



Release to the Australian Securities Exchange

Adairs Limited
ESG Presentation

31 May 2022

Environment, Social and Governance (ESG) Presentation

The Chairman of Adairs Limited (ASX: ADH), Brett Chenoweth, and the Head of the Remuneration Committee, Trent Peterson, are this week meeting with a number of ESG advisers and major shareholders to discuss environmental, social and governance matters relevant to Adairs.

Attached is a copy of the presentation to be used at these meetings. There is no new information that is price sensitive contained in this presentation.

ENDS

This announcement has been approved by the Chairman of Adairs Limited.

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**About Adairs Limited**

Adairs Limited is Australia's largest omni channel specialty retailer of home furnishings, home furniture and home decoration products. We own and operate three vertically integrated brands in the Home category – Adairs, Mocka and Focus on Furniture. All brands are design led, customer focused, and sell quality in-house designed product direct to customers in Australia and New Zealand.

Adairs head office is in Melbourne, Australia.

For further information visit our investor relations website www.investors.adairs.com.au

About Adairs

Adairs is a leading specialty omni-channel retailer of home furnishings in Australia and New Zealand with a national footprint of stores across a number of formats and a large and growing online channel. Adairs strategy is to present customers with a differentiated proposition, which combines on-trend fashion products, quality staples, strong value and superior customer service.

For further information visit www.adairs.com.au

About Mocka

Mocka is a vertically integrated pure-play online home and living products designer and retailer operating in Australia and New Zealand. Mocka sells its own exclusive, well designed, functional and stylish products in the Home Furniture & Décor, Kids and Baby categories. Delivering great product and compelling everyday value-for-money is core to the Mocka customer proposition.

For further information visit www.mocka.com.au

About Focus on Furniture

Focus on Furniture ('Focus') is a vertically integrated omni-channel furniture and bedding retailer offering well designed, functional and on-trend products at great value for money through its network of stores in Australia and its online channel. Focus is characterised by its attention to customer service, support, product quality and range.

For further information visit www.focusonfurniture.com.au



Adairs Limited

Environmental, Social & Governance update

June 2022

Brett Chenoweth
Non-executive Chairman

Trent Peterson
NED and Chairman of the Remuneration Committee

Jordan Gove
Group Head of Risk and Compliance

Jamie Adamson
Head of Investor Relations





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The Adairs Limited board has eight directors, a majority of whom are independent with average tenure of 7 years. 25% of directors are women with the Board committed to increasing this to at least 30% by July 2023.

Board member	Title	Independent	Board tenure ⁽¹⁾	Audit & Risk Committee	Remuneration Committee	Nomination Committee
Brett Chenoweth (Chairman)	Non-Executive Director	✓	1 year, 6 months	Member	Member	Chair
Kiera Grant	Non-Executive Director	✓	3 years, 4 months		Member	Member
Trent Peterson	Non-Executive Director	✓	11 years, 6 months	Member	Chair	Member
Kate Spargo	Non-Executive Director	✓	6 years, 11 months	Chair	Member	Member
Simon West	Non-Executive Director	✓	3 years, 4 months	Member		Member
David MacLean	Non-Executive Director		11 years, 5 months		Member	Member
Mark Ronan (Managing Director & CEO)	Executive Director		5 years, 6 months			Member
Michael Cherubino (Exec Director – Property & Business Development)	Executive Director		11 years, 5 months			Member

Note 1: As at 1 June 2022.

1

Director independence

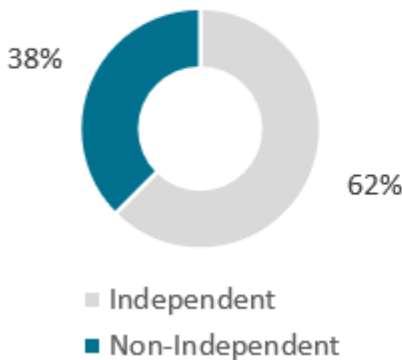
- ▶ The Board has a majority of independent directors
- ▶ The Board considers that the following Directors are non-independent:
 - David MacLean is the former-CEO of the Company (a position held until November 2016) and did not have 3 years between leaving the company and joining the Board
 - Mark Ronan is the current CEO of the Company. As CEO, Mr Ronan is an automatic member of the Board
 - Michael Cherubino is the Executive Director of Property and Business Development of the Company
- ▶ The Board considers that David, Mark and Michael each add significant value to the Board given their considerable experience and skills and bring objective and independent judgment to the Board’s deliberations
- ▶ David ceased his role as Adairs CEO over 5 years ago (2016)
- ▶ The Board is satisfied that it operates independently of management and is highly effective in promoting the best interests of shareholders as a whole

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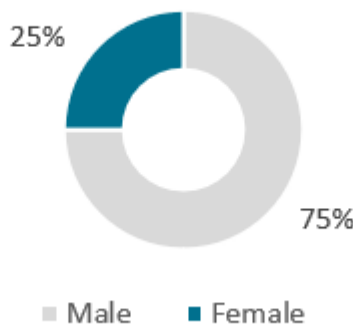
Director gender diversity

- ▶ The Board currently has two female directors (25%) and six male directors (75%). Two of the five independent directors are female
- ▶ Whilst the Board considers that each director adds significant value and strategic insight, 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 intends to address its gender composition with at least 30% of directors being female by July 2023

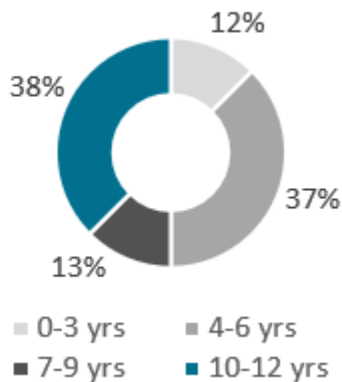
DIRECTOR INDEPENDENCE



DIRECTOR GENDER DIVERSITY



DIRECTOR TENURE DIVERSITY



3

Director tenure

- ▶ 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 views, they hold the disadvantage of losing valuable corporate knowledge
- ▶ Accordingly, tenure is a significant but not conclusive factor that the Board takes into account when assessing the independence and ongoing contribution of a Director

Note: Based solely on the definition of independence listed in Box 2.3 of the ASX Principles and Recommendations (4th edition) Trent Peterson is non-independent as he has been an officer of a substantial shareholder in the last 3 years (ceased in February 2020) . The Board has considered the matter and does not agree with this assessment. Regardless, the Board notes that Mr Peterson will meet the ASX independent test from March 2023.



The Board comprises directors with a broad range of skills, knowledge and experience

- ▶ The Board undertakes an independent performance review every three years and conducts its own skills and experience assessment annually to identify the capabilities of the board, and gaps in skills or competencies that can be addressed in future director appointments
- ▶ To be meaningful the skills and experience analysis distinguishes between each director's:
 - direct 'hands on' operational experience and/or specialised training (which gives them particular expertise in relation to each attribute); and
 - 'developed capability' in that area, which gives them a strong working knowledge on the topic
- ▶ The matrix is presented on a disaggregated basis to illustrate the extent to which each director adds to the overall skills and experience of the Board

TECHNICAL SKILLS			Director								Total
			1	2	3	4	5	6	7	8	
	Leadership	Direct experience	●	●	●	●	●	●	●	●	5
		Developed capability	●	●	●	●	●	●	●	●	8
	Strategic acumen	Direct experience	●	●	●	●	●	●	●	●	7
		Developed capability	●	●	●	●	●	●	●	●	8
	Financial acumen	Direct experience	●	●	●	●	●	●	●	●	3
		Developed capability	●	●	●	●	●	●	●	●	8
	Governance	Direct experience	●	●	●	●	●	●	●	●	4
		Developed capability	●	●	●	●	●	●	●	●	8
EXPERIENCE	Legal and regulatory	Direct experience	●	●	●	●	●	●	●	●	2
		Developed capability	●	●	●	●	●	●	●	●	8
	Risk management and compliance	Direct experience	●	●	●	●	●	●	●	●	4
		Developed capability	●	●	●	●	●	●	●	●	8
	People	Direct experience	●	●	●	●	●	●	●	●	1
		Developed capability	●	●	●	●	●	●	●	●	8
	Organisational culture	Direct experience	●	●	●	●	●	●	●	●	4
		Developed capability	●	●	●	●	●	●	●	●	8
	Remuneration	Direct experience	●	●	●	●	●	●	●	●	6
		Developed capability	●	●	●	●	●	●	●	●	8

EXPERIENCE			Director								Total
			1	2	3	4	5	6	7	8	
	Retailing, marketing and customer experience	Direct experience	●	●	●	●	●	●	●	●	4
		Developed capability	●	●	●	●	●	●	●	●	8
	Experience in other relevant industries	Direct experience	●	●	●	●	●	●	●	●	3
		Developed capability	●	●	●	●	●	●	●	●	6
	International experience	Direct experience	●	●	●	●	●	●	●	●	2
		Developed capability	●	●	●	●	●	●	●	●	4
	Supply Chain	Direct experience	●	●	●	●	●	●	●	●	4
		Developed capability	●	●	●	●	●	●	●	●	5
EXPERIENCE	Digital technology / cybersecurity	Direct experience	●	●	●	●	●	●	●	●	2
		Developed capability	●	●	●	●	●	●	●	●	7
	Property asset management	Direct experience	●	●	●	●	●	●	●	●	4
		Developed capability	●	●	●	●	●	●	●	●	5
	ESG and corporate social responsibility	Direct experience	●	●	●	●	●	●	●	●	1
		Developed capability	●	●	●	●	●	●	●	●	8

Note : The definition of “Direct experience” and “Developed capability” for each topic is set out on pages 5 and 6 of the FY21 Corporate Governance Statement.

The performance of the Board and its three sub-committees was independently reviewed¹ in December 2021 with all Directors and members of the executive leadership team being interviewed

Key findings

- ▶ The Board is comprised of highly committed and skilled directors who are ambitious for Adairs and have a strong-felt connection with the company
- ▶ The Board has a strong, open and constructive culture, with all members contributing strongly
- ▶ The Chair and Board have a very effective relationship with the CEO and CFO and strong confidence in them
- ▶ The senior executive team highly value the skills and experience of directors
- ▶ The collective self-assessment of overall performance by the Board and executive leadership team places the Board in the top quartile of all companies reviewed by BoardsGlobal

Key opportunities

- ▶ Greater focus on medium and long-term strategy (“why” and “what” rather than “how”)
- ▶ The Board is sized appropriately but renewal is desirable to:
 - enhance gender diversity
 - augment Board skills and experience in areas such as:
 - large-cap board experience
 - sustainability / ESG
 - companies delivering high growth
 - technology / cybersecurity
 - supply chain / logistics
 - people/HR

1. The review was undertaken by BoardsGlobal (www.boardsglobal.com)



Remuneration overview

- ▶ Senior Executives are remunerated under a total reward structure which consists of three elements:
 - fixed remuneration comprising base salary package (inclusive of superannuation contributions, car allowances and other benefits);
 - short-term incentives (STIs) which are fully “at risk”; and
 - long-term incentives (LTIs) which are fully “at risk”
- ▶ The mix of remuneration between fixed and variable (at risk) components for a Senior Executive is determined having regard to the seniority of the role, the responsibilities of the role for driving business performance and responsibilities for developing and implementing business strategy
- ▶ The mix of fixed remuneration, STI and LTI elements as a percentage of total target remuneration for KMPs in the most recent year (FY21) was as follows:

KMP	Fixed remuneration	Maximum STI opportunity (at risk)	Maximum LTI opportunity (at risk) ¹
Mark Ronan	36%	34%	30%
Michael Cherubino	42%	30%	28%
Ashley Gardner	47%	42%	11%

1. Includes share-based payment expenses recorded in FY21 with respect to prior year tranches. The costs include a review of the assumptions in relation to the probability of achieving performance targets and service conditions.

Fixed Remuneration

- ▶ The company’s objective is setting fixed remuneration is to attract and retain key talent and to be competitive
- ▶ Fixed remuneration levels reflect the base salary for a comparable role in similarly sized companies operating in the retail industry, having regard to the experience and expertise of the Senior Executive, their performance and history with the Group, and other relevant factors. This requires both quantitative and subjective assessment
- ▶ Fixed remuneration is reviewed annually by the Remuneration Committee and recommendations are made to the Board. Any change is usually effective from the commencement of the new financial year
- ▶ There is no guaranteed salary increase in any Senior Executive’s service contract
- ▶ Increases in the fixed (base) component of Mark Ronan’s remuneration as CEO have been significant in recent years as the Board has responded to:
 - his performance and emerging strong track record of delivering results
 - the increased complexity and scale of the role following the acquisitions of Mocka (2019) and Focus on Furniture (2021)
 - upward movement in peer company CEO fixed remuneration levels (where there was already a material gap)





STI arrangements

- ▶ The STI scheme aligns Senior Executive reward with the achievement of performance targets that are aligned to delivering and protecting sustainable shareholder value
- ▶ The STI scheme is primarily based upon the Group's EBIT result for the financial year
 - Each year the Board determines a set of tiered EBIT targets with reference to the annual forecast and prior year results. These can be subsequently adjusted by the Remuneration Committee for any significant changes¹
 - On achievement of the initial EBIT benchmark, the Senior Executive is entitled to an incentive and shares in any amount achieved in excess of the EBIT benchmark subject to predefined steps or hurdles
 - Prima facie, if the EBIT benchmark is not met no STI is payable regardless of the achievement of individual KPIs, unless otherwise determined by the Board in the event of special or extenuating circumstances
- ▶ Following the end of the financial year, the Remuneration Committee assesses achievement against performance targets, and determines the STI awards to be made to Senior Executives (if any)
- ▶ The amount of any STI paid in a year is dependent upon:

Performance conditions:

- The Company's EBIT performance versus the benchmarks for the year; and
- If the EBIT benchmark is met, the assessment of individual value adding performance, measured by achievement of individual KPI's

Continuing service condition:

- The Senior Executive must be employed by Adairs (and not have given notice or been suspended), at the time the incentive is paid, subject to directors' discretion

1. Including, but not limited to, material variances in the number of stores compared to budget; or other event(s) which were not contemplated by the budget which require a significant change in capital structure, including but not limited to a material acquisition or divestment, or other event which requires a significant capital raising (equity or debt).

STI targets in FY21

Tier	FY21 EBIT benchmark	v FY20 actual EBIT	Potential STI as % max STI
Below Level 1	< \$67.25m	Up to 21.5%	No STI paid
Level 1 (Initial benchmark)	\$67.25m	+21.6%	15%
Level 2	\$68.65m	+24.1%	30%
Level 3	\$70.05m	+26.7%	50%
Level 4	\$71.45m	+29.2%	75%
Level 5	\$72.85m	+31.7%	100%
Stretch level 1	\$95.00m	+71.8%	115%
Stretch level 2	\$100.00m	+80.8%	130%

- ▶ The two stretch levels were added mid-FY21 following a strong 1H FY21 to incentivise the participants to strive to maximise performance in FY21
- ▶ Payment of any incentive arising from the stretch levels would be deferred for one year (and be subject to continued employment)

Performance conditions of KMPs:

Senior Executive and their KPIs	First KPI (25% of STI)	Second KPI (25% of STI)
Mark Ronan	Group L4L sales >3%	Group stock-turn >3.5x
Michael Cherubino	Store occupancy costs as % sales < Budget	Net rent renewal savings > \$500k
Ashley Gardner	CODB as % sales < Budget	Group stock-turn >3.5x

STI outcomes in FY21

- ▶ Actual FY21 EBIT achieved = \$109.1m (Stretch level 2 benchmark met)
- ▶ All performance conditions (KPIs) met for named KMPs

Senior Executive	Target STI (base)	Actual STI awarded ¹	Actual STI awarded as % of FY21 base salary	Actual STI awarded as a % of Target STI
Mark Ronan	\$450,000	\$585,000	95%	130%
Michael Cherubino	\$250,000	\$325,000	75%	130%
Ashley Gardner	\$350,000	\$455,000	95%	130%

STI targets for FY22

- ▶ The Board has reviewed and reset the EBIT targets for FY22. At the time of setting FY22 targets the Board acknowledged that stores were closed or closing due to COVID-related government mandates with the duration and breadth of closures being unknown
- ▶ Details of the FY22 STIs and any amount awarded to Senior Executives will be disclosed in the FY22 Remuneration Report

Senior Executive	Fixed remuneration (at 30 June 2022)	Max STI opportunity for FY22 (at risk) ¹	Base STI as a % of fixed remuneration
Mark Ronan	\$730,000	\$511,000	70.0%
Michael Cherubino	\$490,000	\$300,000	61.2%
Ashley Gardner	\$550,000	\$385,000	70.0%

1. This is based on the maximum STI opportunity. The actual award is dependent on the achievement of performance conditions in FY22. The Board also reserves the right to pay participants a discretionary amount where they believe circumstances demand, though this discretion is exercised sparingly.

LTI Plan

The LTI Plan involves the grant of long dated (6-year) call options (LTI Options)

Each LTI Option entitles the KMP to acquire¹ an Adairs ordinary share after approx. 3.5 years, subject to:

- ▶ meeting specific **3-year performance conditions**,
- ▶ their **remaining employed with Adairs** at the c.3.5-year vesting date, and
- ▶ **payment** of an exercise price

Exercise price

The exercise price per LTI Option is currently calculated as:

- ▶ the VWAP of Adairs shares over the five trading days immediately prior to the AGM which approves the LTI grant, rounded up to the nearest whole cent per share
- ▶ plus 5 cents

TSR CAGR (3-year)	% of TSR LTI Options vest
< or = 8.0%	0%
Between 8.0 and 15%	Pro-rata (20-100%)
= or > than 15%	100%

- ▶ Selected because of its correlation with long term shareholder return and its lower susceptibility to short term share price volatility (often beyond the control of KMP)
- ▶ Assessment is determined by the Board. Any material changes to accounting standards during the measurement period will be considered to ensure the measurement is consistent and fair over the testing period

- ▶ TSR combines both share price appreciation and dividends received to show the total return to shareholders. Chosen by the Board as it best aligns the interests of management with the interests of shareholders
- ▶ Structured as an absolute TSR growth target
- ▶ The starting share price is representing the VWAP of the 5 days immediately following the release of the Company's FY21 result



Note 1: The Board has discretion to make a cash payment in lieu of an allocation of shares on vesting and exercise of options. The Board may also allow Eligible Participants to use a cashless exercise mechanism to exercise their vested options where the value of the shares a participant receives will be reduced by the exercise price that is payable for those options.

Adairs has procedures in place to identify if modern slavery exists within its supply chain and broader business. Vigilance is required as risks remain, particularly where operations are several steps removed from Adairs direct involvement

- ▶ Adairs Limited operates three businesses (Adairs, Mocka and Focus on Furniture) – each is a vertically integrated retailer selling in-house designed and manufactured product
- ▶ c.97% of the group’s products are sourced outside of Australia - primarily from China, India, Bangladesh, Malaysia and Vietnam
- ▶ Adairs recognises the importance of ensuring that its supply chain and broader business is free of modern slavery and uses four primary tools to identify where it may inadvertently cause, contribute or be linked to potential risks of modern slavery (see table opposite)
- ▶ Our **Ethical Sourcing Policy** and **2021 Modern Slavery Statement** can be viewed on the Corporate Governance page of our investor relations website: <https://investors.adairs.com.au/investors/>

Tool	Explanation
Dedicated internal resources and use of industry leading external specialists	Adairs has a dedicated internal Ethical Sourcing team which has been working with leading ethical sourcing specialist organisation - the Ethical Sourcing Agency (http://ethicalsourcingagency.com.au) since 2019 - to provide Modern Slavery expertise and support across its entire business, including sourcing markets and supply chain
Independent audits	<p>Adairs requires all traced factories [tiers 1-4] used in the production of goods to supply a current Social Compliance Audit, completed by an independent and appropriately qualified party. These audits involve worker interviews in both a group and individual settings by experienced specialists who have the knowledge and skill to identify any weaknesses or problem areas</p> <p>Adairs has also engaged globally accredited Qualspec to provide a program of independent social compliance audits on their behalf as an additional layer of compliance assurance</p>
Factory visits	Adairs has a program of in person factory visits across the supply chain. These are conducted by members of the Product, Management and Risk & Compliance teams. Due to COVID-19 travel restrictions these visits have been conducted by Qualspec on behalf of Adairs
Whistle-blowers	Adairs utilises tools such as confidential whistle-blower hotlines and grievance mechanisms to support reporting of issues within its supply chain



Supply chains are complex structures, particularly where they cross country borders and involve multiple levels of suppliers and sub-contractors across the production process. These complexities raise the risk of unethical practices and require robust processes and vigilance.

Supplier Code of Conduct

- ▶ Adairs has a Supplier Code of Conduct which all suppliers (and any sub-contractors) are required to sign up to **before** commencing any work and which includes strong governance requirements
- ▶ Our Supplier Code of Conduct covers:
 - *Human rights* (including child labour, harassment, discrimination, freedom of association, grievance procedures, wages and working hours)
 - *Forced labour* (including Modern Slavery)
 - *Safe working conditions*
 - *Restricted raw materials and practices* (ensuring banned substances and banned processes are not used in or on any Adairs product. Includes animal welfare protections).
 - *Environment* (multiple initiatives to promote greater environmental responsibility)
 - *Business licenses and registrations*
 - *Transparency* (across end-to-end production process)
 - *Unauthorised sub-contracting*; and
 - *Anti-bribery and corruption*

Ensuring understanding

- ▶ Our Supplier Code of Conduct has been translated into local languages and follow up calls are made to ensure there is complete understanding of supplier expectations and responsibilities
- ▶ We hold regular (weekly/monthly) calls with suppliers to discuss matters including ethical risk mitigation

Sub-contractors

- ▶ Given the practical limitations on Adairs having direct management of, or involvement in, the lower levels of its supply chain, the Company places the onus for managing subcontractors on all aspects of its Code of Conduct on its upstream suppliers
- ▶ These suppliers:
 - have a direct relationship with the relevant sub-contractor; and
 - are expected to visit sub-contractor factories frequently to monitor and ensure compliance with our Code of Conduct
- ▶ Regardless of where a sub-contractor sits in the Adairs supply chain Adairs seeks to have all sub-contractors identified and approved by it before any sub-contracting work can commence

On-boarding

- ▶ Adairs has a robust onboarding program for all new suppliers and subcontractors which includes reviewing their current social compliance audit, a factory assessment including independently taken pictures and, where possible, a visit by a product team member before being approved
- ▶ All onboarding is overseen by the Risk & Compliance team at arms length from the Product team



Country of origin ¹	Adairs	Focus	Mocka	Group
China (ex HK)	64%	86%	93%	75%
India	10%	-	4%	6%
Bangladesh	6%	-	-	4%
Australia	5%	-	-	3%
Malaysia	-	9%	2%	3%
Vietnam	3%	5%	-	3%
Turkey	4%	-	-	2%
Hong Kong	4%	-	-	2%
Indonesia	2%	-	-	1%
Other various	2%	-	1%	1%
Total	100%	100%	100%	100%

Suppliers ²	Adairs	Focus	Mocka	Group
Number of suppliers	277	25	42	344
Concentration ¹				
Largest supplier	20%	24%	36%	-
Top 10	60%	80%	83%	-
Top 20	73%	95%	94%	-

Note 1: Percentage of total stock purchases by value for that brand (1H FY22). Focus includes all of 1H FY22 albeit Adairs ownership was from 1 Dec 2021.

Note 2: Suppliers across all tiers as at May 2022. One supplier may have more than one factory across different tiers. Total factory numbers across all tiers are c.500.

We seek to create better outcomes for people throughout our supply chains, business operations and the communities within which we operate through initiatives in the areas of product, people and planet



PRODUCT

- Initiatives which help evolve the way Adairs' operates (across all business units) to embrace circular thinking – where waste is significantly reduced or eliminated through reuse, recycling and responsible manufacturing processes
- Initiatives which make it easier for customers to appreciate and value that Adairs' products are sustainably sourced, manufactured and responsibly packaged



PEOPLE

- Initiatives relating to human rights, including modern slavery, and responsible sourcing
- Initiatives to support Adairs' communities, building partnerships and working with its suppliers to make sure that everyone in its supply chain is treated with dignity and respect
- Initiatives which allow Adairs' team members to be their best self regardless of their gender, age, ethnicity, faith, ability or sexual orientation



PLANET

- Initiatives designed to address climate change, waste and Adairs' impact on the environment

Initiative	Goal / Target	Update / Timing
Product sustainability	<p>Many of our products are already sustainably sourced and/or have sustainable attributes, and we will continue to increase the sustainability attributes of our products. Currently we meet the following standards and practices:</p> <ul style="list-style-type: none"> • 100% of all Adairs bedlinen is certified under OEKO TEX Standard 100 (confirmation that the product is free from harmful chemicals) • 100% of all Adairs down filled products, quilts and cushion inserts are RDS certified (Responsible Down Standard) • 100% of solid timber furniture sold by Focus on Furniture is sourced from sustainably managed forests • 100% of all Mark Tuckey furniture sold by Adairs is made from FSC certified timber and/or sustainable timber • Where possible, cotton-based products are GOTS certified (Global Organic Textile Standard) or if unavailable, subject to an alternate organic cotton standard. Other fibres such as flax and hemp are being explored as they are grown without the use of insecticides and use less water. 	<p>Already in progress with new initiatives to be reported upon annually</p>
Communicating our sustainability strategy	<p>We will increasingly communicate our sustainable strategy and product initiatives to all of our stakeholders using multiple channels including:</p> <ul style="list-style-type: none"> • online (with a dedicated sustainability landing page on our retail website), • in-store; and • through investor relations materials including a new Sustainability section of our Annual Report 	<p>Communication initiatives to build over time:</p> <ul style="list-style-type: none"> • Dedicated Sustainability landing page on retail website from July 2022 • Dedicated Sustainability section in FY22 Annual Report (released August 2022)

Initiative	Goal / Target	Update / Timing
Sustainable in-store bags	Replace all single-use plastic bags in Adairs stores with re-useable bags designed by Adairs. These will be sold with all profits going to Orange Sky.	1 July 2022 (Western Australia) August - October 2022 (all other States)
Sustainable product packaging <ul style="list-style-type: none"> inbound from suppliers outbound to customers 	<ol style="list-style-type: none"> APCO compliance All customer product packaging to be reusable, recyclable or compostable Production of supplier packaging manual which directs suppliers to sustainable alternatives Working with our supply chain to transition to more environmentally friendly packing and reduce the quantity of packaging used (e.g. elimination of polystyrene and bubble wrap in favour of materials that can be responsibly managed). All product labels to encourage customers to dispose of product packing responsibly. 	<ol style="list-style-type: none"> Adairs has been a signatory to the Australian Packaging Covenant via since 2011 (and reports annually). Implementation by 2025 Complete for Adairs' fragile goods. Other product lines / brands to be completed by 2025 Ongoing Implementation by 2024
Sustainable sales tools	Team education and production of training manual to assist Sales teams effectively communicate our sustainability vision and help customers make more sustainable product decisions	Video and presentation already delivered to Adairs stores. To be rolled across other brands by 2024

Initiative	Goal / Target	Update / Timing
Ethical Sourcing	<p>Factory ethical audit and code of conduct assessment of</p> <ul style="list-style-type: none"> all direct suppliers (Tier 1 factories) and downstream sub-contractors (Tier 2-4 factories) <p>across each of Adairs, Mocka and Focus on Furniture</p>	<p>Tier 1 factories fully traced for Adairs.</p> <p>Mocka and Focus tier 1 factories to be fully traced by end of July 2022.</p> <p>Tier 2-4 factory traceability continues across all brands (multi-year project)</p>
Modern Slavery	Meet our commitments to the Modern Slavery Act including annual reporting via our Modern Slavery Statement	Published annually since FY20
Corporate social responsibility	<ol style="list-style-type: none"> Support for those experiencing homelessness Support for NSW/Queensland flood victims Promote strong and healthy women role models in sport 	<ol style="list-style-type: none"> Adairs is a Strategic Partner of Orange Sky with donations of >\$200k in FY22 YTD and volunteering by team members Adairs donated bedlinen and related products worth \$50k to flood victims in NSW / Queensland (via Wesley Mission) in FY22 Adairs is a Principal Sponsor of the Melbourne Boomers, who play in the Women's National Basketball League and are the longest-running elite-level women's sports team in Australia.
Board gender diversity	Not less than 30% of Directors to be women (in accordance with ASX Corporate Governance Principles 4 th Edition)	Women currently comprise 25% of directors with the Board committed to increasing this to at least 30% by June 2023.
Executive leadership team gender diversity	Compliance with the 40:40 Vision Initiative by HESTA targeting not less than 40% of each gender in the executive leadership team by 2030	<p>Adairs became a signatory to the 40:40 Vision Initiative by HESTA in May 2022.</p> <p>Women currently comprise 36% of the executive leadership team (see Appendix 4) and Adairs commits to at least 40% by 2030 (likely much earlier).</p>

Initiative	Goal / Target	Update / Timing
Team engagement	80% team engagement (annual independently-conducted engagement survey)	FY22 survey underway with results to be communicated in the FY22 Annual Report (August 2022)
Team safety	Year on year improvement in Total Recordable Injury Frequency Rate (TRIFR)	Communicated in FY22 Annual Report (August 2022)

Sustainability – Planet initiatives

Initiative	Goal / KPI	Update / Timing
Reduction in GHG emissions	<ol style="list-style-type: none"> 1. Base line (scopes one and two) group emissions being calculated by an independent expert (WSP) with an assessment of identifiable opportunities to reduce this over time across the group 2. Group emission targets to be set (for 2025 and 2030) 	<ol style="list-style-type: none"> 1. WSP to complete baseline calculation and opportunity analysis by June 2022 2. Communicated in FY22 Annual Report (August 2022)
Waste reduction	<ol style="list-style-type: none"> 1. Base line for landfill waste being calculated for all stores, warehouses and HQ 2. Reduction targets to be set (2025 and 2030) 	<ol style="list-style-type: none"> 1. Baseline being calculated currently 2. Communicated in FY22 Annual Report (August 2022)
Sustainable POS materials	Transition to more sustainable (reusable/recyclable) visual merchandising / Point of Sale materials	Under investigation with implementation likely 2024
Promoting product reuse / recycle	Investigate and where possible implement product reuse and/or recycling initiatives (circular economy) including potential partnerships	Under investigation with implementation likely 2025
National Distribution Centre	Our DC operator (DHL) is committed to achieving 100% net zero-carbon warehousing globally by 2025.	By 2025

The following documents are available on the Adairs Investor Relations website (<https://investors.adairs.com.au/investors/>)

1 Constitution & Charters

- Constitution (Adairs Limited)
- Board Charter
- Audit & Risk Committee Charter
- Nomination Committee Charter
- Remuneration Committee Charter

2 Codes & Statements

- Code of Conduct (Adairs Team)
- Modern Slavery Statement FY21
- Corporate Governance Statement FY21
- Australian Packaging Covenant Organisation (Adairs reports for the last 3 years)

3 Policies

- Anti-Bribery & Corruption Policy
- Continuous Disclosure Policy
- Diversity Policy
- Ethical Sourcing Policy (includes Supplier Code of Conduct)
- Policy on Non-Audit Services
- Privacy Policy
- Securities Dealing Policy
- Shareholder Communications Policy
- Whistle-blower Policy





APPENDICES

1. Overview of Adairs Limited
2. Non-executive Director Profiles
3. LTI Options issued to KMP
4. Executive Leadership Team

Adairs Limited (ASX: ADH) is Australasia's largest omni channel retailer of homewares and home furnishing products

► Own three growing and highly profitable businesses

► Vertical retail model

- in-house design
- exclusive and differentiated products
- innovation
- supply chain control
- value for money and superior margins

► Omni-channel

- larger TAM than pure-play
- integrated channels, cross-channel synergies
- efficient customer acquisition costs / better retention
- data and loyalty focused
- fast approaching A\$200m p.a. in online sales

► High service, customer focused

- Our customers expect and enjoy service to help them discover, coordinate, execute and manage their purchases



- Specialty retailer of home furnishings with a large and growing online channel and a national footprint of c.170 stores across Australia and New Zealand
- Sells on-trend fashion products, quality staples, strong value and superior customer service



- Pure-play online home and living products designer and retailer operating in Australia and New Zealand
- Sells its own exclusive, well designed, functional and stylish products in the Home Furniture & Décor, Kids and Baby categories



- Vertically integrated omni-channel furniture and bedding retailer operating in Australia
- Sells well designed, functional and on-trend products at great value for money in Australia through its 23-store network and online channel

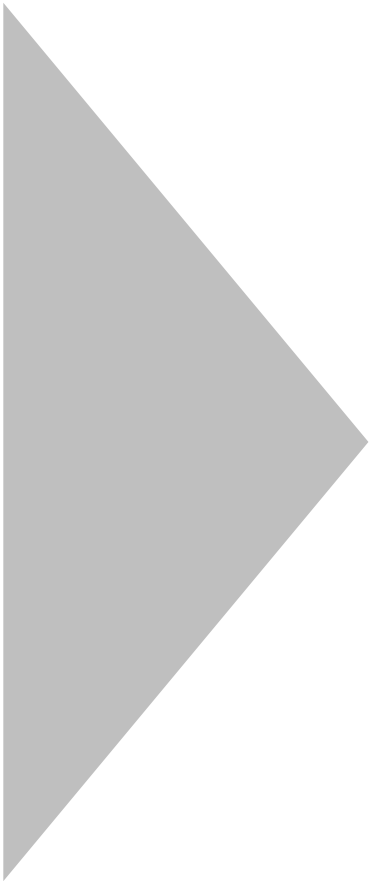


Non-executive Directors have a broad range of relevant backgrounds, current roles and directorships across multiple sectors.

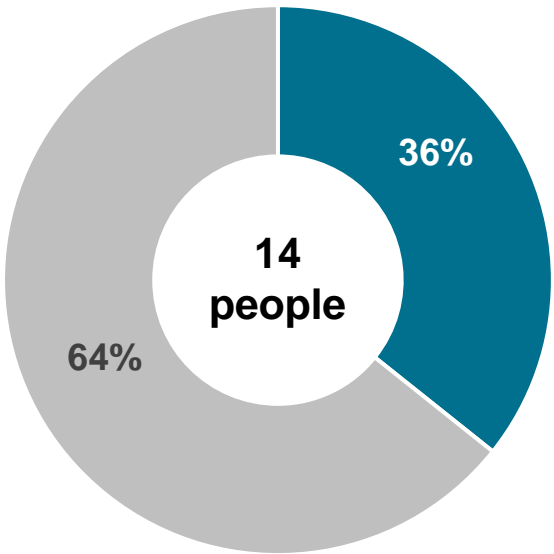
	Background & experience	Other listed board positions
Brett Chenoweth 66,312 shares	<ul style="list-style-type: none"> Former CEO and Managing Director of APN News and Media Held senior executive roles at Silverfern Group, Telecom New Zealand, ecorp, ninemsn and Village Roadshow Experience in leading businesses across media, technology, entertainment and telecommunications sectors 	<ul style="list-style-type: none"> Janison Education Group Ltd (NED)
Kiera Grant 170,427 shares	<ul style="list-style-type: none"> Extensive board experience following 15 years in investment banking as a research analyst covering the retail sector Financial / strategic assessment knowledge with M&A, capital market and corporate governance experience 	<ul style="list-style-type: none"> Future Generation Global Investment Company Ltd (NED)
Trent Peterson 1,540,334 shares	<ul style="list-style-type: none"> Managing Director of Catalyst Investment Managers with 20+ years of investment and private equity experience, focused primarily on businesses operating in the consumer, retail and media sectors Non-exec Chair of Adairs from 2010 until the IPO in 2015, being the period of Catalyst's majority ownership. Catalyst ceased to be a shareholder in Adairs in February 2020. 	<ul style="list-style-type: none"> Universal Store Pty Ltd (NED) dusk Group Ltd (NED) The Shaver Shop Group Ltd (NED)
Kate Spargo 60,000 shares	<ul style="list-style-type: none"> Independent NED for 20+ years, covering listed and unlisted companies in a variety of sectors including infrastructure, construction and engineering, energy, financial services, building product manufacture and distribution, and health services Broad commercial and organisational experience, with a focus on risk, audit and governance Legal background in both government law and private practice 	<ul style="list-style-type: none"> Sonic Healthcare Ltd (NED) Sigma Healthcare Ltd (NED) CIMIC Group Ltd (NED)
Simon West Nil shares	<ul style="list-style-type: none"> CEO of Torpedo7, an adventure sport retailer based in New Zealand Previously held CEO roles at clothing retailer Max Fashions, EziBuy and DealsDirect.com.au. Also provides advisory services to retail businesses in the direct-to-consumer space 	
David MacLean 2,993,486 shares	<ul style="list-style-type: none"> Former CEO and MD of Adairs (2002-2016), having previously held the role of General Manager (1989-2002) Now a professional company director focused on the retail sector 	<ul style="list-style-type: none"> dusk Group Ltd (NED) Universal Store Pty Ltd (NED)

KMP	LTI Options granted	Fair value per option at Grant Date	Exercise Price	Testing Date	Vesting Date	Expiry Date
Mark Ronan						
FY18	900,000	\$0.39	\$1.75	28 Jun 2020	30 Jun 2021	2 Nov 2023
FY19	540,000	\$0.43	\$2.40	27 Jun 2021	3 Jul 2022	26 Oct 2024
FY20	900,000	\$0.38	\$1.86	26 Jun 2022	2 Jul 2023	25 Oct 2025
FY21	675,000	\$0.90	\$4.04	25 Jun 2023	30 Jun 2024	26 Oct 2026
FY22	800,000	\$0.53	\$3.95	30 Jun 2024	29 Jun 2025	26 Oct 2027
	3,815,000					
Michael Cherubino						
FY18	510,000	\$0.39	\$1.75	28 Jun 2020	30 Jun 2021	2 Nov 2023
FY19	315,000	\$0.43	\$2.40	27 Jun 2021	3 Jul 2022	26 Oct 2024
FY20	400,000	\$0.38	\$1.86	26 Jun 2022	2 Jul 2023	25 Oct 2025
FY21	300,000	\$0.90	\$4.04	25 Jun 2023	30 Jun 2024	26 Oct 2026
FY22	350,000	\$0.53	\$3.95	30 Jun 2024	29 Jun 2025	26 Oct 2027
	1,875,000					
Ashley Gardner						
FY20	700,000	\$0.38	\$1.86	26 Jun 2022	2 Jul 2023	25 Oct 2025
FY21	525,000	\$0.90	\$4.04	25 Jun 2023	30 Jun 2024	26 Oct 2026
FY22	600,000	\$0.53	\$3.95	30 Jun 2024	29 Jun 2025	26 Oct 2027
	1,825,000					

Group functions	Male	Female
Managing Director and CEO (KMP)	✓	
Group Chief Financial Officer (KMP)	✓	
Group Head of Property & Business Development (KMP)	✓	
Group Commercial Strategy & Operations	✓	
Company Secretary		✓
Adairs brand		
Chief Marketing and Digital Officer		✓
GM Product & Design		✓
GM Planning		✓
GM Retail Operations	✓	
Chief Information Officer	✓	
GM Supply Chain	✓	
Head of People & Culture	✓	
Mocka brand		
CEO Mocka		✓
Focus on Furniture brand		
CEO Focus on Furniture	✓	
Total	9	5
Gender mix (current)	64%	36%
Gender mix (target range)	40-60%	40-60%



Group Executive Leadership Team
Gender Diversity



■ Female ■ Male



Disclaimer

Some of the information contained in this presentation contains “forward-looking statements” which may not directly or exclusively relate to historical facts. These forward-looking statements reflect Adairs Limited current intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside the control of Adairs Limited.

Important factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include known and unknown risks. Because actual results could differ materially from Adairs Limited’s current intentions, plans, expectations, assumptions and beliefs about the future, you are urged to view all forward-looking statements contained herein with caution.

