNANCE STATEMENT

2020







# CORPORATE GOVERNANCE STATEMENT

This corporate governance statement sets out the key features of Adairs' governance framework, including the key policies and practices. Adairs complies with the Corporate Governance Principles and Recommendations (3rd Edition) published by the ASX Corporate Governance Council (**ASX Principles and Recommendations**).

Adairs is committed to good corporate governance practices. Adairs has reviewed its governance policies and practices to ensure that they remain appropriate in light of changes in corporate governance expectations and developments as reflected in the fourth edition of the ASX Principles and Recommendations. Many of the new recommendations contained in the fourth edition are already addressed in the Company's existing governance arrangements and are summarised in this statement.

## 1. Corporate governance framework

The Board of Adairs Limited is responsible for the corporate governance of the group and is committed to maximising performance, generating appropriate levels of shareholder value and financial return, and sustaining the growth and success of Adairs.

In conducting business with these objectives, the Board seeks to ensure Adairs is properly managed to protect and enhance shareholder interests, and that Adairs, its Directors, officers and personnel operate in an appropriate corporate governance environment.



# Corporate Governance Statement

The Board has adopted a Charter which sets out the Board's role and responsibilities, the relationship and interaction between the Board and management, and the authority delegated by the Board to management and Board committees.

## 1.1. The role of the Board

The Board's role is to:

- › represent and serve the interests of shareholders by overseeing and appraising the Company's strategies, policies and performance. This includes overseeing the financial and human resources the Company has in place to meet its objectives and reviewing management performance;
- › protect and optimise Company performance and build sustainable value for shareholders in accordance with any duties and obligations imposed on the Board by law and the Company's Constitution and within a framework of prudent and effective controls that enable risk to be assessed and managed;
- › set, review and ensure compliance with the Company's values and governance framework (including establishing and observing high ethical standards); and
- › ensure shareholders are kept informed of the Company's performance and major developments affecting its state of affairs.

## 1.2. Board responsibilities

The Board is responsible for the overall governance of Adairs including monitoring the operational and financial position and performance of Adairs and overseeing its business strategy, including approving the strategic objectives, plans and budgets of the Company.

The Board's key responsibilities as set out in the Board Charter include:

- › selecting, appointing, removing and evaluating from time to time the performance of, determining the remuneration of, and planning succession of, the CEO;
- › contributing to and approving management's development of corporate strategy, including setting performance objectives and approving operating budgets;
- › reviewing, ratifying and monitoring systems of risk management and internal control and ethical and legal compliance;
- › monitoring corporate performance and implementation of strategy and policy;
- › approving major capital expenditure, acquisitions and divestitures, and monitoring capital management;
- › monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting;
- › conducting performance evaluations of the Board, its Committees and individual Directors; and
- › developing and reviewing corporate governance principles and policies.

The number of Board meetings held and attendance by Directors are outlined in the Directors' Report on page 22 of the FY20 Annual Report.

The Board collectively, and each Director individually, has the right to seek independent professional advice, subject to the approval of the Chair or the Board as a whole.

## 1.3. Management responsibilities

The management function is conducted by, or under the supervision of, the CEO as directed by the Board (and by other officers to whom the management function is properly delegated by the CEO). The Board approves corporate objectives for the CEO to satisfy and, jointly with the CEO, develops the duties and responsibilities of the CEO. The CEO is responsible for implementing strategic objectives, plans and budgets approved by the Board.

## 1.4. Company secretary

The Company Secretary is responsible for the coordination of all Board business, including agendas, board papers, minutes, communication with regulatory bodies and ASX, and all statutory and other filings. The Company Secretary is accountable to the Board and all Directors have direct access to the Company Secretary as required.

## 1.5. Board committees

The Board has three standing committees to assist in the discharge of its responsibilities. The Board committees, generally, review matters on behalf of the Board and refer matters to the Board for decision with a recommendation from the committee. There are instances where decision making powers are specifically conferred on a committee by the Board. Each committee has a charter, detailing its role, duties and membership requirements. The committee charters are reviewed regularly and updated as required.

The number of Committee meetings held and attendance by members of each Committee are outlined in the Directors' Report on page 22 of the FY20 Annual Report.

### 1.5.1. Audit & Risk Committee

The primary responsibilities of the Audit & Risk Committee in relation to the audit function are to review and make recommendations to the Board in relation to:

- › the reporting of financial information;
- › the appropriate application and amendment of accounting policies; and
- › the appointment, independence and remuneration of the external auditor.

The Committee also provides a link between the external auditors, the Board and management of the Company.

The primary responsibilities of the Audit & Risk Committee with respect to risk management and compliance are to review and report to the Board that:

- › the Committee has, at least annually, reviewed the Company's risk management framework to satisfy itself that it continues to be sound and effectively identifies all areas of potential risk;
- › adequate policies and processes have been designed and implemented to manage identified risks;
- › a regular program of audits has been undertaken to test the adequacy of and compliance with prescribed policies; and
- › proper remedial action has been undertaken to redress areas of weakness.

The Committee will also review management recommendations on policies and strategies relating to employee culture and behaviour and make recommendations to the Board where appropriate.

Under the Audit & Risk Committee Charter, the Committee should consist of:

- › at least three members of the Board;
- › only Non-Executive directors;
- › a majority of independent directors; and
- › an independent Chair who is not Chair of the Board.

### 1.5.2. Remuneration Committee

The primary responsibilities of the Remuneration Committee are to:

- › review and advise the Board annually on the arrangements for the CEO and senior executives, including contract terms, remuneration and superannuation;
- › review management recommendations and advise the Board on employee equity incentive plans, including performance linked compensation packages for senior executives and employee share plans;
- › oversee the administration of the Company's employee equity incentive plans;
- › review the senior executive performance assessment processes and results as they reflect the capability of management to realise the business strategy;
- › review CEO and senior executive succession plans and make recommendations to the Board;
- › review and make recommendations to the Board on remuneration by gender and recommend strategies or changes to address any pay bias; (Corporations Act)
- › review and recommend to the Board the remuneration arrangements for the Chair of the Board and the Non-Executive directors of the Board, including fees, travel and other benefits;
- › approve the appointment of remuneration consultants (if any) for the purposes of the *Corporations Act 2001* (Cth); and
- › review and recommend to the Board the remuneration report prepared in accordance with the Corporations Act for inclusion in the annual Directors' Report.

# Corporate Governance Statement

## 1.5.3. Nomination Committee

The primary responsibilities of the Nomination Committee are to:

- › assist the Board to develop a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership;
- › review and recommend to the Board the criteria for Board membership, including:
  - the necessary and desirable competencies of Board members;
  - the time expected to be devoted by Non-Executive directors in relation to the Company's affairs;
- › review and recommend to the Board the size and composition of the Board, having regard to the objective that the Board comprise directors with a broad range of skills, expertise and experience from a broad range of backgrounds, including gender;
- › develop succession plans and make recommendations to the Board in respect of succession planning of the Chair and other Non-Executive directors;
- › review and recommend to the Board the membership of the Board, including:
  - making recommendations for the election and re-election of Directors; and
  - assisting the Board as required to identify individuals who are qualified to become Board members (including in respect of Executive Directors);
- › assist the Board as required in relation to the performance evaluation of the Board, its committees and individual Directors, and in developing and implementing plans for identifying, assessing and enhancing Director competencies;
- › review and make recommendations in relation to any corporate governance issues as requested by the Board from time to time;
- › review the Board Charter on a periodic basis and recommend any amendments to the Board for its consideration;
- › ensure that an effective Director induction process is in place and regularly review its effectiveness and provide appropriate professional development opportunities for Directors;
- › on an annual basis, review the effectiveness of the Diversity Policy by:
  - assessing the Company's progress towards the achievement of measurable objectives and any strategies aimed at achieving the objectives; and
  - reporting to the Board any recommended changes to the measurable objectives, strategies or the way in which they are implemented;

Each year, the Nomination Committee prepares a report for the Board outlining the following details of the Board selection process with a view to including either the report or a summary of the report in the Annual Report:

- › the process by which candidates are identified and selected, including whether external search organisations are used;
- › the steps taken to ensure that an appropriate range of candidates are considered; and
- › the factors taken into account in the selection process, including the Board skills matrix used to identify any 'gaps' in the skills and experience of the Directors on the Board.

The Committee also assists the Board with providing shareholders with any material information in the Company's possession which is relevant to a decision on whether or not to elect or re-elect a Director.

## 1.6. Constitution, charters and policies

The following documents referred to in this statement are available on the Adairs Investor Relations website ([investors.adairs.com.au](http://investors.adairs.com.au)) within the Corporate Governance section:

- › Anti-Bribery & Corruption Policy
- › Audit & Risk Committee Charter
- › Board Charter
- › Code of Conduct
- › Continuous Disclosure Policy
- › Diversity Policy
- › Constitution for Adairs Limited
- › Nomination Committee Charter
- › Policy on Non-Audit Services
- › Remuneration Committee Charter
- › Securities Dealing Policy
- › Whistleblower Policy

## 1.7. Evaluation of the Board

The review of Board composition, performance and succession planning is undertaken by the Nomination Committee which comprises all Directors and is chaired by the Board Chair. The Nomination Committee meets as often as deemed necessary with at least one meeting each year.

On an annual basis, Directors provide written feedback in relation to the performance of the Board and its Committees against a set of agreed criteria. Each Committee of the Board is also required to provide feedback in terms of a review of its own performance. Feedback is collected by the Chair of the Board, or an external facilitator, and discussed by the Board, with consideration being given as to whether any steps should be taken to improve performance of the Board or its Committees.

The CEO also provides feedback from senior management in connection with any issues that may be relevant in the context of the Board performance review.

Where appropriate to facilitate the review process, assistance may be obtained from third party advisers. The Board intends that every three years, an external consultant will be engaged to conduct a review of the performance of the Board and its Committees.










An internal performance review of the Board was undertaken in FY20, in accordance with the process summarised above.

## 1.8. Directors' skills and experience

The table below sets out the Board's skills and experience matrix as at the date of this statement. The Nomination Committee is satisfied that the Board currently comprises Directors with a broad range of skills, knowledge and experience and that those Directors have a proper understanding of the current and emerging issues facing the Company and can effectively review and challenge management's decisions.

Where any skill is not directly represented on the Board, the skills and experience are augmented through the involvement of management and external advisors, as deemed appropriate by the Board. Directors receive regular presentations by management and are encouraged to seek additional information from management as necessary. Directors also undertake regular visits to Adairs stores and distribution centres, both collectively and individually.

# Corporate Governance Statement

	Technical skill	Explanation	Number of Directors with developed capability
	<b>Leadership</b>	Board, CEO and/or senior executive level experience in a major organisation or listed company.	8 of 8
	<b>Strategic and commercial acumen</b>	Experience in formulating, implementing and/or overseeing strategic business plans and developing new businesses, mergers and acquisitions, and divestments.	8 of 8
	<b>Financial acumen</b>	Qualifications and/or experience in accounting and/or finance, including understanding financial statements of organisations of significant size and complexity, assessing financial performance and the adequacy of financial controls, and overseeing capital management and funding arrangements	8 of 8
	<b>Governance</b>	Experience in a major organisation or listed company subject to rigorous governance standards, overseeing best practice governance frameworks and related policies and processes.	8 of 8
	<b>Legal and regulatory</b>	Experience in overseeing legal and regulatory frameworks, policies and processes (in the retailing industry or otherwise).	8 of 8
	<b>Risk management /compliance</b>	Experience in risk management and compliance frameworks and related policies and processes, setting risk appetites, and identifying and providing oversight of material business risks.	8 of 8
	<b>People</b>	Experience with people matters, including assessing executive and employee performance, talent development, employee engagement, strategic workforce planning and leading organisational change, and workplace health and safety.	8 of 8
	<b>Organisational culture</b>	Experience in organisational culture and change, including formulating and overseeing organisation-wide values and policies to protect and enhance reputation, and building trust and confidence in an organisation.	8 of 8
	<b>Remuneration</b>	Experience in a Board Remuneration Committee (or similar) or at a senior executive level in relation to remuneration practices	8 of 8

	Experience	Explanation	Number of Directors with developed capability
	<b>Retailing, marketing and customer experience</b>	Experience at a significant retail business, including multi-channel distribution, development of winning products, customer experience, service and management strategies, and marketing to retail and online consumers.	8 of 8
	<b>Experience in other relevant industries</b>	Relevant experience at Board or senior executive level at a major organisation in other industries operating in similarly complex and highly regulated environments.	6 of 8
	<b>International experience</b>	Experience in international markets, exposed to a range of political, cultural, regulatory and business environments.	4 of 8
	<b>Supply chain</b>	Senior executive experience in managing or overseeing the operation of supply chains and distribution models in large, complex entities, including retail suppliers.	4 of 8
	<b>Digital technology /innovation</b>	Knowledge and experience in the use and governance of critical information technology infrastructure and applications, and experience in leveraging digital technology to drive competitive strategies, innovation, revenue growth and business performance.	7 of 8
	<b>Property asset management</b>	Knowledge and experience in managing property assets.	4 of 8
	<b>Corporate responsibility</b>	Experience in formulating, implementing and/or overseeing corporate responsibility strategy focused on conducting business responsibly and ethically, enhancing corporate culture and generating long term sustainable value for shareholders, employees, stakeholders and the community.	8 of 8

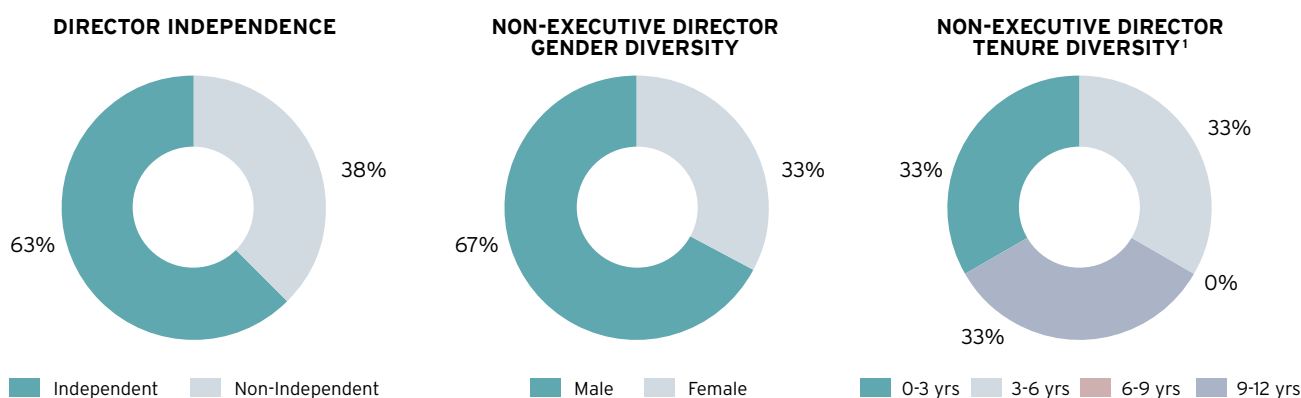
Details of each Director, including current and former directorships, are set out in more detail on pages 20 to 22 the FY20 Annual Report and in the biographies on the Adairs Investor Relations website ([investors.adairs.com.au](http://investors.adairs.com.au)) under the “About” tab.



## 1.9. Board composition and independence

As at the date of this Statement, the Board comprises a majority of independent Non-Executive directors and has adopted guidelines, as set out in the Board Charter, which are used to guide independence assessments based on the definition of independence listed in Box 2.3 of the ASX Principles and Recommendations.

Board member	Title	Date of appointment	Board tenure <sup>1</sup>	Committee membership		
				Audit & Risk	Remuneration	Nomination
Michael Butler (Chair)	Independent, Non-Executive Director	8 April 2015	5 years, 4 months	Member	Member	Chair
Kiera Grant	Independent, Non-Executive Director	24 January 2019	1 year, 7 months		Member	Member
Trent Peterson	Independent, Non-Executive Director	15 November 2010	9 years, 9 months	Member	Chair	Member
Kate Spargo	Independent, Non-Executive Director	28 May 2015	5 years, 3 months	Chair	Member	Member
Simon West	Independent, Non-Executive Director	24 January 2019	1 year, 7 months			Member
David MacLean	Non-Independent, Non-Executive Director	6 December 2010	9 years, 8 months		Member	Member
Mark Ronan	Non-Independent, Executive Director	18 November 2016	3 years, 9 months			Member
Michael Cherubino	Non-Independent, Executive Director	6 December 2010	9 years, 8 months			Member



Note 1: Adairs was incorporated in 2010 as a private company, Home & Decor Holdings Pty Ltd, and was converted to a public company and renamed Adairs Limited in 2015. Tenure is based upon appointment to the Board of Adairs Limited or Home & Decor Holdings Pty Ltd (whichever earlier).

As previously disclosed to the ASX, Michael Butler has advised the Board that he will not be seeking re-election at the Annual General Meeting (AGM) to be held in October 2020. Michael has agreed to remain on the Board until the AGM, or such time as a successor is identified, if sooner. The Board is currently undertaking a search process for a new Independent Chair and will advise shareholders and ASX as soon as an appointment is made.

The Board considers Michael Butler, Trent Peterson, Kate Spargo, Kiera Grant and Simon West are free from any business or any other relationship that could materially interfere with the independent exercise of their judgement and are able to fulfil the role of an independent Director for the purposes of the ASX Principles and Recommendations.

In February 2020, Funds associated with Catalyst Investment Managers, an entity that Trent Peterson is a Director of, sold all of the Adairs shares held by them (equivalent to 12% of Adairs' issued capital). As a result, Trent Peterson no longer acts in the capacity of a nominee director on the Adairs' Board for Catalyst Investment Managers. Following this sale, the Board and Nomination Committee undertook a review of Mr Peterson's independence having regard to ASX Principles and Recommendations and the independence guidelines in the Board Charter. Following this review the Board considers Mr Peterson to be independent.

# Corporate Governance Statement

The Board considers David MacLean, Mark Ronan and Michael Cherubino are not independent on the basis that:

- › David MacLean is the former CEO of the Company (a position he held until November 2016);
- › Mark Ronan is the current CEO of the Company. As CEO, Mr Ronan is an automatic member of the Board; and
- › Michael Cherubino is the Executive Director of Property and Business Development of the Company.

The Company is satisfied the Board operates independently of management and is highly effective in promoting the best interests of shareholders as a whole. In particular, the Board considers that David MacLean, Mark Ronan and Michael Cherubino add significant value to the Board given their considerable experience and skills, and bring objective and independent judgment to the Board's deliberations.

## 1.10. Tenure of Non-Executive directors

The Board has a number of long serving Directors and does not believe that it should establish an arbitrary limit on tenure. While tenure limits can help ensure that there are fresh ideas and viewpoints available to the Board, tenure limits would disadvantage the Board by losing the contribution of Directors who have been able to develop, over a period of time, significant insight in the Company, its operations and stakeholders and, therefore, significantly contribute to the Board as a whole.

Accordingly, tenure is an important but not conclusive factor that the Board takes into account when assessing the independence and ongoing contribution of a Director in the context of the overall Board independence review process.

## 1.11. Appointment of Non-Executive directors

Where Board vacancies arise or where a need is identified within the existing Board, the Nomination Committee will seek to identify qualified individuals for appointment to the Board. In undertaking this the Nomination Committee will have regard to, among other things, the following selection criteria:

- › the required skills, expertise and personal qualities that would complement the effectiveness of the Board, including over the medium to long-term;
- › the existing composition of the Board, having regard to the factors outlined in the Diversity Policy and the objective of achieving a Board comprising Directors from a diverse and relevant range of backgrounds; and
- › the extent to which the candidate would fill a present "gap" in the skills and experience of Directors on the Board.

The Nomination Committee also undertakes appropriate checks before a candidate is recommended to the Board and before a senior executive is appointed. If these above selection criteria are met and the Board appoints the candidate as a director, the director (in their personal capacity) will enter into a written contract with the Company, setting out the terms of his or her appointment consistent with the ASX Principles and Recommendations, and that director will seek election by shareholders at the next AGM.

Candidates for appointment, election or re-election as a director are requested to provide details of their other commitments (and an indication of time involved in relation to those commitments), and to confirm their other commitments will not affect their ability to perform and discharge their responsibilities as a director of Adairs.

The Board, through the notices of meeting for annual general meetings, provides shareholders with all material information known to the Board and relevant to a decision on whether or not to elect or re-elect a director.

## 1.12. Induction of new directors

The induction program for newly appointed directors is comprehensive and includes familiarisation with specific structures, policies and legal documents including (but not limited to):

- › outline of the Corporate and Committee structure;
- › organisational charts providing details of business units and senior management;
- › charters for the Board and Board Committees;
- › minutes of previous Board and Board Committee meetings;
- › a copy of the Constitution;
- › a copy of the Business Plan; and
- › key policies including Adairs' Code of Conduct, Securities Dealing Policy, Continuous Disclosure Policy and Diversity Policy.

Newly appointed Non-Executive directors meet with key members of management who provide an overview of their areas of responsibility and are also taken on site visits to a selection of Adairs' retail stores and distribution centres.

### 1.13. Director professional development

All directors are expected to maintain the skills required to discharge their obligations to the Company. As set out in its charter, the Nomination Committee periodically reviews the professional development needs and opportunities of directors. Directors are regularly provided with papers, presentations and briefings on matters which may affect the business or operations of Adairs to assist them in fulfilling their role and discharging their duties. Directors are also encouraged to undertake continuing education and training relevant to the discharge of their obligations as directors of the Company. To assist the directors in maintaining an appropriate level of knowledge of the operations of the Company, directors undertake site visits each year to some of Adairs' stores and distribution centres.

## 2. Remuneration review

The Remuneration Committee is responsible for the annual review of the remuneration arrangements of the Executive Directors, Chair and Non-Executive directors to ensure the Company's remuneration structures, amongst other things, remain equitable and aligned with the long-term interests of the Company and its shareholders and attract and retain skilled executives. The Remuneration Committee also reviews the senior executive performance assessment processes and results as they reflect the capability of management to realise the business strategy.

Full details of the remuneration framework and amount paid to Directors and key senior executives are set out in the Remuneration Report, which is set out on pages 24 to 36 of the FY20 Annual Report.

### 2.1. Non-Executive director remuneration

The Company's remuneration strategy for Non-Executive directors is designed to attract and retain experienced, qualified non-executive directors and to remunerate appropriately to reflect the demands which are made on them and the responsibilities of the position. The level of fees are reviewed annually by the Remuneration Committee and are based on the fees paid for comparative non-executive director roles in similarly sized publicly listed companies operating in the retail industry. Non-Executive directors do not receive any variable or "at-risk" remuneration or other performance related incentives.

### 2.2. Executive remuneration and performance evaluations

Members of the executive leadership team have a written employment contract with Adairs setting out the key terms of their employment.

The principles that guide Adairs' executive remuneration policy are:

- › to provide competitive total remuneration arrangements that enable the Company to attract and retain high performing leaders and to reward them for their contribution to the success of the Company;
- › to align remuneration arrangements with the delivery of the outcomes which (in the opinion of the Board) drive sustainable value creation for the Company's shareholders;
- › to maintain a pay for performance environment for executives through linking incentive pay opportunities to the achievement of specific, measurable business goals;
- › to position base salaries at competitive levels, subject to individual performance;
- › to provide arrangements with the flexibility to recognise individuals based on consistent performance, experience and qualifications; and
- › to provide equitable pay arrangements across the Company.

These principles seek to ensure the level and composition of remuneration is appropriate, and also that there is a clear link between pay and performance.

The performance of senior executives is evaluated annually by the CEO against pre-determined performance objectives. The Chair undertakes the CEO's annual review. Performance evaluations were undertaken in FY20 in accordance with this process. The results of these reviews are used in determining succession plans, performance and development plans and remuneration in consultation with the Remuneration Committee.

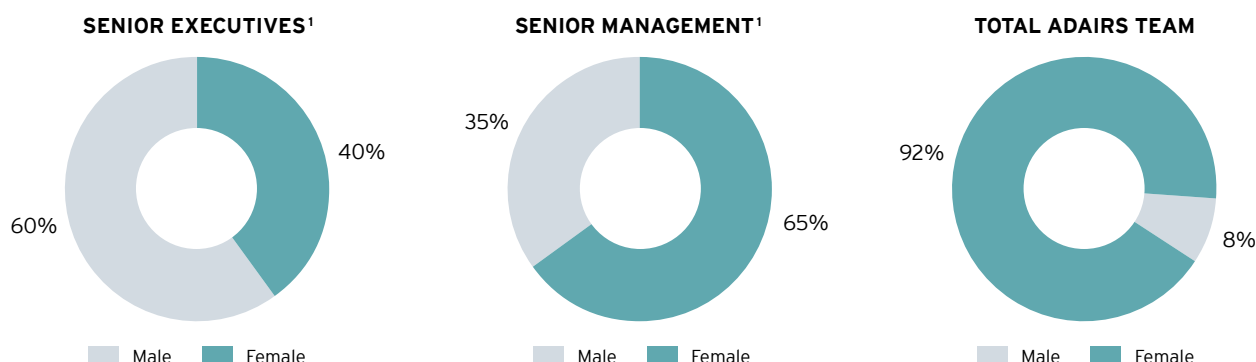
# Corporate Governance Statement

## 3. Diversity

The Board has adopted a Diversity Policy which aims to, among other matters, address the representation of women in senior management positions and on the Board, and to actively facilitate a more diverse and representative management and leadership structure.

Adairs actively measures gender diversity in the composition of its Board, senior executives and workforce generally and reports these annually to the Australian Government's Workplace Gender Equality Agency. Board diversity is addressed in section 1.9.

As at 31 March 2020, the proportion of women employed by Adairs was as follows:



Note 1: Senior Executives defined as "Key Management Persons" plus "Other Executives/General Managers" as those terms are defined under the Australian Government's Workplace Gender Equality Act (WGEA). Senior Management defined as "Senior Managers" plus "Other Managers" as those terms are defined under the WGEA.

As shown in section 1.9 above, Adairs has achieved gender diversity in the composition of its non-executive board members of 33% female directors and 67% male directors. In addition, Adairs has an overall majority representation of women in senior management positions and across the whole organisation. As a result the Board considered that it was not necessary to set specific diversity measurable objectives for this reporting period, as suggested by Recommendation 1.5(b) of the ASX Principles & Recommendations. However, Adairs has actively promoted diversity through its hiring and promotion practices and an annual review of gender diversity is conducted and reported to ensure the business seeks a fair and balanced representation of men and women.

## 4. Ethical and responsible behaviour

The Board recognises the need to observe the highest standards of ethics, integrity and behaviour. To assist all relevant stakeholders in understanding and achieving these objectives, Adairs has developed and adopted a Code of Conduct, supported by key policy documents, which guide the behaviour of directors, officers and employees (including executives), and demonstrates the commitment of the Company to ethical practices.

Adairs is committed to sourcing our products in an ethical manner and we seek to partner with suppliers who share our commitment to operating legally, ethically and within the global laws, regulations, codes and frameworks that we operate within.

### 4.1. Code of Conduct

The Board has adopted a formal Code of Conduct which outlines how the Company expects its employees and Directors to behave during the course of their employment in dealing with internal and external clients and customers of the business.

The Code of Conduct requires (amongst other things) employees and Directors to:

- › comply with all Company policies, procedures, rules and regulations;
- › be honest and fair in dealings with customers, clients, co-workers, Company management and the general public;
- › maintain the confidentiality of any information, records or other materials acquired during the course of employment with Adairs; and
- › respect Adairs' ownership of resources and property.

The Board is provided with details of any material breaches of the Code of Conduct in accordance with Adairs' reporting processes and procedures.



## 4.2. Whistleblower Policy

Adairs has adopted a formal Whistleblower Policy that contains procedures for current and former employees and Directors to report any situations or behaviours that breach or potentially breach the Code of Conduct. The purpose of the Whistleblower Policy is to:

- › help detect and address unacceptable conduct;
- › provide employees and contractors with a supportive working environment, in which they feel able to raise issues of legitimate concern to them and to Adairs;
- › provide information about the protections available to people who report unacceptable conduct;
- › provide information about to whom reports of unacceptable conduct may be made, how they may be made, and how Adairs will investigate them where appropriate; and
- › help support and protect people who report unacceptable conduct.

The Board is provided with details of any material incidents raised under the Whistleblower Policy in accordance with Adairs' reporting processes and procedures.

## 4.3. Anti-Bribery & Corruption Policy

Adairs has an Anti-Bribery & Corruption Policy which applies to all current and former directors, employees, officers, agents and contractors of Adairs and all external supplier and subcontractors to Adairs.

Under this policy the actual or attempted use of any form of bribery or corruption either directly or indirectly on Adairs' behalf to advance its business interests or those of its associates is strictly prohibited. The policy provides guidelines as to what constitutes bribery or corruption.

Bribery and corruption are incompatible with Adairs' Code of Conduct and the probity and integrity expected of Adairs employees and suppliers. Employees who knowingly violate this policy will be subject to appropriate disciplinary action, up to and including termination of employment.

Contractors or Consultants who fail to comply with this policy will be in breach of contract which will provide grounds for the termination of their contract.

The Board is provided with details of any material breaches of the Anti-Bribery & Corruption Policy in accordance with Adairs' reporting processes and procedures.

## 4.4. Trading in Adairs securities

Adairs has a Securities Dealing Policy which can be viewed on its Investor Relations website ([investors.adairs.com.au](http://investors.adairs.com.au)).

The Securities Dealing Policy:

- › prohibits Directors, executives and employees (as well as connected persons over whom they may be expected to have control or influence) from acquiring, selling or otherwise trading in the Company's securities where they are in possession of material price-sensitive information which is not in the public domain;
- › prohibits designated employees (and their connected persons) from dealing in Adairs securities during "Blackout Periods" and from dealing in the Company's securities on a short-term basis;
- › requires that, prior to a designated employee or their connected persons undertaking any trade, a designated employee must notify the Company Secretary and seek the necessary approval as detailed in the Policy;
- › places restrictions on designated employees (and their connected persons) in relation to margin lending arrangements and the entering into any arrangements which seek to limit the economic risk associated with holding Adairs securities.

Breaches of the Securities Dealing Policy are subject to appropriate sanctions, which can include disciplinary action (including forfeiture of securities and/or suspension or termination of employment).

## 4.5. Ethical sourcing and modern slavery

Adairs has a strong commitment to ethical sourcing and meeting our obligations under Modern Slavery legislation. Our ethical sourcing program includes our supplier code of conduct which sets out the human rights, health and safety, transparency, and anti-corruption expectations for those we do business with globally. We are working towards improved traceability within our supply chain, and it is a requirement for all of our suppliers to disclose the details of any subcontractors. This will provide greater visibility of our supply chain and allow us to test and inspect adherence to our code of conduct using both internal and external supplier audits.

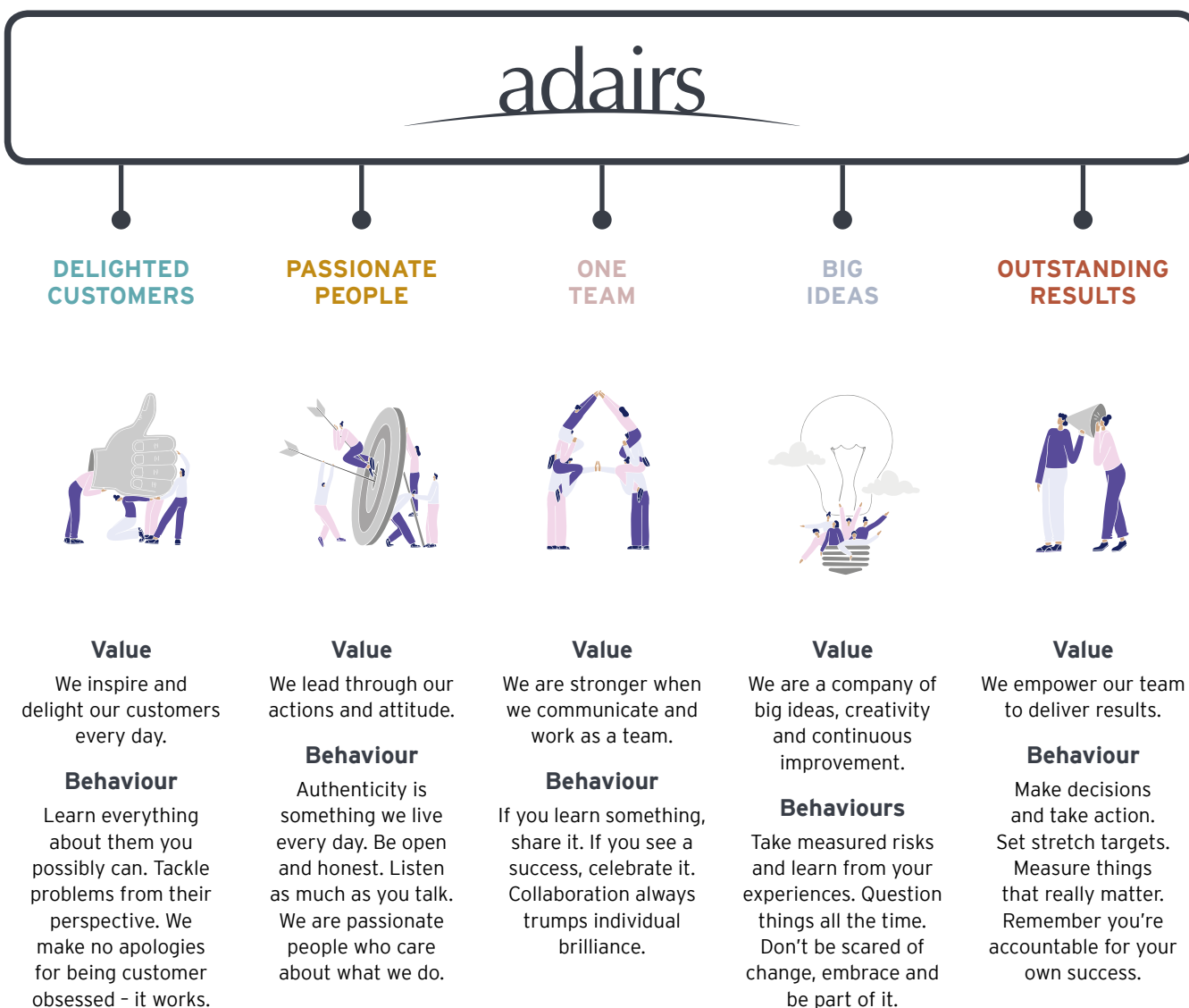
Before we engage with new suppliers, we conduct thorough due diligence through our on-boarding process, which includes the supplier providing their most recent supplier audit from approved third party auditors (including any associated corrective action plans).

# Corporate Governance Statement

## 5. Values and culture

Adairs recognises that having the right values and culture embedded in our business is critical to our long-term success in growing shareholder value, providing our customers with the retail experience they desire, and in attracting and retaining team talent.

In 2019 Adairs updated its 'Culture Commitments' to reflect what is expected of all employees in terms of values, behaviour and cultural outcomes. A Culture Committee was also established to help drive and communicate these within the Company. The Culture Commitments are summarised as follows:



Our Culture Commitments are promoted through a range of communication channels including posters, intranet campaigns and e-learning modules. At their launch the CEO personally communicated these to all levels of our team across Australia and New Zealand.

Behaviour and conduct is formally assessed with respect to our cultural values during performance reviews for each team member. To attract talent in accordance with the Culture Commitments, advertisement templates and position descriptions use aligned language and interview guidelines have also been introduced to assess demonstrated behaviour and attitudes.

The Audit & Risk Committee reviews management recommendations on policies and strategies relating to employee culture and behaviour and makes recommendations to the Board where appropriate. This includes, but is not limited to, policies and recommendations on behaviours which are inconsistent with our values such as bullying and harassment.

## 6. Investor communication

Adairs aims to communicate all important information relating to the Company to its shareholders in a timely and convenient manner with shareholders able to elect how and when they receive these communications. In particular, the Company gives shareholders the option to receive communications from, and send communications to, the Company and its security registry electronically. As at the date of this statement over 60% of shareholders have elected to receive their annual report electronically while 55% have elected to receive all investor communications electronically.

The Company also recognises that potential investors and other interested stakeholders may wish to obtain information about the Company from time to time.

To achieve these communication objectives, the Company employs a Head of Investor Relations and communicates information regularly to Shareholders and other stakeholders through a range of forums and publications, including:

### 6.1. Investor Relations website



Adairs has a dedicated Investor Relations website ([investors.adairs.com.au](http://investors.adairs.com.au)) which provides unrestricted access to:

- › current and historical annual reports, presentations and other ASX announcements;
- › recordings of important management presentations and conference calls;
- › share price and volume information (near real time and historical);
- › copies of key corporate governance documents;
- › information about the Board and senior management team;
- › a secure portal through which shareholders can liaise directly with the share registry in relation to their shareholding and associated banking and communication preferences;
- › an email alert service where investors can register to receive notification of Adairs ASX announcements and/or share trading data; and
- › contact details for the Head of Investor Relations to facilitate investor queries.

### 6.2. Annual general meeting



The Company's AGM provides an important opportunity for shareholder engagement where:

- › the Company provides information to its shareholders;
- › shareholders participate in the meeting through voting and by asking questions about the business of the AGM and management of the Company; and
- › the Company's independent external auditor attends and is available to answer questions from shareholders about the conduct of the audit and preparation of the auditor's report.

Presentations and speeches made by the Chair and Managing Director will be made available via the Company's website and via the ASX website immediately prior to the commencement of the AGM.

Shareholders who are unable to attend the AGM in person are encouraged to vote on the proposed resolutions by voting prior to the AGM or by appointing a proxy. Commencing in 2020 all resolutions at the AGM will be decided by a poll rather than a show of hands, ensuring that voting outcomes reflect the proportionate holdings of all shareholders who vote (whether in person or by proxy or other representative).

Shareholders have the opportunity to submit written questions to the Company and to its independent external auditor relevant to their audit of the Company ahead of the meeting. The Company encourages shareholders to submit questions or requests for information ahead of the AGM by registering these at the share registry's website ([investorcentre.linkmarketservices.com.au](http://investorcentre.linkmarketservices.com.au)).

In the event that conditions exist which mean that a physical meeting is not possible, or otherwise restricted, the Company will make alternate arrangements such as a 'virtual' or 'hybrid' meeting, where members can participate via online facilities.

### 6.3. Annual report



Adairs' current and historical Annual Reports are available on its Investor Relations website ([investors.adairs.com.au](http://investors.adairs.com.au)) and contain important information about the Company's activities and results for the relevant financial year.

# Corporate Governance Statement

## 6.4. ASX announcements



All ASX announcements, including annual and half year financial results, are intended to be clear and concise and are posted on the Company's Investor Relations website as soon as they have been released on the ASX announcements platform.

## 6.5. Investor briefings



Group and one-on-one briefings are held with institutional investors, at least every six months to coincide with the release of full and half-year results. Investor briefings also occur at investor conferences, typically hosted by a broker or research house.

## 6.6. Engaging with retail stockbrokers



Retail investors trade Adairs shares through authorised ASX stockbrokers, many of whom provide advisory services (including the provision of equity research) to their retail investor client base. Adairs monitors the trading activities of retail brokers and seeks to support those particularly active in its shares by including them in investor roadshows.

## 6.7. Communication blackout periods



In the lead up to the end of a reporting period and the announcement of the financial results, the Company imposes a communication blackout period in order to avoid the risk of creating a false market by inadvertently disclosing information that is incomplete or uncertain. The Company's policy is that during this time it will not hold one-on-one briefings with institutional investors, individual investors or stockbroking analysts to discuss financial information concerning the Company, and will not hold any open briefings to discuss anything other than information which has already been announced to the ASX.

## 7. Integrity of corporate reports

The Audit & Risk Committee assists the Board in carrying out its accounting, auditing and financial reporting responsibilities and its responsibilities in overseeing processes which ensure the integrity of financial statements and reporting. The role of The Audit & Risk Committee includes:

- › overseeing the Company's relationship with the external auditor and the external audit function generally;
- › overseeing the preparation of the financial statements and reports;
- › overseeing the Company's financial controls and systems; and
- › managing the process of identification and management of financial risk.

Non-Committee members, including members of management and the external auditor, may attend meetings of the Committee by invitation of the Committee Chair. Minutes of meetings of the Committee are kept by the Company Secretary and, after approval by the Committee Chair, are presented at the next Board meeting.

The Committee has unfettered rights of access to management and auditors (external and internal) without management present, and rights to seek explanations and additional information from both management and auditors.

### 7.1. Verification of periodic corporate reports

Adairs is committed to:

- › providing all investors with material information in a full and timely manner; and
- › disclosing material information to the market in a clear, concise, factual and balanced manner.

The Company has a comprehensive process for preparing, verifying and approving the full and half year financial statements, and the external auditor provides an audit opinion in accordance with auditing standards ahead of release to the market.

The Company publishes additional unaudited information in its reports and investor presentations. Although this information is not externally audited, material statements in these documents are verified by the responsible business executive prior to approval for release to the market to ensure that such reports are accurate, balanced and provide investors with appropriate information to make informed investment decisions. Board approves announcements and disclosures in respect of matters that are within the reserved powers of the Board or matters that are otherwise of fundamental significance to the Company.



## 7.2. External audit

Adairs' external auditor, Ernst & Young, will attend the Company's AGM to answer any questions from shareholders on the conduct of its audit and the content of its audit report. The Audit & Risk Committee provides a link between the external auditor, the Board and management. It also has the responsibility (subject to Corporations Act requirements) for the appointment and remuneration of the external auditor, as well as for evaluating its effectiveness and independence.

If it becomes necessary to replace the external auditor for performance or independence reasons, the Audit and Risk Committee will formalise a procedure and policy for the selection and appointment of a new auditor.

## 7.3. Non-audit services

The Board has approved a policy on non-audit services provided by the external auditor which clearly sets out the type of non-audit services which are prohibited because they would create a real or perceived threat to the independence of the external auditor.

## 7.4. CEO and CFO Assurance

Prior to approval of the financial statements for each full year and half year relevant reporting period, the Board receives written assurances from the CEO and the CFO in relation to the Company's financial reporting processes.

In respect of the financial statements for the half year ending 30 December 2019 and the full year ended 28 June 2020, the CEO and CFO declared that:

- › in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity; and
- › the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

## 8. Disclosure of information

Adairs is committed to complying with its disclosure obligations under the Corporations Act and the ASX Listing Rules to keep the market informed of information which may have a material effect on the price or value of Adairs' securities.

Adairs has a Continuous Disclosure Policy which established procedures aimed at ensuring the Company fulfils its obligations in relation to the timely disclosure of material price-sensitive information.

The CEO and CFO have ultimate management responsibility for compliance with the Company's continuous disclosure obligation. This includes responsibility for approving ASX announcements and trading halts and determining when announcements are to be referred to the Board for approval and input.

The Company Secretary has been appointed as the Disclosure Officer and is responsible for ensuring there is an adequate system in place for the disclosure of all material information to the ASX and advising the CEO, CFO and Chair of the Board in relation to the disclosure of information reported to them. The Board receives copies of all material market announcements promptly after they have been made.

Adairs holds open briefing sessions for interested stakeholders from time to time, usually when it has posted results or made other significant announcements. Adairs will not disclose any information in these sessions which may have a material effect on the price or value of its securities unless such information has already been announced to the ASX.

Adairs lodges all investor presentation materials on the ASX Market Announcements Platform prior to that presentation commencing and also places such information on the Company's Investor Relations website promptly following completion of the briefing.

Where the Company undertakes a recorded conference call or web cast of its open briefings, it keeps a clearly dated historical archive record of these on its Investor Relations website for at least a 6-month period.

From time to time the Company may also conduct one-on-one briefings with institutional investors and/or members of the media. Where such briefings occur, no information will be provided which may have a material effect on the price or value of the Company's securities unless it has been announced previously to the ASX. Unless agreed otherwise, the CEO or CFO or their representative will be involved in all discussions and meetings with analysts and investors. The CEO and CFO will be fully briefed about these meetings.

The Company may conduct visits to its sites from time to time which involve the presence of members of the financial community. Nothing will be disclosed during these site visits which may have a material effect on the price or value of the Company's securities unless it has already been announced to the ASX.

# Corporate Governance Statement

## 9. Risk management

The Board recognises that risk management and internal compliance and control are key elements of good corporate governance. As detailed in section 1.5.1, the Audit and Risk Committee has specific functions with respect to reporting to the Board on risk management and compliance including confirmation that it has, at least annually, reviewed the Company's risk management framework to satisfy itself that it continues to be sound and effectively identifies all areas of potential risk. The Audit & Risk Committee has undertaken a review of the risk management framework in relation to the reporting period to satisfy itself that it continues to be sound.

A Risk and Compliance Manager is employed to provide a direct reporting line to the Chair of the Audit and Risk Committee and, therefore, to the Board. This role also has responsibility for the management of the internal audit plan. Internal audit is responsible for:

- › providing independent assessment and assurance to the Board and Executive Leadership Team regarding:
  - the effectiveness of Adairs' risk management framework, including whether the Company is operating within the risk appetite set by the Board;
  - the effectiveness of controls in place to manage particular risks; and
- › providing feedback to enhance the Risk Management Framework and supporting processes and activities, with the aim of strengthening the control environment.

Refer to pages 17 to 19 of the Annual Report for Adairs' key material business risks.



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