



BLACKMORES

# THE CORPORATE GOVERNANCE STATEMENT

AUGUST 2018



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The Corporate Governance Statement (Statement) for Blackmores Limited (Blackmores, Blackmores Group, Group or Company), is accurate as at 28 August 2018.

This Statement details Blackmores' corporate governance practices and compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition) and also highlights where related governance documents are located on the website at [blackmores.com.au/about-us/investor-centre/corporate-governance](http://blackmores.com.au/about-us/investor-centre/corporate-governance).

Blackmores' Board and management are dedicated to the highest standards of corporate behaviour and accountability throughout all levels of the organisation. The Board regularly reviews its governance practices to ensure the needs and expectations of stakeholders are met within a framework that is appropriate for Blackmores and supports its commitment to legal compliance. The Board endorses the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles).

## BLACKMORES GROUP GOVERNANCE FRAMEWORK

The Board is responsible for the governance framework which operates under Board-approved policies, charters and practices. The Board committees help the Board fulfil its governance role. The Board and its committees regularly review the Company's governance framework and associated practices to ensure they keep pace with regulatory change. The Board and Committee charters are reviewed annually.

### PRINCIPLE 1

#### LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Company Constitution states that the Company's business and affairs are to be managed under the Board's direction.

The Board has adopted a formal Board Charter which, among other matters, sets out the responsibilities, structure and composition of the Board of Directors of the Company. The matters which require approval by the Board are included. The Board Charter is available on the Blackmores website at [blackmores.com.au/about-us/investor-centre/corporate-governance](http://blackmores.com.au/about-us/investor-centre/corporate-governance).

A summary of duties for the Chairman and the Chief Executive Officer are reviewed and agreed by the Board and include job descriptions for each role.

Before appointing a Director, the Board undertakes appropriate checks and provides shareholders with all material information which is relevant to the decision to elect or re-elect a Director. Directors receive formal letters of engagement setting out the key terms, conditions and expectations of their engagement.

The formal letter of appointment of a Director includes the following details:

- Time and commitment envisaged;
- Powers and duties of Directors;
- Any special duties or arrangements attaching to the position;
- Circumstances in which an office of Director becomes vacant;
- Expectations regarding involvement with committee work;
- Remuneration and expenses;
- Superannuation arrangements;
- Requirement to disclose Directors' interests and any matters which affect the Director's independence;
- Fellow Directors;
- Trading policy governing dealings in securities (including any share qualifications) and related financial instruments by Directors, including notification requirements;

- Induction training and continuing education arrangements;
- Access to independent professional advice subject to prior approval from the Chairman or CEO (or similar);
- Indemnity and insurance arrangements;
- Confidentiality and rights of access to corporate information; and
- A copy of the Constitution.

An orientation program is organised for new Directors to ensure that incoming Directors are familiar with the Company's business and governance practices.

The Company has written employment agreements with each of its senior executives.

The Company Secretary is responsible for supporting the effectiveness of the Board and is directly accountable to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. Each Director is able to communicate directly with the Company Secretary.

Blackmores is a leader in diversity and we are committed to championing and celebrating the richness of diversity, believing it positively impacts employee engagement, improves business performance, increases shareholder value and enhances the probability of achievement of corporate objectives. Blackmores regularly reviews policies to ensure that the Company not only matches but excels against the ASX Diversity Recommendations. We are progressing to achieve our 2025 targets with current representation of women being 25% on the Board of Directors and 25% of Senior Executives (being direct reports to the CEO). We have set a target of 50% of women on the Board and Senior Executives by 2025.

Set out below are the diversity targets set by the Company:

### Blackmores' Diversity Targets

	Current	2025
<b>Females on the Board</b>	25%	50%
<b>Females in senior executive positions</b>	25%	50%
<b>Females in management positions</b>	50%	50%
<b>Female employees</b>	70%	70%

We are committed to creating programs that prepare women to take on senior roles within the business, assist Indigenous Australians and encourage people with disabilities to access employment opportunities and career advancement.

The Board's People and Remuneration Committee has adopted a diversity policy and management is required to periodically provide diversity reports to the Committee and Board. The policy is available at [blackmores.com.au/about-us/investor-centre/corporate-governance](https://blackmores.com.au/about-us/investor-centre/corporate-governance).

The Company is compliant with the Equal Opportunity for Women in the Workplace Act 1999.

A copy of Blackmores 2017 (FY17) report to the Workplace Gender Equality Agency is available at [blackmores.com.au/about-us/investor-centre/corporate-governance](https://blackmores.com.au/about-us/investor-centre/corporate-governance). A copy of the FY18 report to the Agency will replace the FY17 report once approved by the Agency.

The Chairman of the Board evaluates the performance of individual Directors and the Board collectively on an ongoing basis. Performance criteria to which he has reference include attendance and participation at meetings, contribution to valid Board debate on key issues and the effectiveness of the Board as a whole in providing the Company with clear guidance and direction.

Periodically, a comprehensive review of Board and member performance is conducted. The Board determines whether the review will be externally or internally conducted. During 2018 (FY 2018) a comprehensive externally led review was conducted of Board, Committees and member performance and confirmed the Board's prioritisation and focus. These are regularly discussed by the Board and monitored for implementation and effect.

The Company has comprehensive performance guidelines in place. Underpinned by clearly defined objectives and measures aligned to the delivery of the Company's objectives and developed through the overall process of performance management, each senior executive has had their performance assessed in line with the program during FY18.

## PRINCIPLE 2

### STRUCTURE THE BOARD TO ADD VALUE

The Company has a Nominations Committee which comprises the full Board and is a Committee of the Board. The proceedings and meetings of the Nominations Committee are governed by the provisions of the Constitution.

The primary purpose of the Nominations Committee is to support and advise the Board in fulfilling its responsibilities to shareholders by ensuring that the Board is comprised of individuals who are best able to discharge their responsibilities as Directors, having regard to the law and the highest standards of governance.

The members of the Committee during the 2018 financial year, the number of times the Committee met throughout the period and the individual attendances of the members at those meetings are included in the 2018 Directors Report available at [blackmores.com.au/about-us/investor-centre/annual-and-halfyear-reports](http://blackmores.com.au/about-us/investor-centre/annual-and-halfyear-reports).

The Board reviews its composition and assesses nominations for new appointments from time to time to ensure the right balance of skills and experience. The following table is the current mix of skills and diversity of the Board.

### SKILLS MATRIX

Skills and Experience and Board Representation	(Total membership)
<b>Executive and strategic leadership</b> Senior executive and directorship experience.	8
<b>Financial and risk management</b> Senior executive experience in financial accounting and reporting, corporate finance, risk and internal controls.	8
<b>Acquisitions</b> Experience in M&A and implementation.	6
<b>Governance and Board</b> Prior experience as a Board member, industry or membership of governance bodies.	8
<b>Work Health and Safety and Sustainability</b> Experience related to health, safety, environment, social responsibility and sustainability.	6
<b>Industry Health</b> Experience in health, health services, or consumer goods industry.	7
<b>Asia International</b> Experience working in an organisation with global operations, or understanding of different cultural, political, regulatory and business requirements.	8

## SKILLS MATRIX

### Skills and Experience and Board Representation

(Total membership)

<b>Regulatory and Public policy</b> Legal background or experience in regulatory and public policy.	<b>4</b>
<b>Remuneration</b> Remuneration Committee membership or experience in relation to remuneration, including incentive programs.	<b>8</b>
<b>Market</b> Experience in retail channels, digital or marketing industry.	<b>6</b>
<b>Learning and Development</b> Experience relating to education and growth of knowledge base.	<b>5</b>

The qualifications, expertise and experience of each Director are included in the following table:

Name of Director	Date Joined	Qualifications	Status
<b>David Ansell</b>	October 2013	BA (COMMUNICATION) GAICD	Independent
<b>John Armstrong</b>	May 2015	BBUS MBA MAICD	Independent
<b>Marcus Blackmore</b>	October 1973	ND MAICD D UNIV D LITT	Executive
<b>Stephen Chapman</b> Chairman and Chairman of the Nominations Committee	September 1993	BCOMM MBA CA FAICD	Independent
<b>Richard Henfrey</b>	September 2018	MA GAICD	Executive
<b>Jackie McArthur</b>	April 2018	BACHELOR OF ENGINEERING (AERONAUTICAL), MAICD	Independent
<b>Helen Nash</b> Chairman of the People and Remuneration Committee	October 2013	BA (HONS) GAICD	Independent
<b>Brent Wallace</b> Chairman of the Audit and Risk Committee	October 2005	BCOMM (MARKETING) FAICD	Independent

The Board regularly assesses the independence of each Non-Executive Director. An independent Director is a Director who is not a member of management (a Non-Executive Director) and who (to the satisfaction of the Board) meets the following criteria:

- Is not a shareholder of the Company holding more than ten percent of the voting shares or otherwise associated directly or indirectly with a shareholder holding more than ten percent of the voting shares;
- Has not within the last three years been employed in an executive capacity by the Company;
- Is not a principal or employee of a professional adviser to the Company and its entities whose billings exceed five percent of the adviser's total revenues;
- Is not a significant supplier or customer of the Company or its entities or an officer of or otherwise associated directly or indirectly with a significant supplier or customer. (A significant supplier is defined as one whose revenues from the Company exceed five percent of the supplier's total revenue. A significant customer is one whose amounts payable to the Company exceeds five percent of the customer's total operating costs);

- Has no material contractual relationship with Company; and
- Has no other interest or relationship that could interfere with the Director's ability to act in the best interests of the Company and independently of management.

The Company does not consider length of tenure as a relevant disqualifying criteria for independence and values the experience gained by the Directors in serving on the Board.

The Board considers all of its Non-Executive Directors to be independent. The majority of the Board is independent. The Company Secretary maintains the Register of Directors' Interests. Where the independence of a Director is lost, this will be immediately disclosed to the market.

The Chairman and CEO (or similar) roles are to be held by different persons. Summary of duties for the Chairman and the CEO are reviewed and agreed by the Board and included in job descriptions for each role. The CEO (or similar) may also be a Director of the Company.

Directors retire by rotation in accordance with clause 89 of the Constitution. Newly appointed Directors must stand for re-election at the next Annual General Meeting in accordance with clause 93 of the Constitution.

On 27 June 2017 the Board elected Mr Stephen Chapman as Chairman of the Board. Mr Chapman joined the Board in September 1993 and is an independent director. He held the position as Blackmores Deputy Chairman from 24 October 2007 to 1 March 2017 when he was appointed Acting Chairman.

An orientation program is organised for new Directors to ensure that incoming Directors are familiar with the Company's business and governance practices.

Particular attention is paid to ensure that any new Directors appointed to the Board benefit from an effective induction program, designed to enable Directors to gain an understanding of:

- The Company's financial, strategic, operational and risk management position;
- Their rights, duties and responsibilities as Directors; and
- The role of the Board Committees.

It is the responsibility of the Chairman to ensure the effectiveness of this induction program, which combines review of Company information materials/policies and meetings with key executives employed in the business.

Various Company events are organised throughout the year which the Directors attend, enabling the Directors to keep themselves engaged and up to date on key Company developments. Coupled with their more formal duties, this allows the Directors to build up a deep level of knowledge around the Company's activities and accordingly optimise their contribution to the Board.

Subject to approval by the Chairman, Directors have access to continuing education to update and enhance their skills and knowledge. This includes education concerning key developments in the Company and within the industry and environments within which it operates.

The Board is provided with the information it needs to efficiently discharge its responsibilities and in particular:

- All Directors have access to the Company Secretary;
- The appointment and removal of the Company Secretary is a matter for decision by the Board as a whole; and
- Management is required to supply the Board with information in a form, timeframe and quality that enables the Board to effectively discharge its duties.

In a typical year, eight Board meetings would be held. These formal meetings can be supplemented as required by additional meetings and/or teleconferencing. Directors meet with Management each year for two to three days to review the Strategic Plan and Budget of the Company.

### PRINCIPLE 3

#### ACT ETHICALLY AND RESPONSIBLY

There is a Code of Conduct for Directors, Senior Executives and employees. It aims to ensure that the Directors and employees act in a manner consistent with best practice of public and commercial business and are committed to open and transparent communications in all our dealings.

The Code of Conduct provides Directors and employees with guidance on what is acceptable behaviour. Specifically, the Company requires that all Directors, managers and employees 'are honest, trustworthy and committed to the highest standards of personal, professional and business behaviour'.

The Company considers the successful management of work health and safety, and environmental issues as vital for our employees, customers, communities and business success.

The Code of Conduct sets out the core 'values-based' behaviours expected from employees within the Blackmores Group. It also sets out the basic behaviours expected from those with whom the Group does business including suppliers, distributors, customers, and others who may act on the Company's behalf. These behaviours are called 'the Blackmores' way' and they are focussed on 'doing the right thing' in all locations.

We are committed to:

- demonstrating fairness, honesty, reasonableness and courtesy in our interactions with others;
- acting ethically and honestly in all interactions;
- obeying all applicable laws in the countries in which we do business;
- maintaining a safe and healthy work environment,
- considering the potential consequences of our actions and how our actions will be viewed if scrutinised publicly;
- avoiding activities outside Blackmores which may compromise our responsibilities to the Company, which may conflict with commercial interests of Blackmores, or which may compromise Blackmores' reputation;
- developing and implementing sustainable practices which protect and improve the environment.

The Code is available at [blackmores.com.au/about-us/investor-centre/corporate-governance](https://blackmores.com.au/about-us/investor-centre/corporate-governance).



## PRINCIPLE 4

### SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Blackmores is committed to a transparent system for auditing and reporting of the Group's financial performance.

The Board of Blackmores has established an Audit and Risk Committee. The Committee reports to the Board of Blackmores.

The Charter of the Audit and Risk Committee is available at [blackmores.com.au/about-us/investor-centre/corporate-governance](https://blackmores.com.au/about-us/investor-centre/corporate-governance).

The Committee has at least three members, all of whom are Non-Executive Directors, the majority of whom are independent Directors; and is chaired by an independent Director, who is not the Chair of the Board.

The composition and structure of the Committee and membership attendance at meetings of the Committee are set out in the Directors' Report section of the Annual Report available at [blackmores.com.au/about-us/investor-centre/corporate-governance](https://blackmores.com.au/about-us/investor-centre/corporate-governance).

Prior to the Board approval of the Company's financial statements for a financial period, the Board receives from the CEO and CFO a declaration that, in their opinion, the financial records of the Company 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 that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

External Auditors are asked to attend the Annual General Meeting and be prepared to answer shareholder questions about the conduct of the audit and the preparation and content of the auditors' report.

The Board has a charter of External Auditor Independence to ensure auditors are independent and have no conflicts of interest. The Charter is available at [blackmores.com.au/about-us/investor-centre/corporate-governance](https://blackmores.com.au/about-us/investor-centre/corporate-governance).

## PRINCIPLE 5

### MAKE TIMELY AND BALANCED DISCLOSURE

Blackmores has established policies to ensure that disclosure of all material matters concerning the Company occurs in a timely, honest and balanced manner and to ensure that all investors have equal access to material information including its position, performance, ownership and governance.

The Company is listed on the ASX and must comply with Listing Rule 3.1 (Continuous Disclosure).

Executives are made aware of the requirements and a separate Board agenda item covering the requirement of continuous disclosure is discussed at every Board meeting.

A Continuous Disclosure Policy is available at [blackmores.com.au/about-us/investor-centre/corporate-governance](https://blackmores.com.au/about-us/investor-centre/corporate-governance).

## PRINCIPLE 6

### RESPECT THE RIGHTS OF SHAREHOLDERS

The Company strives to convey to its shareholders and the investing public pertinent information in a detailed, regular, factual and timely manner. Information is communicated to shareholders through:

- The Annual Financial Report (for those shareholders who have requested a copy);
- Disclosures to the ASX;
- Notices and explanatory memoranda of Annual General Meetings;
- Half yearly and quarterly reports and shareholders' newsletters which provide shareholders with details of profit performance and other matters of interest; and
- Blackmores' website at [blackmores.com.au](http://blackmores.com.au).

Shareholders have the option to receive communications electronically from the registry and the Company. The Annual Report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document). The Board ensures that the Annual Report includes relevant information about the operations of the Company during the year, changes in the state of affairs of the Company and details of future developments, in addition to the other disclosures required by the Corporations Act 2001.

Half-year Financial Statements prepared in accordance with the requirements of applicable Accounting Standards and the Corporations Act 2001 are lodged with the Australian Securities and Investments Commission and the ASX. The Financial Statements are sent to any shareholder who requests them and the shareholders' newsletter is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document). Copies are lodged with the ASX.

Our internet site, [blackmores.com.au](http://blackmores.com.au) also gives information on the Company's products, governance, annual reports and public announcements and is updated regularly.

External Auditors are asked to attend the Annual General Meeting and be prepared to answer shareholder questions about the conduct of the audit and the preparation and content of the auditors' report.

Shareholders are encouraged to ask questions at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals.

An exclusive shareholder-only event is held annually to provide an opportunity to meet the management and to better understand the Company's operations and gain deeper insight into the business. There are no formal business matters at the event.

## PRINCIPLE 7

### RECOGNISE AND MANAGE RISK

The Board of Blackmores has established an Audit and Risk Committee. The Committee reports to the Board of Blackmores.

The Charter of the Audit and Risk Committee is available at [blackmores.com.au/about-us/investor-centre/corporate-governance](http://blackmores.com.au/about-us/investor-centre/corporate-governance).

The Committee has at least three members, all of whom are Non-Executive Directors, the majority of whom are independent Directors; and is chaired by an independent Director, who is not the Chair of the Board.

The composition and structure of the Committee and membership attendance at meetings of the Committee are set out in the Directors' Report available at [blackmores.com.au/about-us/investor-centre/corporate-governance](http://blackmores.com.au/about-us/investor-centre/corporate-governance).

It is the responsibility of the Board and management to establish, maintain, operate and demonstrate an appropriate framework of business controls. This framework covers all activities of the Company whether operational, technical, commercial, financial or administrative.

During the FY18 year the Board assessed and confirmed their risk appetite. The Board has required management to provide a report during the FY18 year as to whether the material business risks are being managed effectively. During the financial year, both the Audit and Risk Committee and the Board were provided with reports on material risks, including an assessment of the inherent risks, and the effectiveness of controls in place to manage such risks.

The Board is responsible for monitoring the Company's system of internal controls. The Company has appointed a Head of Business Improvement and Assurance who is responsible for monitoring the effectiveness of key controls within the business and recommending initiatives to enhance controls and business operations. This role reports to the Chairman of the Audit and Risk Committee. The Board constantly monitors the operational and financial aspects of the Company's activities and through the Audit and Risk Committee considers the recommendations and advice of external auditors on the financial risks that face the Company. In addition to this role, specialists are engaged to review and assess control processes. The Board ensures that recommendations made by the external auditors and other external advisers are investigated and, where considered necessary, appropriate action is taken to ensure that the Company has an appropriate internal control environment in place to manage the key risks identified.

The Company has in place a number of arrangements and internal controls intended to identify and manage areas of material business risk. These include the maintenance of:

- Board Committees;
- Information management systems;
- Risk register reporting;
- Detailed and regular budgetary, financial and management reporting;
- Established organisational structures;
- Standard operating procedures, manuals and policies covering all aspects of business;
- Audits (including financial, environmental and safety audits);
- Comprehensive insurance programs;
- Work Health and Safety requirements;
- Building maintenance and surveys;
- Human resources and other policies and procedures;
- Financial control policies and procedures; and
- Injury management programs for employees.

The Board's Audit and Risk Committee is expected to work closely with the Group Finance departments on the Company's financial risk management and the business units responsible for other aspects of risk management.

Based on feedback from Company management, a risk register is reviewed by the Audit and Risk Committee and progress is reported to the Board on a quarterly basis. A formal report is prepared based on the risk framework which focuses on:

- Risk Register - A full list of the material risks or inherent risks, ordered by key category (Operational/Strategic/Financial);
- Risk Priorities - the residual risks defined as "tolerable with continuous review", for priority attention; and
- Control Priorities - illustrates risks in order of highest material divergence between inherent and residual ratings.

The material risk categories reported include those associated with:

- Strategic Risks such as reputational risk due to product tampering, product recalls or risks due to demand shortfalls and failures to address competitor moves;
- Financial Risks such as high debt, exchange rate volatility, inadequate reserves, poor financial management; and
- Operational Risks such as asset loss, cost overruns, third party injury and regulatory breach.

The policies and procedures in place cover the following areas:

AREA OF RISK	COMMENT
<b>Marketing</b>	The Company has policies for the review of marketing and advertising materials, social media use and privacy which are updated periodically in line with any legislative and regulatory changes. Updated staff seminars are held regularly. New staff receive training on these policies as part of their induction.
<b>Industrial Relations</b>	An Enterprise Agreement is in place. Letters of Employment set out employment requirements.
<b>Company Policies</b>	The Company has policy documents on computer ethics, harassment, emails, share trading, drugs and alcohol, etc.
<b>WH&amp;S</b>	We have a strong, qualified committee reviewing safety. We carry out regular audits of premises. We review work health and safety procedures. Certified first aiders are always on the premises.
<b>Workers' Compensation</b>	We use the insurance company's safety advisors. The Company employs experienced return to work personnel for all appropriate claims to expedite the return to work.
<b>Induction Procedures</b>	Detailed programmes are tailored to individual position needs and include many standard operating procedures ('SOPs'), the relevant policies and various instructions.
<b>Building Surveys</b>	We have yearly building surveys by our insurance carriers and adopt safety recommendations.
<b>Legal</b>	All key legal documents are reviewed by our external solicitors. We have a follow-up system to ensure all Intellectual Property, Agreements, Leases etc are renewed or renegotiated before termination or cessation dates.
<b>Operations</b>	We audit our suppliers. We have closed circuit television in place at all critical access points and a key entry system to the premises. The production area is controlled by quality staff. All purchase orders are based on strict specifications regarding quality and are confirmed upon receipt by certificates of analysis. On occasions we have an independent auditor carry out a "TGA Compliance" audit of our premises. Access to the manufacturing areas has been restricted with the use of electronic access. There is a detailed computer breakdown recovery plan. The plan is periodically tested.
<b>Finance</b>	Our external auditors supply a very detailed management report. This report is reviewed by the Audit and Risk Committee. There is a detailed report given to the Audit and Risk Committee prior to the approval of the half year and yearly accounts.
<b>Quality Assurance</b>	As we manufacture therapeutic goods, we have a manufacturer's licence from the Therapeutic Goods Administration ("TGA"). This requires us to have a quality assurance system in place which is audited by the TGA and by an independent auditor. We employ qualified staff who monitor compliance with the TGA regulations and our Code of Good Manufacturing Practice. Our staff regularly audit our major raw material suppliers by visiting their plants. SOPs are in place to ensure appropriate process within our manufacturing area. A detailed and comprehensive training matrix is in operation to ensure the competency of all manufacturing staff. There is an ongoing review of warnings on labels.

Senior executives and management are expected to practice sensible risk management in the day-to-day performance of their duties and are required to escalate any material issues which arise or have the potential to arise. The CEO (or similar) has the primary responsibility to advise the Board of material risk items which arise and together, the Board and senior management are responsible for taking all reasonable steps to address and mitigate such risk items.

### **Continual Updating and Monitoring of Procedures**

Company procedures are continually being updated to meet changes in the law. Risks deemed unacceptable are, where possible, insured through reputable insurance companies. In some instances the Company may choose to self-insure. A Business Continuity Plan is in place.

In accordance with our practice of continuously enhancing our risk management framework our Head of Compliance continues to focus on enhancing staff awareness of legal risks and the appropriate values-based behaviours required to minimize the risk of a breach of the law occurring. This further demonstrates our commitment to maintaining legal compliance and appropriate risk management across the Group.

## **PRINCIPLE 8**

### **REMUNERATE FAIRLY AND RESPONSIBLY**

The Board has established a People and Remuneration Committee whose primary responsibility is to consider the remuneration strategy and policy and to make recommendations to the Board that are in the best interests of Blackmores and its shareholders. The Committee reports to the Board of Blackmores.

The Charter of the People and Remuneration Committee is available at [blackmores.com.au/about-us/investor-centre/corporate-governance](https://blackmores.com.au/about-us/investor-centre/corporate-governance).

The Committee has at least two independent Non-Executive directors and is chaired by an independent Non-Executive Director.

The composition and structure of the Committee and membership attendance at meetings of the Committee are set out in the Directors' Report available at [blackmores.com.au/about-us/investor-centre/corporate-governance](https://blackmores.com.au/about-us/investor-centre/corporate-governance).

Blackmores remunerates its people fairly and responsibly. The People and Remuneration Committee has established a remuneration policy aimed at achieving the following objectives:

- Rewards for the achievement of strategic goals, financial targets and operational performance;
- Attracts and retain talented Senior Executives and Directors; and
- Aligns Senior Executives to the enhancement of Blackmores' earnings and shareholder wealth.

### **Non-Executive Director Remuneration Policy and Structure**

Compensation arrangements for Non-Executive Directors are recommended by the Committee to the Board for approval after reviewing published remuneration surveys and market information. Non-Executive Directors receive fixed annual fees comprising a Board fee, Committee fee and Committee Chair fee as applicable. No incentive based payments are awarded to Non-Executive Directors.

### **Executive Director and Senior Executive Remuneration**

The remuneration policies are transparent and linked to both the individual's and company performance. The remuneration policies and programs are underpinned by clearly defined objectives and measures with each senior executive assessed in line with Blackmores' performance management program.

Fixed and performance-related remuneration provides executives with tangible incentives to meet Blackmores' objectives and to share in the success and profitability of Blackmores in alignment with the interests of shareholders.

The executive remuneration framework consists of the following components:

### **Fixed Remuneration**

Fixed Remuneration reflects core performance requirements and expectations. It is targeted to be reasonable and fair, taking into account Senior Executives' responsibilities and experience compared with competitive market benchmarking against companies with the relative size and scale of Blackmores' operations.

This component of remuneration includes superannuation.

### **Performance-based Remuneration**

- Short-term incentives (STI) - are linked to clearly specified annual group targets and individual objectives and behaviours. This element of remuneration is considered to be an effective tool in promoting the interests of Blackmores and its shareholders. The STI scheme is designed around appropriate performance benchmarks primarily based on Blackmores' Net Profit After Tax performance and strategic measures.
- Staff Share Plan - All staff can elect annually to purchase shares. At the end of the year Blackmores provides an additional benefit by matching these purchased shares on a pre-determined matching ratio subject to capping of the total cost.
- Profit Share - Executive Directors and Senior Executives participate in the same profit share plan as all permanent Blackmores staff.
- Long-term incentives (LTI) - The Executive Performance Share Plan (EPSP) was approved at Blackmores' Annual General Meeting in October 2014. Participation is open to Executive Directors and Senior Executives determined to be eligible by the Board. Under this plan, rights to acquire shares in Blackmores are granted annually to eligible Senior Executives at no cost and vest provided specific performance hurdles are met.
- Special long-term incentives (SLTI) - From time to time the Board may offer 'one-off' SLTIs to particular Executive Directors and Senior Executives in addition to the LTI as outlined above.

### **Link to Strategic Objectives and Performance**

The following diagram illustrates how the performance-based components are structured to align with Blackmores' strategic objectives.

## NOT AT RISK REMUNERATION

Remuneration Component	Delivery	Performance Measure	Strategic Objective
<b>Fixed Remuneration</b>	Cash, super, benefits	Job Description, Benchmarking Comparison	Staff to execute business plans

## AT RISK REMUNERATION

Remuneration Component	Delivery	Performance Measure	Strategic Objective
<b>Profit Share</b>	Cash based (Up to \$1,000 can be taken as shares)	Percentage Allocation of Group NPAT	Reward achievement of annual earnings
<b>Staff Share Plan</b>	Shares	Vested shares are subject to a service condition	Encourage ownership interest in company
<b>STI</b>	Cash paid annually after release of the audited results	<b>Group Measure</b> NPAT achievement, Net Sales achievement and other strategic measures	Reward achievement and creation of annual earnings, sales growth and strategic objectives.
		<b>Divisional Measure</b> EBIT achievement	Reward achievement of specific division goals
		<b>Individual Measure</b> Financial – (e.g. revenue growth, operational expenditure management. Non-financial – (e.g. leadership, employee engagement, project delivery, safety).	Reward the achievement of individual performance goals
<b>LTI</b>	Rights to acquire shares. Where regulations prohibit an equity based plan, a cash equivalent is awarded	<b>Company Measure</b> EPS growth over prior year	Reward creation of shareholder wealth
		<b>Individual Condition</b> Vested shares are subject to a service condition	Executives aligned to shareholders

Blackmores' Share Trading Policy prohibits Executives from entering into any transaction which operates to hedge the exposure of unvested shares received under any share incentive plan, unless prior approval is provided by the Board. A copy of the Company's Share Trading Policy called 'Trading in Blackmores Shares' is available at [blackmores.com.au/about-us/investor-centre/corporate-governance](https://blackmores.com.au/about-us/investor-centre/corporate-governance).

The People and Remuneration Committee monitors recruitment and development policies which encourage workplace diversity both in gender and skills.

A copy of the Company's Diversity Policy is available at [blackmores.com.au/about-us/investor-centre/corporate-governance](https://blackmores.com.au/about-us/investor-centre/corporate-governance).

The People and Remuneration Committee has established processes to ensure remuneration advisors are engaged by and work under the guidance of the Committee.

# BLACKMORES®

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