



Metcash

Corporate Governance Statement

FOR THE YEAR ENDED 30 APRIL 2021

1 Corporate governance

This Corporate Governance Statement describes Metcash Limited's (**Metcash** or the **Company**) corporate governance framework and its governance practices for the financial year ended 30 April 2021 (the **Reporting Period**). These arrangements are consistent with the 4th edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**Recommendations**), unless otherwise indicated below.

Further information about Metcash's corporate governance framework and practices can be accessed on our website (<https://www.metcash.com/corporate-information/corporate-governance/>), which includes links to each of the documents referenced in this Corporate Governance Statement.

This Statement is current to 30 April 2021 and has been approved by Metcash's board of directors (**Board**).

Corporate governance highlights

FY21 Corporate Governance Highlights:



- **Board renewal:** Metcash has continued its process of Board renewal, to continually ensure the Board has a mix of skills relevant to Metcash, appointing a new non-executive director, Christine Holman, in September 2020. In addition, another new non-executive director, Margaret Haseltine, was appointed in May 2021.
- **Board processes and strategy:** In addition to the annual strategy offsite, the Board now holds a half-day strategy session before each Board meeting, to provide additional focussed time for the Board to set and review strategy.
- **Remuneration framework:** Metcash quickly adapted to the uncertainty posed by the COVID-19 pandemic in its remuneration decisions, adapting the timing of reward decisions and using pre-COVID performance metrics for, and temporarily introducing higher levels of deferral in, short-term incentive awards for Metcash's Group Leadership Team.
- **Limits of authority:** Metcash's limits of authority were refreshed to align with our growing business, whilst enhancing our focus on value-accretive transactions and mitigating risks.
- **Environment and sustainability:** Metcash has increased its focus on environment and sustainability, launching a number of initiatives in FY21 and now including ESG as a standing agenda item at all Board meetings.

Our purpose, vision and values

The Board recognises that good corporate governance is essential to building trust and creating long-term shareholder value. This is supported by Metcash's values, which inform our decisions and underpin our corporate culture.

Our purpose, vision and values are set out below.

Our purpose

*Championing
successful
independents*

Our vision

-  Best store in town
-  Passionate about independents
-  A favourite place to work
-  Business partner of choice
-  Support thriving communities
-  Creating a sustainable future

Our values

We believe: Independence is worth fighting for; in treating our people, retailers and suppliers the way we like to be treated; and in giving back to the communities where we live and work

Our culture of acting lawfully, ethically and responsibly

Code of Conduct

Our Code of Conduct sets out the overarching commitment we make, as individuals and an organisation, to behave in a way that aligns with our values and supports fulfilling our purpose. It sets out key expectations for all our directors and team members. All team members are expected to behave in a manner that helps us achieve our purpose and aligns with our values.

Subjects covered by the Code include:

workplace behaviour and diversity	health, safety and wellbeing	outside business activities and interests
confidential information and intellectual property	Metcash assets and resources	anti-bribery, gifts and entertainment
continuous disclosure and insider trading	media (including social media)	community and environment

The Audit, Risk and Compliance Committee (**ARCC**) is informed of any material breaches of the Code of Conduct.

Anti-bribery and Corruption

The Code of Conduct also covers anti-bribery and corruption matters. The ARCC is informed of any material breaches of anti-bribery and corruption requirements under the Code of Conduct.

Speak Up Policy

Metcash values speaking up and aims to promote a workplace in which everyone feels safe, supported and encouraged to speak up. The Metcash Speak Up Policy encourages all employees and non-employees covered by the Policy to report suspected 'Reportable Conduct' that they may become aware of during their engagement with Metcash.

The ARCC is informed of any material incidences reported under the Policy.

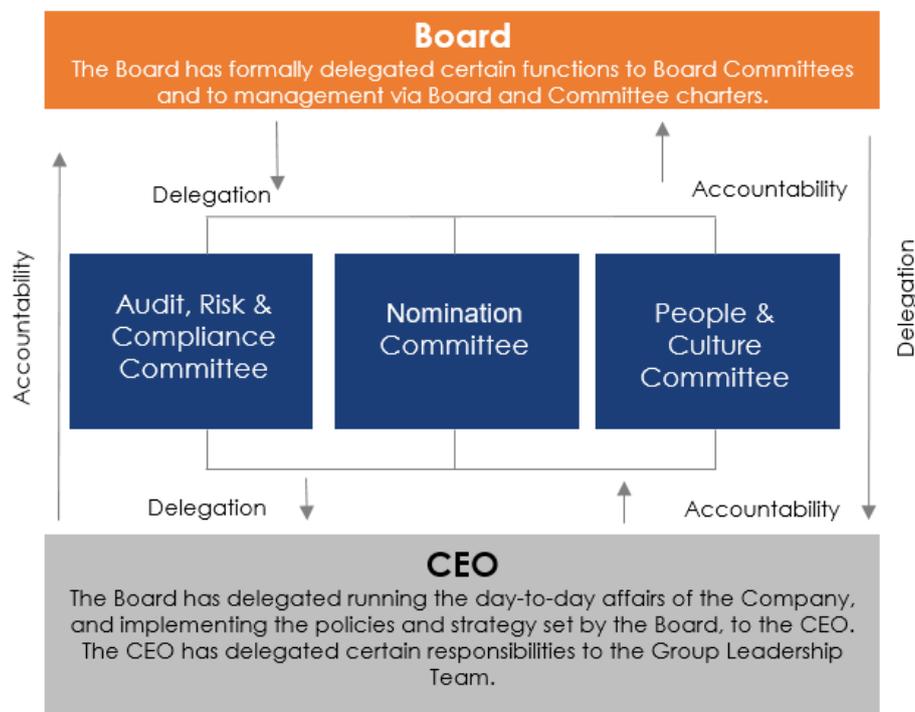
The People and Culture Committee (**P&CC**) monitors cases of harassment and bullying and any workplace matters that result in legal proceedings.

Securities Trading Policy

Mecash has adopted a Securities Trading Policy to assist directors and team members to comply with their obligations under the insider trading prohibitions of the Corporations Act and to protect the reputation of Mecash, its directors and team members.

The Policy also prohibits directors, certain senior executives and other specified personnel from using any derivatives or other products which operate to limit the economic risk of any Mecash securities which they hold that are unvested or subject to a holding lock, as these products can have the effect of distorting the proper functioning of time and/or performance hurdles under executive or employee incentive plans and reduce the intended alignment between management and shareholders.

Our corporate governance framework



From time to time, additional Board committees or working groups are established, for example, to consider and oversee material transactions or projects.

2 Our board of directors

Metcash's current Board is set out below. Metcash's Board as at the date of this Statement (30 April 2021) comprised Robert Murray, Jeff Adams, Peter Birtles, Tonianne Dwyer, Christine Holman, Murray Jordan and Helen Nash. Tonianne Dwyer retired on 30 June 2021 and Margaret Haseltine was appointed as a non-executive director on 3 May 2021.

Name	Director and appointment date	Date of appointment	Status
	Robert Murray Non-executive Chairman	29 April 2015	Independent
	Jeff Adams CEO, Metcash Group	5 December 2017	Non-independent (executive)
	Peter Birtles Non-executive director	1 August 2019	Independent
	Margaret Haseltine Non-executive director	3 May 2021	Independent
	Christine Holman Non-executive director	14 September 2020	Independent
	Murray Jordan Non-executive director	23 February 2016	Independent
	Helen Nash Non-executive director	23 October 2015	Independent

Details of the qualifications and attendance at meetings during the past financial year of the directors that were in office as at the date of this Statement can be found in the 'Board Information' section of the Directors' Report in our 2021 Annual Report at pages 51 to 53.

The role of the Board

Metcash is governed by a Board comprising directors who are elected by the shareholders with the exception of the Group Chief Executive Officer (**Group CEO**) who is appointed by the Board.

The Board recognises its overriding responsibility to act honestly, fairly, diligently and in accordance with the law in serving the interests of Metcash's shareholders and our stakeholders which include our team members, customers, suppliers and the community. The directors work to promote and maintain an ethical environment within Metcash that establishes these principles as basic guidelines for all of its team members and representatives at all times.

The Board has adopted a Board Charter which sets out the role of the Board and its relationship with management. The Board is responsible for Metcash's purpose and values and setting its strategic direction and risk appetite and for overseeing and monitoring its businesses, affairs and risks. The Board reviews and approves the Group's strategic and business plans and guiding policies.

Key elements of the Board's roles and responsibilities are described in the diagram below.



Director nomination and succession

The Nomination Committee is responsible under its Charter for:

- reviewing and making recommendations to the Board regarding non-executive director retirement and succession (including the Chair);
- establishing and overseeing processes for the appointment of non-executive directors; and
- evaluating the balance of skills, knowledge, experience, independence and diversity on the Board and, in light of this evaluation, preparing a description of the role and capabilities required for a particular non-executive director appointment.

When a vacancy exists or is pending, or when it is considered that the Board would benefit from the services of a new director with particular skills, the Nomination Committee selects from a panel of candidates with appropriate expertise and experience. This may be supplemented with process support from external providers if necessary.

Appropriate background checks of a potential candidate are performed before the candidate is appointed by the Board or recommended to shareholders for election. Where appropriate, external providers may be engaged to assist in undertaking relevant checks.

Prior to directors seeking election or re-election at an annual general meeting, Metcash provides shareholders with all material information known to the Board and relevant to a decision on whether or not to elect or re-elect that director in the notice of annual general meeting.

All directors have entered into written agreements with Metcash, which set out their duties and responsibilities.

Director independence

The Board comprises a majority of independent directors and an independent non-executive Chair.

The Board considers a director independent where they are free from any interest, position or relationship which may interfere, or might reasonably be seen to interfere, with the director's capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the entity as a whole rather than in the interests of an individual shareholder or other party.

An assessment of the independence of each director was completed at the conclusion of the 2021 financial year. Materiality, for the purpose of considering whether a director is an officer of or associated with a supplier or customer in a material business relationship with Metcash, is assessed as supplying 2.5% or more of the Metcash Group's annual purchases or purchasing 2.5% or more of the Metcash Group's annual sales. Following this review and as at the date of this Statement, the Board consisted of seven directors, six of whom are non-executive, and all six of whom are considered to be independent directors (being Robert Murray, Peter Birtles, Tonianne Dwyer, Murray Jordan, Christine Holman and Helen Nash). The Board recently appointed another non-executive director, Margaret Haseltine, on 3 May 2021. The Board also considers Ms Haseltine to be an independent director.

Any association between a director and an entity with whom Metcash has a business relationship is disclosed in the Company's financial report each year. Each of Mr Murray, Mr Birtles, Ms Dwyer, Ms Nash and Ms Holman hold positions in companies with which Metcash has business relationships, however the Board has considered each case separately and, having regard to the nature and value of the business relationships, has concluded that these positions do not influence their respective capacity to exercise independent judgement or their ability to act in the best interests of Metcash and its shareholders. None of these directors is involved in any Board decision-making regarding the companies with which they have an association.

Board skills matrix

Maintaining a balance of experience and skills is an important factor in Board composition. For details of the skills, experience and expertise of the individual directors, and the period of office held by each director, please refer to the 'Board Information' section at pages 51 to 53 of our 2021 Annual Report.

Each year, the Nomination Committee reviews the skills and experience represented on Metcash's Board and considers whether there are any areas that should be addressed through Board renewal and succession. The Nomination Committee also annually reviews the professional development needs of the directors.

Skills and experience	Explanation	Number of directors ¹ with skill or experience
Financial acumen 	Expertise and experience in accounting, financial reporting and controls	 1 2 3 4 5 6 7
Industry experience 	Experience in wholesale or retail markets, supply chains and distribution networks or FMCG	 1 2 3 4 5 6 7
Strategy and growth 	Experience in developing and executing successful strategies, business plans and sustainable growth	 1 2 3 4 5 6 7
Executive experience 	Successful track record as a C-suite officer of a listed entity or an equivalent large business enterprise	 1 2 3 4 5 6 7
International experience 	Experience in a range of geographic, political, cultural, regulatory and business environments	 1 2 3 4 5 6 7
Mergers and acquisitions 	Experience in mergers and acquisitions or capital markets transactions	 1 2 3 4 5 6 7
Data, digital and technology 	Expertise and experience in implementing technology projects; digital media, disruption and innovation; and/or leveraging data analytics	 1 2 3 4 5 6 7

¹ Being the directors in office as at the date of this Statement (30 April 2021).

<p>Marketing</p> 	<p>Experience in consumer and brand marketing via a range of mediums</p>	 <p>1 2 3 4 5 6 7</p>
<p>Governance and risk management</p> 	<p>Experience in governance, compliance and financial and non-financial risk management frameworks, processes and standards</p>	 <p>1 2 3 4 5 6 7</p>
<p>Safety and sustainability</p> 	<p>Experience in developing or monitoring safety and wellbeing programs, improving safety performance, or developing and overseeing environmental and social responsibility agendas and programs, including climate change and ethical sourcing</p>	 <p>1 2 3 4 5 6 7</p>
<p>People, culture and remuneration</p> 	<p>Experience in monitoring corporate culture, executive succession, performance and behaviours management, and remuneration policies and frameworks</p>	 <p>1 2 3 4 5 6 7</p>

Induction and professional development

Metcash has in place a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.

Independent advice

The Board has a policy of enabling directors to seek independent professional advice at the Group's expense. The Board will review in advance the estimated costs for reasonableness but will not impede directors from seeking advice.

Performance reviews and evaluation

The directors undertake an annual process to review the performance and effectiveness of the Board, its committees and individual directors, alternating each year between an internal self-evaluation and an external independent review conducted by a recognised Board performance and effectiveness consultant. In FY21 an external independent review was conducted, and recommendations arising from that review will be actioned in FY22.

The annual review of the Board evaluates a number of areas including:

the Board's role, accountabilities and governance	Board processes and support	the Board's capabilities and quality of contribution
the Board's culture	achievement against action items arising from prior Board reviews	the Board's major strengths and pressing needs/areas for improvement
succession	priorities, challenges and issues	performance generally

In addition to the annual performance and effectiveness review, the Board also participates in Metcash's annual engagement survey.

Further, in FY21 and continuing into FY22, Board members role modelled leadership expectations by participating in a key leadership development program, using the Human Synergistics Life Styles Inventory (**LSI**) tool. The purpose of LSI is to build self-awareness in leaders about their thinking styles and behaviours, foster a feedback culture across the organisation and encourage the application of constructive behaviours.

3 Board committees

The Board has established three committees and has delegated to each committee duties to assist the Board in exercising its responsibilities and discharging its duties.

Each committee has a separate charter that sets out the roles and responsibilities of that committee, as well as the membership and any other requirements for the running of the committee. All committees are chaired by and comprise a majority of independent non-executive directors. Each committee regularly reports to the Board on all matters relevant to the committee's roles and responsibilities.

The number of times each committee met during FY21 is set out on page 53 of our 2021 Annual Report. The members and role of each committee are set out in the diagram below.

Committee	Audit, Risk and Compliance Committee	Nomination Committee	People and Culture Committee
Membership (as at 30 April 2021)	<ul style="list-style-type: none"> • Peter Birtles (Chair) • Tonianne Dwyer • Murray Jordan • Christine Holman 	<ul style="list-style-type: none"> • Rob Murray (Chair) • Tonianne Dwyer • Helen Nash • Murray Jordan • Peter Birtles • Christine Holman 	<ul style="list-style-type: none"> • Helen Nash (Chair) • Rob Murray • Murray Jordan
Key role and responsibilities	<ul style="list-style-type: none"> • Effective governance framework • Effective management of financial and other material business risks • Reliable financial reporting • Compliance with laws and regulations • Maintenance of an effective, efficient and independent audit 	<ul style="list-style-type: none"> • Non-executive director succession planning and appointment • Board skills matrix • Professional development • Non-executive director commitments • Non-executive director independence assessment • Non-executive director election and rotation 	<ul style="list-style-type: none"> • Remuneration and benefits policy and practices for Group CEO and Group Leadership Team • People strategy, priorities and practices • Diversity and inclusion policies, practices and compliance • Organisational culture and engagement

4 Management

Appointment

Appropriate background checks are conducted before a senior executive is appointed.

All senior executives have entered into written agreements with Metcash, which set out their rights, duties and responsibilities.

Performance reviews and evaluation

On an annual basis, the P&CC reviews the performance of the Group CEO against qualitative and quantitative criteria, which include profit performance, other financial measures, behaviours and achievement of the Group's strategic objectives. The Group CEO's performance was reviewed in accordance with this process in FY22 in respect of his FY21 performance.

The Company maintains a performance evaluation process which measures other senior executives against previously agreed Strategic Objectives, Key Measures and Performance Targets in a balanced Business Scorecard format, as well as assessing Behaviours. The Scorecards for the Group CEO and all senior executives are made available to the Board quarterly for progress review. Each senior executive reviews their progress against their Scorecard progressively through the year with a formal annual performance evaluation occurring following the year end. Senior executives' performance was reviewed in accordance with this process in FY22 in respect of their FY21 performance.

Senior executives also agree Personal Career and Development Plans to update and enhance their skills and knowledge and, as with the Board, are participating in a key leadership development program, using the LSI tool, commencing in FY21 and continuing into FY22.

Remuneration

The Group's remuneration policy is summarised in the 'Remuneration Report' contained within the Directors' Report in our Annual Report. Details of the compensation of Key Management Personnel are also contained in the Remuneration Report.

Company secretary

The company secretary is appointed and removed by the Board and reports to and is accountable to the Board, through the Chair of the Board, on all matters to do with the proper functioning of the Board and Board committees. Further details on the company secretary are provided in the 'Board Information' section of the Directors' Report in our 2021 Annual Report at page 52.

5 Shareholders and reporting

Market disclosure

Metcash is committed to effective communication with its customers, shareholders, market participants, employees, suppliers, financiers, creditors, other stakeholders and the wider community. The Board has adopted a Market Disclosure Policy which has established procedures designed to ensure compliance with ASX Listing Rule and Corporations Act disclosure requirements.

Where practicable, the Board approves all material ASX announcements before they are lodged with the ASX and receives copies of all announcements after they have been released by the ASX.

Communication with shareholders

Metcash has adopted a Shareholder Communications Policy and communicates information to its shareholders and other stakeholders regularly, through a range of different forums and publications, including:

- providing material information and other information about Metcash and its governance via its website at www.metcash.com, including copies of its constitution, Board and committee charters, Metcash's statement of values and core corporate governance policies;
- maximising shareholders' ability to participate in the annual general meeting (**AGM**) process by allowing shareholders a reasonable opportunity to ask questions during the AGM and allowing shareholders to lodge proxies electronically. Metcash conducts all voting at the AGM on a poll, ensuring that voting outcomes reflect proportionate holdings of all shareholders who vote (whether in person or by proxy or other representative);
- conducting briefings with investors and analysts on the Company's financial results twice a year. The Company also holds briefings for investors and analysts in connection with strategy days, site tours, investor roadshows and investor conferences. Associated presentation materials are released to the ASX ahead of the briefings, and then made available on the Company's website; and
- providing up-to-date information about the Company on Metcash's website, including all announcements made to the market, annual and half yearly reports, all corporate governance policies and charters adopted by the Board, information provided to analysts or media during briefings and copies of notices of meeting and explanatory material.

Metcash facilitates two-way communication with investors, with shareholders able to contact Metcash's share registry and the company secretary by phone or email. Shareholders are also able to communicate with directors and senior executives at the AGM which is held at a time and format to maximise the opportunity for shareholders to attend and participate in meetings. In FY21, due to the COVID-19 pandemic, a virtual meeting was held. The Company facilitated shareholder participation in this format by allowing shareholders the opportunity to submit questions both before and during the meeting.

Metcash encourages electronic communication with shareholders to facilitate the quick and environmentally friendly dissemination of information. This is being done through email, Metcash's website, corporate social media and direct distribution. Shareholders are able to request printed hard copies of publications where they are unable to access them electronically.

Verification of unaudited reports

Metcash has a process in place to ensure the integrity of its periodic corporate reports that are not audited or reviewed by an external auditor. The process is aligned with Metcash's Risk Management Policy and the three lines of defence.

The preparer of the periodic corporate report is responsible for ensuring it is accurate and based on reliable sources of information. The periodic corporate report is then independently reviewed by

the responsible executives to ensure the information is accurate and stated assumptions or opinions are reasonable. Then a 'third line' quality assurance check of the periodic corporate report is completed either by an independent third-party assurance provider or by Metcash's internal audit department.

6 Risk management

Risk management framework and policy

The Board is responsible for determining Metcash's risk appetite and monitoring financial and non-financial risks. The Board is supported in its risk oversight role by the ARCC. The role of the ARCC is to assist the Board in discharging its duties in respect of governance, risk management, financial reporting and legal and regulatory compliance.

Metcash's approach to risk oversight and management of material business risks is outlined in our Risk Management Policy, which is available on our website at <https://www.metcash.com/corporate-information/corporate-governance/>. The ARCC reviews the Metcash risk management framework annually to satisfy itself that it continues to be sound and that Metcash is operating with due regard to the risk appetite set by the Board. This review was conducted in FY21.

Environmental and social risks

Metcash is committed to responsible and sustainable business practices which take into account our own operations and our impacts in the supply chain. This spans consideration of environmental and social risks as well as opportunities. Metcash aligns with the Taskforce for Climate Related Financial Disclosures and monitors and reports ESG performance annually through participation in the Carbon Disclosure Project, the Dow Jones Sustainability Index and the National Greenhouse and Energy Report.

The Group has a corporate responsibility function which sits within Corporate Affairs with a direct reporting line to the Group Chief Financial Officer (**Group CFO**). The function considers environmental and social risks within the overall context of the Metcash Risk Management Framework and Guidelines, with additional specific requirements for modern slavery and climate change.

The Operating and Financial Review on pages 40 to 50 of our 2021 Annual Report contains detailed information about Metcash's material business risks, including Metcash's exposure to social responsibility, environmental and climate change risks.

Internal audit

The Group has an internal audit function operating as part of the broader Risk and Assurance function. The head of the internal audit function has a direct reporting line to the Chair of the ARCC and, therefore, to the Board. The internal audit function's role is to provide independent, objective assurance to assist Metcash in meeting its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance over business processes.

Management assurances / certification

The Group CEO and CFO provided a declaration to the Board in respect of both the FY21 half year and full year financial statements that:

- the financial records of the Company and its consolidated entities have been properly maintained;
- the financial statements and associated notes for the Company and its consolidated entities comply with Australian Accounting Standards and give a true and fair view of its financial position and performance as at the relevant date and for the relevant period respectively; and
- their opinion was formed on the basis of a sound system of risk management and internal control which is operating effectively in relation to financial reporting risks.

7 Diversity and inclusion

Diversity and Inclusion Policy

Metcash recognises the benefits of a workforce that has a range of skills, backgrounds and experiences. In maintaining a diverse workforce, Metcash seeks to attract and retain the best talent to deliver the best results for Metcash and its shareholders.

Metcash's Diversity and Inclusion Policy applies to all employees, directors and officers of the Metcash Group and sets out Metcash's areas of focus in relation to diversity.

Diversity and inclusion initiatives

Metcash continues to design and implement key strategies and initiatives that drive and support gender equality. Key initiatives include:

- Women's Strategy – implemented to create a strategic, accountable, integrated culture that champions women in the workplace in a fair, respectful and inclusive manner
- Senior Women's Forum and Senior Women's Network – new initiatives for women leaders to enable other women leaders, to empower and enable a diverse, open and respectful environment, to make a difference for each other and ensure the next generation of women leaders grow, connect and influence
- Belonging and Gender Strategy - underpins the future work and commitments in diversity and inclusion and gender equality
- Diversity & Inclusion Council – members represent pillars and functions across the business who influence, champion and drive diversity and inclusion across the organisation, endorsing the gender equality agenda and internal initiatives
- Remuneration Review - Metcash deploys a robust and market-driven job and remuneration framework, which includes specific analysis of gender pay across the organisation by both Workplace Gender Equality Agency (**WGEA**) levels and Hay job bands, to ensure equal pay in like-for-like roles, for existing employees and new hires
- Leadership Development and Talent Acceleration - Metcash continues its commitment to leadership development and talent acceleration with programs for our top 500 leaders to strengthen leadership capability, including focussing on diversity and inclusion.

Measurable objectives

In FY21, the Board set measurable objectives for achieving gender diversity in the composition of the Board and Metcash's senior executives and broader workforce.

The table below sets out the Board's measurable objectives for FY21, as well as a summary of Metcash's progress towards achieving these objectives during the Reporting Period.

Measurable objective	Progress
No gender pay gap	Action was taken by the Board, P&CC and Group Leadership Team to reduce gender pay inequality through dedicated gender pay parity budgets, and having regular and systematic reviews and checkpoints throughout the employment pay lifecycle.
Maintain 40:40:20 gender target at Board level	As at the date of this Statement, there was 43% female Board representation (50% female non-executive director representation).

<p>Achieve 40:40:20 gender target in both manager and non-manager roles over the next 5 years (target date 2026)</p>	<p>In FY21, Metcash improved representation in the manager² population, while non-managers remained steady: managers - 31.05% (up from 28.79% in FY20) and non-managers – 32.23% (32.41% in FY20).</p>
<p>Achieve year-on-year increase in engagement results by gender</p>	<p>In FY21, there was a 20% increase in engagement results for women and 24% increase for men from the prior year's engagement survey. Women consistently report higher levels of engagement.</p>
<p>Maintain WGEA Employer of Choice for Gender Equality citation</p>	<p>In FY21, the Company was recognised by WGEA as an Employer of Choice for Gender Equality for the third year running.</p>

WGEA gender equality indicators

Metcash is a “relevant employer” under the *Workplace Gender Equality Act 2012 (Cth)* and, accordingly, is required to make annual filings with WGEA disclosing its “Gender Equality Indicators”, as defined in and published under that Act. Metcash's latest “Gender Equality Indicators” can be accessed here <https://www.wgea.gov.au/public-reports>. As noted above, in FY21, the Company was recognised by WGEA as an Employer of Choice for Gender Equality for the third year running.

² 'Manager' for these purposes comprises team members that fall within the WGEA categories of CEO, Head of Business, Key Management Personnel/Head of Business, Key Management Personnel, Other Executives and General Managers, Senior Managers and Other Managers.