

# FREEDOM FOODS GROUP LIMITED

## 2020 CORPORATE GOVERNANCE STATEMENT

### INTRODUCTION

#### *Approach to Corporate Governance*

Freedom Foods Group Limited (**Company**) is committed to implementing high standards of corporate governance and ensures, wherever possible, that its practices are consistent with the Fourth Edition of the Australian Securities Exchange (**ASX**) Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Recommendations**).

The Board of Directors of the Company (**Board**) has ultimate authority over, and oversight of, the Company and its related entities (**Group**) and regards corporate governance as an important element in achieving the Group's objectives. Accordingly, the Board has adopted appropriate charters, codes and policies and established a number of committees (**Committees**) to discharge its duties.

The Corporate Governance page of the Group's website (<https://ffgl.com.au/our-business/corporate-governance/>) contains most of the Charters, Codes and Policies referred to in this Statement. These Charters, Codes and Policies are periodically reviewed and updated.

The Board considers that the application of a small number of ASX Recommendations are not appropriate for the reasons set out in this statement. The Board has assessed these differences and has determined that they do not have a negative impact on the Company and are in the best interests of shareholders as a whole.

As required by ASX Listing Rule 4.10.3, this Corporate Governance Statement (**Statement**) outlines the Company's main corporate governance practices and policies in place during the 2020 financial year and at the date of this Statement.

This Statement is intended to inform our shareholders of the Group's governance framework, developments in 2020, and priorities for further development of our governance arrangements in 2021 and beyond.

#### *Key Changes in the 2020 Financial Year*

This Statement includes commentary on actions taken by the Board during (and since) the financial year to 30 June 2020 to enhance the Group's governance. These actions include:

- appointment of Genevieve Gregor and Jane McKellar as new non-executive independent directors, as part of a board renewal process and to expand the diversity and mix of skills and experience of the Board;

- appointment of Genevieve Gregor and Jane McKellar as Chairs to the Risk and Compliance Committee and People and Culture Committee (formerly the Remuneration & Nomination Committee), respectively;
- updating key board governance policies, processes, and charters;
- revising and updating the Company's risk management framework, risk management processes and practices;
- establishment of a dedicated risk management function and undertaking a comprehensive re-assessment of the Company's risks;
- establishment of an internal audit function and commencing the search for a suitable qualified and experienced candidate;
- appointment of an experienced corporate governance lawyer as the Company's interim Company Secretary whilst a search is underway for a suitably qualified and experienced candidate.

### *Priorities for the 2021 Financial Year*

The Board's governance priorities for the current financial year (to 30 June 2021) and beyond include:

- appointment of a new, independent Chair for the Company;
- completion of the financial restructuring, to enable long term financial viability and success of the Company;
- implementation of the various initiatives underway to strengthen governance and oversight at the Company, establishment of a more fulsome 'Three Lines of Defence' approach to governance, risk management and controls;
- undertaking a Board effectiveness review;
- working with the CEO and management team to develop and implement the business strategies to ensure profitable business growth;
- working with the CEO and management team to develop an effective organisational culture;
- undertaking a review of risk culture across the Company; and
- continuing to improve effectiveness of management reporting to the Board, the analysis of this reporting by the Board and its challenge of management.

### *Our Values*

The Company's Corporate Governance Framework is underpinned by its values as described in its Corporate Values Statement. These values are:

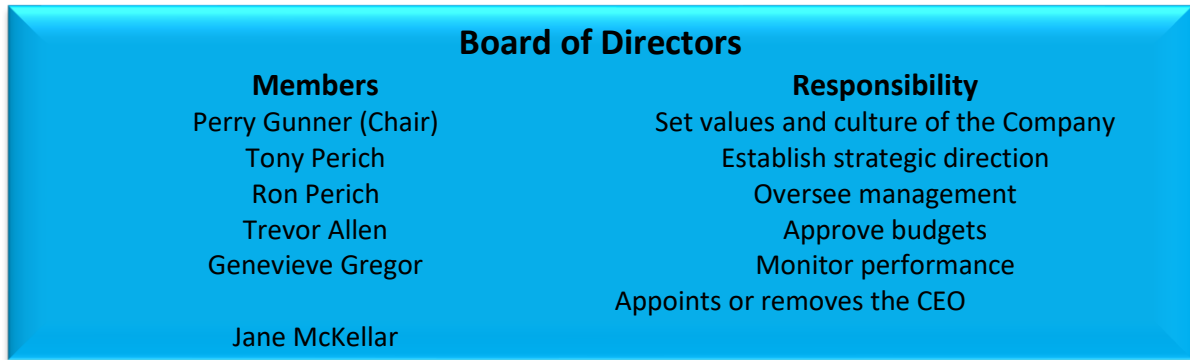
- **People First** – We genuinely care about our people, our stakeholders, our communities and our environment. We have a positive impact on each other. Safety and quality underpin our success.
- **Customer Centric** – We are passionate about creating high quality products that our customers love and trust. Together we build mutual value for our customers and all our partners and stakeholders.

- **Integrity and Respect** – We do the right thing. We are authentic, honest and disciplined. We build a climate of mutual trust, respect and confidence in each other and with our stakeholders. Integrity and honesty are at the heart of our business. We expect high ethical standards
- **Courage and Accountability** – We have unswerving courage to speak up for what is right. We act like owners and are accountable for outcomes. We share mutual responsibility, accountability and success.
- **Collaboration** – We work collectively to build a great culture and deliver great results. Through collaboration we are nimble and empower each other to drive creativity, innovation and positive outcomes. We value teamwork in everything we do.

#### *Overview of Corporate Governance Framework*

An overview of the Corporate Governance Framework established by the Company is set out below.

# CORPORATE GOVERNANCE FRAMEWORK



The Company's key corporate governance Charters and Policies and the ASX Recommendations to which they relate are set out below:

Charter / Policy	ASX Recommendations
Board Charter	1.1; 1.2; 1.3; 1.4; 1.6; 1.7
Finance and Audit Committee Charter	4.1
Risk and Compliance Committee Charter	7.1
People and Culture Committee Charter	2.1; 8.1; 8.3
Corporate Values Statement	3.1
Code of Conduct	3.2
Anti-Bribery Policy and Anti-Corruption Policy	3.4
Anti-Slavery and Human Trafficking Policy	3
Whistleblower and Improper Conduct Policy	3.3
Continuous Disclosure Policy	5.1
Securities Trading Policy	3
Shareholder Communications Policy	6.1; 6.2; 6.3; 6.5
Diversity and Inclusion Policy	1.5

## THE BOARD AND ITS COMMITTEES

### *Board composition*

At the date of this Statement the Board comprises:

Director	Appointed	Tenure	Independent	Role
Perry Gunner	30 April 2003	17 years 6 months	N	Chair
Tony Perich	27 July 2006	14 years 3 months	N	Non-Executive Director
Ronald Perich	20 April 2005	15 years 6 months	N	Non-Executive Director
Trevor Allen	1 July 2013	7 years 3 months	Y	Non-Executive Director
Genevieve Gregor	2 March 2020	7 months	Y	Non-Executive Director
Jane McKellar	8 May 2020	5 months	Y	Non-Executive Director

The Board recognises that in FY20, the Board did not comprise a majority of independent Directors. The Board considers that Perry Gunner is not independent given the length of his tenure as a director, but does not consider this has impeded his ability to properly perform his functions as a director.

The Board intends to continue to change the structure and composition of the Board so that it comprises a majority of independent Directors, including the appointment of an independent Chair to replace Perry Gunner. Perry Gunner is due for re-election at the Company's next Annual General Meeting, and he does not intend to stand for re-election. The Board is undertaking a search for a suitable person to be appointed to the Board as Independent Chair.

In order to facilitate independent judgement in decision making, each Director has the ability to seek independent professional advice at the Company's expense subject to the requisite approval process as detailed in the Board Charter. All Directors also have access to all members of management, including the Company Secretary.

Rory Macleod ceased to be the Managing Director of the Company on 30 June 2020. The Company appointed Michael Perich as Interim CEO on 6 August 2020. Upon his appointment as Interim CEO, Michael Perich resigned as an Alternate Director of the Company.

The role of Chair and Managing Director / Chief Executive Officer are not exercised by the same person.

The Directors' Report in the Annual Report sets out the details of the skills, experience and expertise of each Director.

The Board aims to ensure that it has an appropriate mix of skills and capabilities among its members. The Board acknowledges that its size and composition, and the mix of skillsets and capabilities may require change to meet future circumstances. The skills matrix below is used as the basis for assessing the Board as well as acting as the reference point for future Board appointments as and when they are determined necessary.

Skill	Description	Evaluation
Leadership	Senior executive level experience or board experience of an ASX listed company or large private organisation	6/6
Governance & Compliance	Commitment to and knowledge of governance issues, including the legal, compliance and regulatory environment applicable to listed entities; risk management frameworks and controls, setting risk appetites, identifying and providing oversight of key business risk (both financial and nonfinancial) and emerging risks	2/6
Financial	Capability to evaluate and oversee financial statements and understand key financial drivers of the business, bringing understanding of corporate finance and experience to evaluate the adequacy of financial risk and controls	2/6
Strategy and commercial acumen	Experience in assessing and testing strategic objectives, business plans and financial performance and driving execution	4/6
People and culture	Experience in people management; organisational culture; retention and succession planning	6/6
Customer	Experience in developing and leading a customer focussed organisation	5/6

Operations	Experience in manufacturing environments, including effectiveness and efficiency of manufacturing processes; workplace health and safety; quality assurance	4/6
Digital	Experience in leveraging digital technology to drive competitive strategy, innovation, revenue growth and business performance	3/6
Industry	Relevant industry experience in the fast moving consumer goods sector; agricultural science; food safety; wholesaling and retailing which also includes sales, branding and marketing; and regional, customer and community focus	3/6

The Board considers that the above skills are appropriately represented on the Board but will continue to review the composition of the Board and the renewal process begun earlier in 2020.

(Relevant ASX Recommendations 2.2; 2.3; 2.4; 2.5)

#### *Director appointments*

The Company's constitution states that at each annual general meeting, one third of the Company's non-executive directors cease to hold office. Directors who retire may offer themselves for re-election by shareholders. Any Director appointed to fill a casual vacancy since the date of the previous annual general meeting must also submit themselves for election at the next annual general meeting.

The Company undertakes appropriate background checks prior to nominating a person for election by shareholders and will provide to shareholders all relevant material in the explanatory notes accompanying the notice of meeting. New directors receive a letter of appointment setting out the terms of their appointment, their rights and obligations and the Company's expectations of them.

New Directors undergo an induction process in which they are given a full briefing on the operations of the Company. Where possible, this includes meetings with key executives, tours of the operating sites (if practicable), provision of an induction package containing key corporate information and presentations.

Two new directors, Genevieve Gregor and Jane McKellar, were appointed during the year.

(Relevant ASX Recommendations 1.2; 2.6)

#### *Board Committees*

To assist in carrying out its responsibilities, the Board has established the following committees:

- Finance and Audit Committee;
- Risk and Compliance Committee; and
- People and Culture Committee (previously called the Remuneration and Nomination Committee).

Each Board Committee operates under a formal charter that is made publicly available on the Company's website under the "Corporate Governance" section.

Each Board Committee comprises a majority of non-executive Directors and currently has an independent Chair, with Genevieve Gregor replacing Trevor Allen as Chair of the Risk & Compliance Committee in April 2020 and Jane McKellar replacing Perry Gunner as Chair of the People & Culture Committee in July 2020.

The Chair of each Committee reports to the Board at the Board meeting immediately following a Committee meeting on the Committee's activities, conclusions and recommendations.

The composition and role of each Committee is summarised above. Details of the number of times that each Committee met during the year, and the attendance of each Committee member at those meetings, is summarised in the Directors' Report section of the Company's 2020 Annual Report.

(Relevant ASX Recommendations 2.1; 4.1; 7.1)

#### *Board and Committee reviews and evaluations*

A review of the performance of the individual Directors occurs each year. The Board undertakes a performance evaluation of itself annually, including against the skills matrix disclosed, with all Directors providing input as to the effectiveness of the board processes, meetings, board composition and reporting, with Directors having an opportunity to discuss and comment on such matters with the Chairman.

The Board reviews its performance and composition on an annual basis to ensure that it has the appropriate mix of expertise and experience. The Board also reviews the performance and composition of its committees on an annual basis. Directors and executives are encouraged to broaden their knowledge of the Company's business and to keep abreast of developments in business more generally.

The Board has commenced an externally led review process of the effectiveness of the Board, which is expected to be completed in late 2020.

(Relevant ASX Recommendations 1.6)

## **BOARD AND MANAGEMENT ROLES AND RESPONSIBILITIES**

### *Board Role and Responsibilities*

The Board's responsibilities and functions are encompassed in a Board Charter that is published on the Company's website under the "Corporate Governance" section. The Board is responsible for, among other things:

- defining the Company's purpose and values;
- establishing the strategic direction of the Company;
- appointing or removing the CEO;
- approving group budgets and strategic plans;
- setting the risk appetite within which the Company is to operate;
- reviewing the performance of the CEO; and
- reviewing and providing oversight of management and the operations of the Company.

The Board approves a 12 month budget and operating plan for the Company each financial year and monitors the Company's performance against the budget and operating plan objectives.



The Directors meet formally as a Board normally monthly and informally more frequently as required. The CEO attends each Board and Committee meeting and other senior executives attend meetings at the invitation of the Board or Committee to present on specific aspects of the business.

The Company has a written agreement with each director and senior executive setting out the terms of their appointment.

(Relevant ASX Recommendations 1.1; 1.3)

#### *Management roles and responsibilities*

The Board has delegated responsibility for the operation and administration of the Company and the implementation of the corporate strategy and budgets approved by the Board to the Chief Executive Officer, who is supported by a team of key executives. The performance of the Chief Executive Officer is reviewed annually and includes agreement on key performance measures for the following year. The Chief Executive Officer conducts annual performance reviews for the executives reporting directly to him or her.

The Board has decided that the CEO going forward, will not hold the role of Director but this remains at the Board's discretion

The Board Charter delineates the matters reserved for the Board and those delegated to management.

(Relevant ASX Recommendations 1.1; 1.7)

#### *Company Secretary*

The Company Secretary is accountable directly to the Board on all matters relating to the proper functioning of the Board. The role of Company Secretary has been held by several people in the past year and the Board is recruiting for a permanent Company Secretary.

(Relevant ASX Recommendations 1.4)

### **COMMITMENT TO ETHICAL CONDUCT AND INTEGRITY OF REPORTING**

#### *Framework for ethical conduct*

The Board acknowledges the need for, and continued development and implementation of, a high standard of corporate governance practices and ethical conduct by all Directors, CEO, senior executives and employees of the Company. The Board has adopted and is updating a number of policies to underpin an ethical culture, including a Corporate Values Statement, Code of Conduct, Anti-Bribery and Anti-Corruption Policy and Whistleblower Policy.

The Code of Conduct is a key element of the Company's governance and risk management framework. The Board, senior executives and employees of the Company are committed to implementing the Code of Conduct and each individual is accountable for such compliance. As part of the active promotion of ethical behaviour, any behaviour that does not comply with the Code of Conduct must be reported. The Company affords protection to those who report violations where they have reasonable grounds to suspect a violation in accordance with the Company's Whistleblower Policy.

The Company acknowledges its culture needs improvement and steps are being taken to ensure a culture of strong ethics and integrity in behaviours and reporting is instilled into the governance

framework. The Board does not and will not tolerate behaviours that are not consistent with the principles outlined above. The Board has reviewed and updated the compliance framework of the Company and implemented a periodic management compliance sign-off process to enhance the integrity of the Company's compliance framework.

The Company's Securities Trading Policy establishes requirements and controls for Directors, senior executives and employees to deal in the Company's securities, to ensure those dealings only occur when that person does not have material information that has not been disclosed to the market. The Securities Trading Policy generally allows Directors and senior executives to deal in the Company's securities, subject to complying with the processes under the Securities Trading Policy, other than during restricted periods as may be implemented in accordance with the Securities Trading Policy. Directors are notified in advance of when there are restricted periods for trading

Each of the above policies is published on the Company's website under the "Corporate Governance" section.

(Relevant ASX Recommendations 3.1; 3.2; 3.3; 3.4)

## **INTEGRITY OF REPORTING AND PUBLIC COMMUNICATIONS**

### *Integrity of reporting*

The Board has established a Finance and Audit Committee and a Risk and Compliance Committee comprising at least three non-executive Directors, with appropriate experience. Every member of the Finance and Audit Committee must be able to read and understand financial statements with experience in financial and accounting matters. The details of these committees are disclosed elsewhere in this Statement.

As part of the structure of financial review and authorisation, the Chief Executive Officer and Chief Financial Officer are required to provide written assurances that:

- the financial reports present a true and fair view of the Company's and consolidated entity's financial position in all material respects;
- the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the system is operating efficiently and effectively in all material respects in relation to financial reporting risks.

A new management assurances and compliance attestation process has been implemented for completion of the financial statements for the Group for the financial year ended 30 June 2020.

The Company has not, to date, had an internal audit function. The Board has relied upon management representations, review, oversight and challenge by the Board, review, oversight and challenge by the Finance and Audit and Risk and Compliance committees, and the engagement of an external auditor in discharging its responsibilities to ensure an appropriate control environment and the integrity of the financial statements.

The Board is in the process of establishing an internal audit function. The Board has commenced the search for a suitably qualified and experienced candidate to head up this function. The internal auditor will report directly to the Board, via the Finance and Audit Committee.

The Board selects an external auditor based on the criteria relevant to the business of the Company such as experience in the industry in which the Company operates, references, costs, and any other matters deemed relevant by the Board.

The external auditors have a direct line of communication at any time to either the Chair of the Finance and Audit Committee or the Chair of the Board.

The Chief Executive Officer, other senior management and the external audit partner attend Committee meetings at the discretion of the Committee.

(Relevant ASX Recommendations 4.1; 4.2; 4.3)

#### *Continuous Disclosure and Shareholder Communication*

The Company has implemented a Continuous Disclosure Policy to ensure that there are mechanisms in place to provide all investors with equal and timely access to material information concerning the Company and to ensure that the Company meets its continuous disclosure obligations under the ASX Listing Rules. All information disclosed to the ASX must be presented in a clear and balanced way and not omit any material information.

To enhance clarity and balance of reporting and to enable investors to make an informed assessment of the Company's performance, financial results are accompanied by commentary.

The Company aims to keep shareholders informed of the Company's performance in an ongoing manner. Apart from information provided pursuant to the Company's legal and ASX Listing Rules obligations regarding continuous disclosure, the Company also communicates information about itself and its performance with shareholders through the:

- (1) Annual Report which is available to all shareholders if they have elected to receive a printed version, or is otherwise available for viewing and downloading from the Company's website. The Annual Report includes relevant information about the Company's operations and performance;
- (2) Invitation to the annual general meeting and all accompanying papers;
- (3) The Company's website at <http://www.ffgl.com.au>;
- (4) Reports to the ASX and the press;
- (5) Half year and full year profit announcements; and
- (6) Information and presentations to analysts (which are released to the ASX).

The Company offers for shareholders to receive company information electronically by registering their email address with the Company's share registry.

The main forum for two-way communication between the Company and its shareholders is the Annual General Meeting. The Board encourages shareholders attending the annual or other general meetings to ask questions of the Directors and to express their views and respond to initiatives being proposed by the Board.

The Company ensures that the external auditor attends the Annual General Meeting and is available to answer shareholder questions about the audit and the preparation and content of the audit reports.

(Relevant ASX Recommendations 5.1; 6.1; 6.2; 6.3; 6.5)

## **RISK MANAGEMENT**

### *Risk management framework*

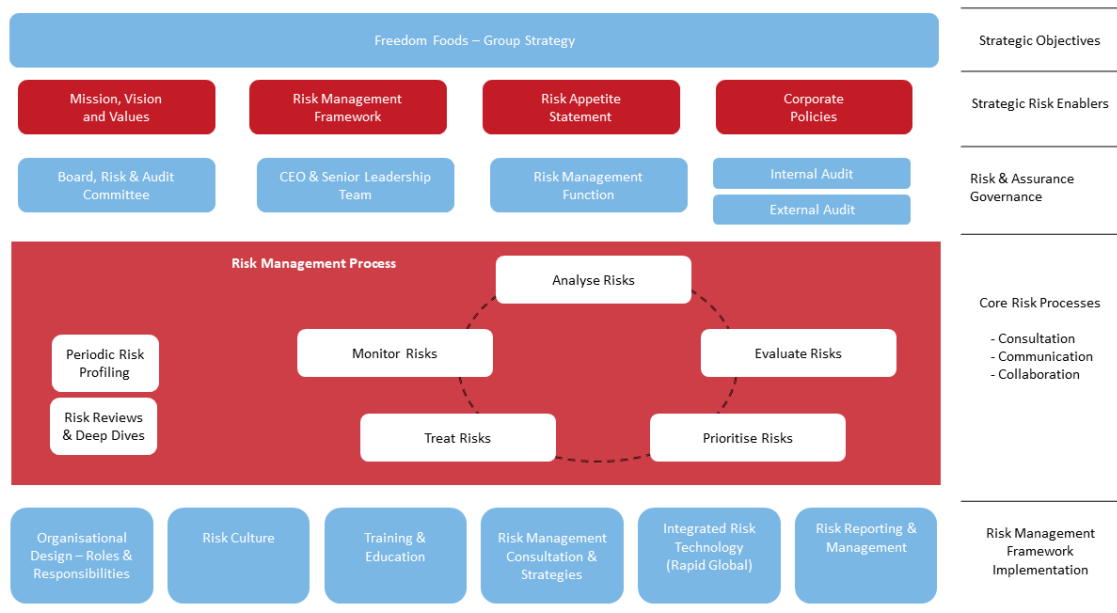
The Company is committed to protecting itself, its people, its customers, its suppliers, and the public while conducting its business activities, in the pursuit of its strategic and financial objectives. It recognises that effective risk management is critical for anticipating and managing situations or events that could prevent it from achieving the commitment of the risk management strategy. Risk management is integral to the successful achievement of the Company's mission, vision, and values.

The Company's risk management framework and related risk and governance processes aim to ensure that risk management is embedded throughout the business and managed in a structured and systematic manner. This framework has been developed taking into account the Group's risk profile by reviewing its size, the industries it operates in, its business mix, its ability to accept and/or manage risks, the resources available to manage risks, and its organisational culture and risk maturity. The framework seeks to enable the Company's board, management, and employees to identify, assess, treat, monitor, and report on risks consistent with an enterprise risk management approach.

The Risk and Compliance Committee has, during the course of 2020 undertaken a comprehensive review of the Company's risk appetite and risk management framework. This review commenced in December 2019, however, was interrupted by specific COVID-19 preparations undertaken by the company but was re-commenced in May 2020. Key initiatives arising from the review that have been completed include:

- Approval of a new, revised risk management framework
- Approval of a new compliance policies management framework
- Establishment of a dedicated risk management function
- Implementation of a new technology-based approach to the management of risk across the Group
- A comprehensive re-assessment of the Group's risk profile

The diagram below outlines Freedom Foods' approach to the management of risk in the revised risk management framework approved in 2020:



The Board seeks to ensure that the processes of risk identification, assessment and management are embedded in every aspect of the Group’s businesses. Through the Risk and Compliance Committee it will monitor whether the level of compliance and governance within the Group is appropriate, with a particular focus on risk culture and reporting.

There are a number of material risks to which the Group is exposed. The Company considers the key material business risks of the Group are, in summary:

- Access to financial resources
- Brand management
- Changing consumer preferences in competitive markets
- COVID-19 pandemic risks
- Collection of debtors
- Doing business in export markets
- Food quality and safety
- Impacts of climate change
- Maintaining a talented and motivated workforce
- Manufacturing disruption
- Protection of intellectual property
- Reliance on business relationships
- Regulatory investigations and other actions
- Reliance in information technology
- Reputation risk
- Supply chain reliability

The Company seeks, wherever reasonably practical, to implement appropriate mitigating steps to manage the various risks to which the Group is exposed.

#### *Internal Audit and Controls*

As noted earlier in this statement, the Company has not previously had an internal audit function but has determined to do so and is recruiting for the position.

The Board understands its responsibilities in relation to identifying and appropriately managing risk.

In doing so, the following activities have taken place during the year.

The Board has received a statement from the Chief Executive Officer and Chief Financial Officer that:

- (1) the Company's Financial Statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- (2) the Company's "Risk Management and Internal Compliance and Control System", in so far as it relates to financial risk, is operating effectively in all material aspects.

In the view of the Directors, the activities described above, in conjunction with the work undertaken by the Company's external auditor, PWC, and Ashurst, demonstrate that for this financial year the Board is satisfied that there has been an appropriate:

- review of the Company's risk management system that satisfies the Board that all risks have been identified and assessed, and that appropriate policies are in place for the management of risks;
- monitoring and review of the implementation of the Company's policies relating to business and risk; and
- monitoring of the Company's compliance with all applicable laws, regulations, standards and best practice guidelines.

(Relevant ASX Recommendations 7.1; 7.2; 7.3)

## **REMUNERATION**

### *Committee*

The Board has established a People and Culture Committee (previously the Remuneration and Nomination Committee until July 2020) to consider and report on, among other matters, remuneration policies and packages applicable to Board members and senior executives of the Company. The Committee is responsible for ensuring that any equity-based executive or non-executive Director remuneration is made in accordance with any thresholds approved by shareholders.

The Committee operates independently of the senior management of the Company.

Further detail on the Committee is contained elsewhere in this statement.

(Relevant ASX Recommendations 8.1)

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

The Board believes that Directors are properly rewarded through payment of a fee which is reviewed annually in the light of market conditions and has regard to the responsibilities placed on the Directors by the legal and financial framework within which they act.

Non-executive Directors receive fees determined by the Board, but within the aggregate limit approved by shareholders at a General Meeting.

The structure of remuneration for non-executive Directors and any executive Directors is different. As explained in the Remuneration Report, the Chief Executive Officer and key management personnel receive fixed remuneration, employer contributions to superannuation funds and equity based incentives.

The Securities Trading Policy for Directors and senior executives prohibits them entering into transactions in products which operate to limit the economic risk of any unvested entitlements under any equity based remuneration scheme offered by the Company.

Remuneration packages of non-executive Directors are fee based. Non-executive Directors do not participate in bonus payments or any retirement benefits other than statutory superannuation.

Details of the remuneration paid to Directors and key management personnel is contained in the Remuneration Report of the Company's 2020 Financial Report.

(Relevant ASX Recommendations 8.2; 8.3)

### **DIVERSITY AND INCLUSION**

The Board has adopted an Equal Opportunity and Diversity Policy:

The objectives of this Policy include:

- to continue to build a company culture that supports equal opportunity and diversity in the workplace whilst maintaining a strong commitment to high performance;
- to continually promote inclusiveness, respect and diversity, and to value individuals for their diverse skills, experiences, backgrounds and attributes; and
- to design people and culture policies, programs and processes that are free from bias, and to continue to support equal opportunity and diversity at all levels of seniority.

The Company acknowledges the positive outcome that can be achieved through a diverse workforce and is committed to actively managing diversity as a means of enhancing the Company's performance.

As at 30 June 2020, the proportion of women employed by the Company was as follows:

- Board of Directors: 33%
- Senior Executive positions (Chief Executive Officer and KMP): 25%
- Senior Management positions: 50%
- Total Company workforce: 27%

The number of women in senior management positions has shown an increase from 48% in FY 2019 to 50% in FY 2020.

(Relevant ASX Recommendations 1.5)

This Corporate Governance Statement is accurate and up to date as at 30 November 2020 and has been approved by the Board.