



adairs

CORPORATE  
GOVERNANCE  
STATEMENT 2023



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## CORPORATE GOVERNANCE DOCUMENTS

The following documents referred to in this statement are available on the Corporate Governance page of the Adairs investor relations website ([investors.adairs.com.au](https://investors.adairs.com.au)):

### Constitution & Charters

- > Constitution for Adairs Limited
- > Board Charter
- > Audit & Risk Committee Charter
- > Nomination Committee Charter
- > Remuneration Committee Charter

### Corporate Statements

- > Modern Slavery Statement (latest version)
- > Corporate Governance Statement (latest version of this document)

### Policies & Codes

- > Anti-Bribery & Corruption Policy
- > Code of Conduct
- > Continuous Disclosure Policy
- > Diversity Policy
- > Ethical Sourcing Policy
- > Policy on Non-Audit Services
- > Privacy Policy
- > Securities Dealing Policy
- > Shareholder Communications Policy
- > Whistleblower Policy

This Corporate Governance Statement is dated 21 August 2023 and has been approved by the Board of Adairs Limited.

# CORPORATE GOVERNANCE STATEMENT

## 1. INTRODUCTION

As a listed entity Adairs is required to report on the extent to which it has complied with the Corporate Governance Principles and Recommendations (4th Edition) published by the ASX Corporate Governance Council ('ASX Principles and Recommendations').

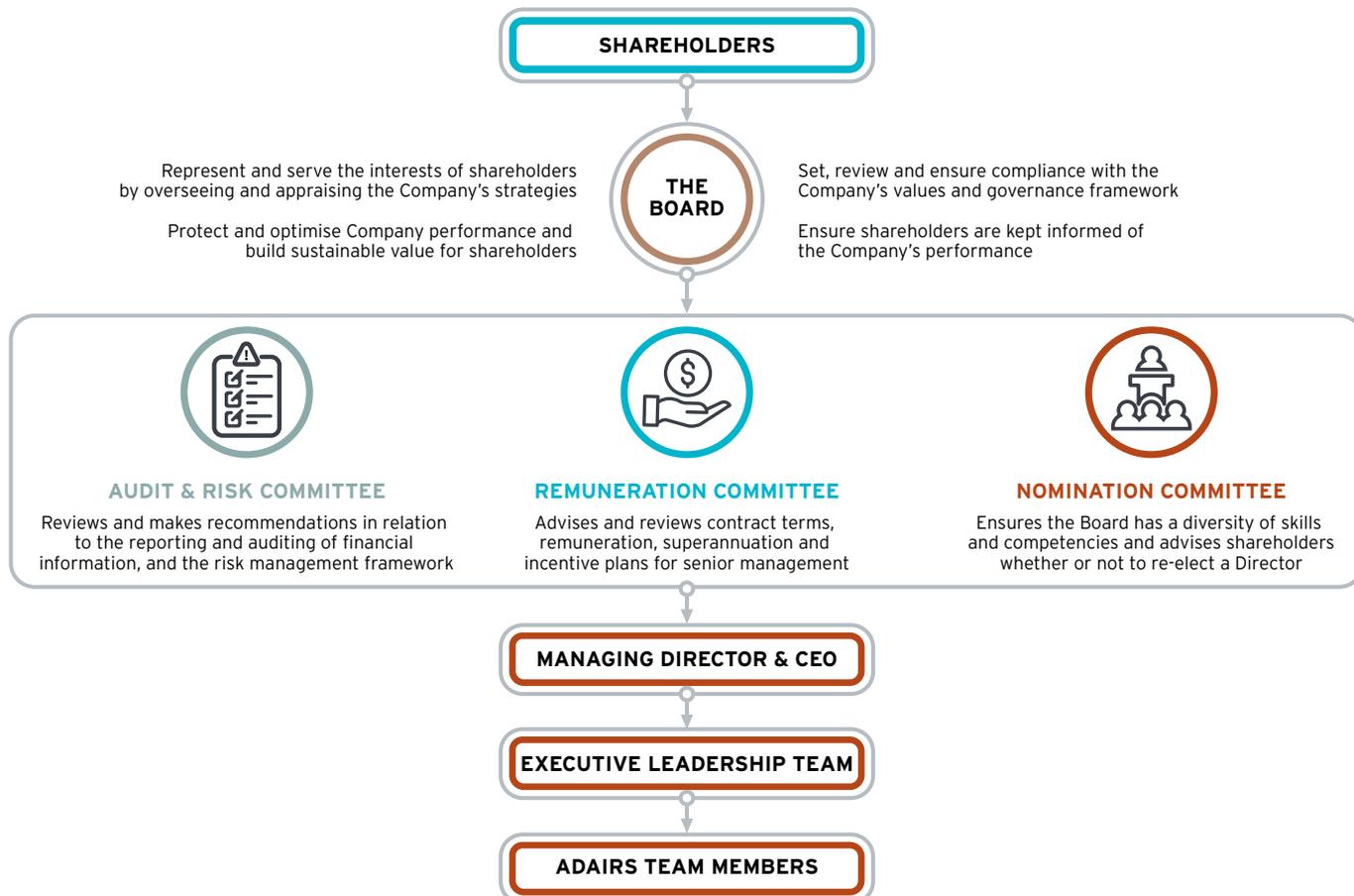
This corporate governance statement ('Statement') sets out the key features of the governance framework, including the key policies and practices, of Adairs Limited (the 'Company' or 'Adairs') for the year ended 25 June 2023 ('FY23'). A reference in this Statement to Adairs, unless otherwise stated, is a reference to Adairs Limited and its subsidiaries.

This Statement, together with Adairs' 2023 ASX Appendix 4G (which is a checklist cross-referencing the ASX Principles and Recommendations to the relevant disclosures in this statement and the Adairs website), should be read in conjunction with the Company's corresponding Annual Report. Each of these documents have been lodged with the ASX and can also be accessed on the Adairs investor relations website ([investors.adairs.com.au](http://investors.adairs.com.au)).

## 2. CORPORATE GOVERNANCE FRAMEWORK

The Board of directors (the 'Board') of Adairs is responsible for the corporate governance of the Company 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 follow appropriate corporate governance policies and practices.



# CORPORATE GOVERNANCE STATEMENT *continued*

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.

## **2.1 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.

## **2.2 Chair**

The Chair of the Board is an independent non-executive director. The Chair is responsible for the leadership of the Board and for encouraging a culture of openness and debate amongst the directors to foster a high performing and collegiate Board. The Chair also serves as the primary link between the Board and management.

## **2.3 Company secretary**

The Company Secretary is responsible for the coordination of all Board business, including agendas, board papers, minutes, communication with regulatory bodies including 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.

## **2.4 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, 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 51 of the FY23 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.

## **2.5 Management responsibilities**

The Board has delegated to the CEO (and other officers to whom the management function is properly delegated by the CEO) responsibility for the day-to-day management of the company's affairs and implementation of the strategic objectives, the annual budgets and policy initiatives. The CEO is accountable to the board for all authority delegated to management and for the company's performance. The CEO is required to operate in accordance with board approved policies and delegations of authority and management must supply the board with information in a form, timeframe and quality that will enable the board to discharge its duties effectively.

## **2.6 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 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 51 of the FY23 Annual Report.

### **2.6.1 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.

### **2.6.2 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;

## CORPORATE GOVERNANCE STATEMENT *continued*

- › 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 as recommended by the Corporations Act 2001 (Cth);
- › 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; and
- › review and recommend to the Board the remuneration report prepared in accordance with the Corporations Act for inclusion in the annual Directors' Report.

### **2.6.3 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; and
  - 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 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 and 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 is 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.

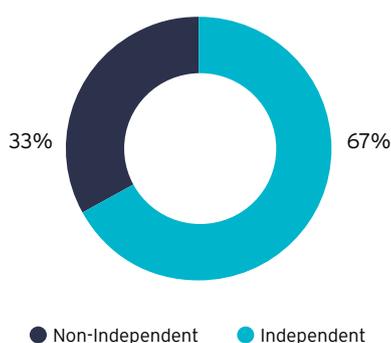
## 2.7 Board composition and independence

On 18 August 2023, Michael Cherubino resigned as a director of the Company. Michael will remain with the Company as Executive Director - Group Property and the Board will continue to have access to and benefit from his considerable skills and experience as required.

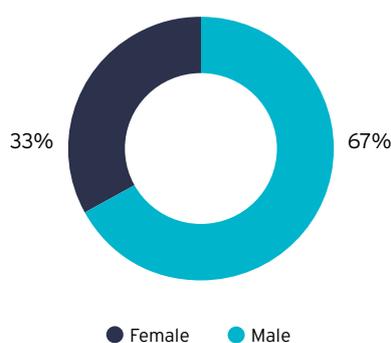
Following this change the Board will comprise six directors as set out below, two thirds of whom are independent. The Board has adopted guidelines, as set out in the Board Charter, which are used to guide independence assessments and include regard for the definition of independence listed in Box 2.3 of the ASX Principles and Recommendations.

Board member	Title	Date of appointment	Board tenure <sup>1</sup>	Committee membership		
				Audit & Risk	Remuneration	Nomination
Brett Chenoweth (Chair)	Independent, non-executive director	16 November 2020	2 years, 9 months	Member	Member	Chair
Kiera Grant	Independent, non-executive director	24 January 2019	4 years, 7 months		Member	Member
Trent Peterson	Independent, non-executive director	15 November 2010	12 years, 9 months	Member	Chair	Member
Kate Spargo	Independent, non-executive director	28 May 2015	8 years, 3 months	Chair	Member	Member
David MacLean	Non-independent, non-executive director	6 December 2010	12 years, 8 months		Member	Member
Mark Ronan	Non-independent, executive director	18 November 2016	6 years, 9 months			Member

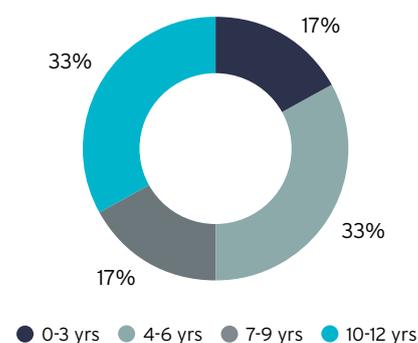
**DIRECTOR INDEPENDENCE**



**DIRECTOR GENDER DIVERSITY**



**DIRECTOR TENURE DIVERSITY<sup>1</sup>**



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 is earlier) and is as at 21 August 2023.

## CORPORATE GOVERNANCE STATEMENT *continued*

The Board considers Brett Chenoweth, Trent Peterson, Kate Spargo and Kiera Grant 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.

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

- › David MacLean is a former CEO of the Company (a position held until November 2016 when he ceased to be an executive of the Company) and has been a director since December 2010; and
- › Mark Ronan is the current CEO of the Company. As CEO, Mr Ronan is an automatic member of the Board.

The directors are satisfied the Board operates independently of management and is highly effective in promoting the best interests of shareholders as a whole, and that the non-independent directors continue to play a key role in the success of the business and the development of the company strategy for the coming years.

### **2.8 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 Chair of the Board. 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 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 an external consultant be periodically engaged (typically every 3-4 years) to conduct a review of the performance of the Board and its committees. This last occurred in FY22.

### **2.9 Directors' skills and experience**

The table below sets out the Board's skills and experience matrix. Each director has been assessed in terms of both their general capabilities and also whether they have direct 'hands on' operational experience and/or specialised training which gives them particular expertise in relation to each attribute. The matrix is presented on a disaggregated basis to provide investors with an understanding of the extent to which each skill or experience is distributed across the Board.

The Nomination Committee is satisfied that the Board currently comprises directors with a broad range of skills, knowledge and experience, 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 criteria is not fully represented, the skills and experience of the Board 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.

			Director						Total
			1	2	3	4	5	6	
TECHNICAL SKILLS	Leadership	Direct experience	●			●		●	3
		Developed capability	●	●	●	●	●	●	6
	Strategic acumen	Direct experience	●		●	●	●	●	5
		Developed capability	●	●	●	●	●	●	6
	Financial acumen	Direct experience	●		●		●	●	4
		Developed capability	●	●	●	●	●	●	6
	Governance	Direct experience	●	●	●		●		4
		Developed capability	●	●	●	●	●	●	6
	Legal and regulatory	Direct experience	●	●					2
		Developed capability	●	●	●	●	●	●	6
	Risk management and compliance	Direct experience	●	●			●	●	4
		Developed capability	●	●	●	●	●	●	6
	People	Direct experience	●				●	●	3
		Developed capability	●	●	●	●	●	●	6
	Organisational culture	Direct experience	●			●		●	3
		Developed capability	●	●	●	●	●	●	6
Remuneration	Direct experience	●	●	●	●	●		5	
	Developed capability	●	●	●	●	●	●	6	
EXPERIENCE	Retailing, marketing and customer experience	Direct experience				●		●	2
		Developed capability	●	●	●	●	●	●	6
	Experience in other relevant industries	Direct experience	●				●		2
		Developed capability	●	●	●		●		4
	International experience	Direct experience	●						1
		Developed capability	●	●	●				3
	Supply Chain	Direct experience	●			●		●	3
		Developed capability	●			●		●	3
	Digital technology/cybersecurity	Direct experience	●						1
		Developed capability	●	●		●	●	●	5
	Property asset management	Direct experience	●			●			2
		Developed capability	●			●		●	3
	ESG and corporate social responsibility	Direct experience							0
		Developed capability	●	●	●	●	●	●	6

**Direct experience** indicates the director (i) has held a senior executive role in a large organisation with direct responsibility for the nominated area, and/or (ii) holds formal qualifications directly associated with the nominated area.

**Developed capability** indicates the director has experience in, and meaningful understanding of, the nominated area by virtue of their historic role(s) as either an executive and/or Board member of a broadly comparable organisation, having regards to its size, complexity or industry.

Details of each director, including their other listed company directorships, are set out in more detail on pages 47 to 50 the FY23 Annual Report and in the biographies on the Adairs investor relations website ([investors.adairs.com.au](http://investors.adairs.com.au)).

# CORPORATE GOVERNANCE STATEMENT *continued*

## **2.10 Board gender diversity**

At the date of this report the Board has two female directors (33%) and four male directors (66%). Whilst the Board considers that each of the current directors adds significant value and strategic insight to its deliberations given their considerable skills and experience, and that there is no immediate need to alter its member composition, it is aware that a greater representation of female directors is appropriate.

The Board is committed to a longer-term gender composition of at least 40% of board positions to be held by women and at least 40% of such positions to be held by men. This will be achieved through existing Board renewal processes and while the timing and nature of Board composition changes are driven by a range of factors the Board has determined that achieving its gender diversity goal will be an important consideration in future non-executive director appointments.

## **2.11 Tenure of non-executive directors**

The average tenure of directors is seven and a half years as at the date of this Statement. The Board has two long serving directors (12 years) 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 into 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 review process.

## **2.12 Director commitment**

The Board meets as often as necessary to fulfil its role and directors are required to allocate sufficient time to the Group to perform their responsibilities effectively, including adequate time to prepare for Board meetings.

The Board has reviewed (i) the commitments each director has in addition to their directorship at Adairs, (ii) the contribution each director makes at Board meetings, and (iii) their preparedness and attendance record at Board meetings and Board sub-committee meetings. This review has included attendance and contribution made at a number of meetings called at short notice and at longer meetings involving interstate travel, store visits, strategy days, and informal director events. Based upon this review, the Board is confident that each director is able to devote sufficient time to Adairs in order to manage their director responsibilities effectively.

## **2.13 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 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 undertakes appropriate checks before a candidate is recommended to the Board and before a senior executive is appointed. If the above selection criteria is 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 annual general meeting (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 AGMs, 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.

#### **2.14 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 current Business Plan.
- > 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. They receive detailed strategy and operational briefings from the product team, digital/online team and the finance team. They are also taken on site visits to a selection of Adairs' retail stores and distribution facilities.

#### **2.15 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 continued 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.



## **3. 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 53 to 71 of the FY23 Annual Report.

### **3.1 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 is 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.

### **3.2 Executive remuneration and performance evaluations**

Members of the executive leadership team each 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 FY23 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.

## 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.

### 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 Code of Conduct specifically covers the following areas:

- |  |                                     |
|--|-------------------------------------|
| › Adairs' culture commitments          | › Fair trading and transparency     |
| › Company assets                       | › Gifts and gratuities              |
| › Confidential information             | › Harassment and workplace bullying |
| › Conflicts of interest                | › Health and safety                 |
| › Ethical decision making              | › Standards of behaviour            |
| › Equal opportunity and discrimination | › Whistleblower policy              |

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;
- › help 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.

## CORPORATE GOVERNANCE STATEMENT *continued*

### **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:

- > 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).

## **5. SUSTAINABILITY**

Adairs is committed to developing sustainable business practices - creating better outcomes for people throughout its supply chains, business operations and the communities within which it operates. Sustainability covers a diverse range of important issues such as the group's carbon footprint, the amount of waste sent to landfill, its community support efforts, and the diversity of its board and team.

Adairs publishes an annual Sustainability Report within its Annual Report and this sets out the Company's sustainability strategy, goals and initiatives, including how these are being integrated into the business and how they impact its decision making.

## **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. At the date of this statement over 98% of shareholders have elected to receive their annual report electronically while 66% have elected to receive all investor communication electronically.

The Company also recognises 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 platforms, 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);
- > information about the Board and senior management team;
- > information about environmental, social and governance ('ESG') matters including copies of all key corporate governance documents
- > historical information on dividends paid and the Dividend Reinvestment Plan ('DRP'), including the DRP Information booklet
- > a secure portal through which shareholders can liaise directly with the share registry in relation to their shareholding, their participation in the DRP (when activated) 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 annual general meeting (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 are 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. Since 2020 all resolutions at the AGM are 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.linkgroup.com](http://investorcentre.linkgroup.com)).

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.

## CORPORATE GOVERNANCE STATEMENT *continued*

### **6.3 Annual report**

Adairs' current and historical Annual Reports are available on its investor relations website and contains important information about the Company's activities and results for the relevant financial year.

### **6.4 ASX announcements**

All ASX announcements and investor presentations, including those covering the 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 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. The Board approves announcements and disclosures in respect of matters 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, 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 & 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 25 December 2022 and the full year ended 25 June 2023, 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.

# CORPORATE GOVERNANCE STATEMENT *continued*

## **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 establishes 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.

### **8.1 Disclosure Officer**

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. All ASX announcements include details of the body or officer who authorised the document to be released to the ASX.

### **8.2 Investor materials**

Adairs releases announcements and presentation materials containing new or market sensitive material to the ASX prior to the time of the corresponding presentation to analysts, investors or conference. Following confirmation of release of such materials by the ASX, the materials are published on the Adairs investor relations website and a link is circulated by email to subscribers of Adairs investor relations update service. The Company makes announcements available to directors promptly after receiving confirmation from the ASX that an announcement has been released to the market.

### **8.3 Open briefings**

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.

Where the Company undertakes a recorded conference call or web cast of its open briefings, it keeps a clearly dated and readily accessible historical archive record of these on its investor relations website for at least a six-month period.

### **8.4 Small group briefings and site visits**

From time to time the Company conducts 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 site visits to its stores, distribution centres or Customer Support office from time to time which involve the presence of members of the investment 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.

## 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 2.6.1, the Audit & 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.

In FY23, the Audit & Risk Committee undertook a review of the Group's risk management framework and satisfied itself that it continues to be sound and that the Group is operating with due regard to the risk appetite set by the Board.

A Group Head of Risk and Compliance is employed to provide a direct reporting line to the Chair of the Audit & 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.

A summary of material business risks faced by the Company that may have an impact on the operating and financial prospects of the Company, including economic, environmental and social sustainability risks, is included in the Directors' Report, which is included in the Annual Report and available on the Adairs investor relations website ([investors.adairs.com.au](https://investors.adairs.com.au)).

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