



Costa Group Holdings Ltd

## CY22 Corporate Governance Statement

This corporate governance statement relates to the financial year ending on 1 January 2023 (**reporting period**), is current as at 21 April 2023 and has been approved by the Board of the Company.

The directors and management of Costa Group Holdings Ltd (**Costa** or the **Company**) are committed to achieving high corporate governance standards and instilling and reinforcing a culture that supports good governance.

This statement outlines the key aspects of Costa's corporate governance framework and main governance practices. In addition, the Board has adopted corporate governance policies and practices which can be found in the Corporate Governance section of the Investor Centre on the Costa website at <http://investors.costagroup.com.au/investor-centre> (**Costa Investor Centre**).

Costa's main corporate governance policies are summarised below under the eight principles set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4<sup>th</sup> Edition) that applied during the reporting period (**ASX Recommendations**).

During the reporting period, the Company complied with all of the ASX Recommendations.

### Principle 1 – Lay solid foundations for management and oversight

#### Board responsibilities

The Company has a Board charter which sets out the responsibilities of the Board and the responsibilities of senior management.

Pursuant to the Board Charter, which is disclosed in the Costa Investor Centre, the matters for which the Board is responsible include:

- demonstrating leadership, defining the Company's purpose and setting the strategic objectives of the Company;
- overseeing management's implementation of the Company's strategic objectives, instilling of the Company's values and its performance generally;
- approving operating budgets and major capital expenditure;
- overseeing the integrity of the Company's accounting and corporate reporting systems, including internal and external audit;
- approving the Company's statement of values and code of conduct to underpin the desired culture within the Company; and
- satisfying itself that the Company has in place an appropriate risk management framework for both financial and non-financial risks and setting the risk appetite within which the Board expects management to operate.

The Board delegates authority to the Managing Director and CEO, and through the CEO to other senior executives, for the day to day operations of the Company, its subsidiaries and their respective operations. The scope of, and limitations to, these delegations are clearly documented and are regularly reviewed. The delegations balance effective oversight with appropriate empowerment and accountability of senior executives.

#### Diversity

The Company has a Diversity and Inclusion Policy, which is disclosed in the Costa Investor Centre. This policy includes a requirement that the Board set measurable objectives relating to diversity, including gender diversity, and to assess annually both the objectives and progress in achieving them. The Board had previously set a long-term objective of achieving and maintaining at least 30% representation of Directors who are women and this was achieved as at the end of the reporting period and the date of this report.

Costa has a vision that its leaders reflect, embrace and champion the diversity of the workforce they lead. Expanding on the success of achieving previously set diversity goals, and with this vision in mind, the Board has increased its gender diversity objective to a 40:40 gender balanced executive and leadership team by 2030. As part of this commitment, Costa will report annually on progress towards this goal. Currently, women at Costa represent the following:

Board	33.3%
Executive team	20.0%
Leadership team	31.9%



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Costa has chosen to report and measure across all leadership levels across our entire business in Australia, China and Morocco, given the leadership pipeline is the fundamental way to achieving gender equity success.

Costa's Diversity and Inclusion Committee was formed to progress Costa's vision on diversity, with a focus on the following key areas:

- Generating awareness across the organisation of barriers and biases.
- Coaching and mentoring to build confidence / capability in identified talent to achieve leadership roles.
- Using quantitative and qualitative data, continually reviewing progress towards agreed targets and overall vision.

During 2022, Costa's Diversity and Inclusion Committee conducted a review of quantitative data relating to gender, culture and linguistic diversity. This review informed the development of a five-year action plan, which has an initial focus on awareness and learning.

As a 'relevant employer' under the Workplace Gender Equality Act 2012, the Company is preparing an annual filing for the 12-month period ending 31st March 2023 disclosing its Gender Equality Indicators. This report will be uploaded in the Costa Investor Centre once available.

Costa continues to undertake a capability review of critical and key roles across the organisation, led by the CEO, three times each year. Diversity is highlighted and discussed during this process. HR practices continue to be reviewed, and a framework has been developed to implement respect@work and workplace health and safety initiatives. This is expected to enhance and improve Costa's workplace culture and to lead to increased representation of women at all roles, assisting with the achievement of the 40% women representation goal.

Critical to the success of Costa and its operations is ensuring inclusive approaches to the attraction and retention of high calibre technical experts in the horticultural, agronomy and grower professions. This area of focus has greatly benefited our recruitment and promotion activities that have led to 61% of technical hires in 2022 being women with the aim to establish a future pipeline of leaders.

Costa continues to maintain its extensive established relationships across multiple tertiary institutions in Australia, Morocco and China. Scholarships, internships, guest lecturing, career events and work experience programs are offered by Costa to support connection of academics and students (undergraduate and graduate) to the Costa operations.

During the reporting period, a remuneration framework was implemented which led to all salaried roles being sized and benchmarked, and an analysis and reporting of gender pay equity by level and division commenced, leading to targeted pay movements.

In addition to setting gender diversity targets and reporting on gender diversity, Costa is continuing its commitment to be a workplace that realises the benefits of, and values, ethnic and cultural diversity, indigenous Australians, and people with a disability. Costa has individuals from over 100 different nationalities working throughout the business and undertakes cultural inclusion activities at numerous Costa sites throughout Australia each year. The Company continues to celebrate diversity and inclusion through events such as International Women's Day, R U OK Day and Lunar New Year and deploys a Diversity Calendar each year for the ongoing recognition and celebration of key dates throughout the year.

### Board appointments and reviews

The Company has written agreements in place with its directors setting out the terms of their appointment. Prior to the appointment of a new director, the Company undertakes appropriate checks and security holders are provided with all material information in the Company's possession relevant to a decision on whether or not to elect or re-elect a director.

The Board acknowledges the importance of regular reviews of its effectiveness and performance, including the effectiveness and performance of its individual directors and Committees. In accordance with the Board Charter, the Board periodically reviews its performance with the aim of ensuring that individual directors and the Board as a whole work effectively in meeting their responsibilities.

During the reporting period, the Board considered and discussed the results of an internal review of the Board's performance and implemented improvements that would assist in the Board's oversight and management of issues related to the Company's performance. The Board intends to conduct externally facilitated performance reviews on a periodic basis, with the aim to conduct such reviews in every third year. In intervening years, the Board will monitor its performance by way of internal reviews.

Reviews of the performance of the Remuneration and Human Resources Committee, the Horticultural Innovation and Technology Committee and the Audit & Risk Committee continue to occur on an annual basis, including reviews that took place during the reporting period.



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### Executive responsibilities and reviews

The Company undertakes appropriate checks before the appointment of senior executives. Each of Costa's senior executives, including the CEO, has a written service agreement that clearly sets out his or her role and responsibilities and Costa's expectations in terms of their performance. Quantifiable goals and objectives are set at the beginning of each financial year and the executive is measured against those goals and objectives at the end of the year, together with an assessment of the individual performance of the executive. This assessment directly impacts on the executive's short term incentive for that year (excluding Interim CEO Harry Debney, who does not have any long or short-term incentives in his current employment contract). In addition, the performance of the CEO is reviewed by the Board and the Chairman meets annually with the CEO to discuss individual performance.

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

### Principle 2 – Structure the Board to be effective and add value

#### Board structure, skills and experience

The role of Chairman and the role of Managing Director & CEO are exercised by different individuals. Neil Chatfield (an independent director) acted as Chairman during the reporting period and the role of CEO was filled by Sean Hallahan until 26 September 2022 and Harry Debney held the role of Interim CEO for the balance of the reporting period.

As disclosed in the Board Charter, the Company seeks to have directors with an appropriate range of skills, knowledge, experience, independence and diversity, and an understanding of and competence to deal with current and emerging issues of the business. These matters are regularly assessed to enable the identification of particular competencies and perspectives that will best increase the Board's effectiveness.

The Company has established a skills matrix against which existing non-executive directors are reviewed and potential non-executive directors are assessed, to ensure that the skills and experience of the Board reflect the various areas relevant to Costa's core capabilities and strategic objectives. The skills of the existing non-executive directors were assessed during the period, with the results showing that there was a broad mix of skills on the Board and all key skills identified by the Board were well represented. Harry Debney was included in this assessment, given that he was appointed as a non-executive director and only holds an interim executive role. The following table summarises these key skills, together with the criteria used for assessment:



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Key Non Executive Director Skills /Experience	No. of Non Executive Directors with Skill
<b>ASX listed company non-executive experience</b> <i>Experience as a non-executive director within other companies listed on the ASX</i>	6
<b>Financial, accounting and tax experience</b> <i>Accounting, tax or related financial management qualifications, together with experience in reviewing and assessing the financial statements of organisations of significant size and complexity</i>	4
<b>Experience in FMCG and dealing with major retail organisations</b> <i>Management or direct sales experience gained with an FMCG company with major retail customers</i>	4
<b>Knowledge of risk management practices</b> <i>An understanding of financial and non-financial risk management practices within ASX listed organisations and/or direct risk management experience in a large business that is subject to rigorous governance and risk management standards</i>	6
<b>Experience in developing and managing international operations</b> <i>Direct management experience, or significant consulting experience, in countries with political, cultural, regulatory and/or business conditions that are significantly different to the corresponding conditions in Australia</i>	6
<b>Experience in Stakeholder Engagement</b> <i>Experience in, or direct dealings with, government and regulatory policy matters, multiple stakeholder relations and community engagement</i>	6
<b>Technology and e-commerce knowledge</b> <i>An understanding of, or experience in, organisations of a significant size having a major technology focus, including digital sales platforms, digital customer management, new technologies or digital disruption</i>	4
<b>Senior executive listed company experience</b> <i>Experience as a senior executive with financial and/or operational responsibilities within a company listed on the ASX</i>	4
<b>Agriculture industry experience</b> <i>Specific experience, knowledge and expertise gained within agricultural businesses of significant scale and with a focus on sustainability</i>	5
<b>Mergers and Acquisitions experience</b> <i>Successful track record of delivering strategically sound and value accretive mergers and acquisitions</i>	5
<b>Strategic planning experience</b> <i>An understanding of and experience in, developing and delivering strategic change and/or meaningful business growth outcomes in a large business</i>	6
<b>Integrated supply chain management</b> <i>An understanding of, or experience in, integrated supply chain management for organisations with a diverse range of suppliers and customers across multiple jurisdictions</i>	4
<b>Marketing and brand management experience</b> <i>An understanding of and direct experience in, consumer and customer marketing and delivering growth through successful execution of brand campaigns or innovative sales channels</i>	2

**Independence of directors**

The Board considers an independent director to be a non-executive director who is not a member of or allied with the Company's management or a substantial securityholder or other stakeholder and who is free of any interest, position, association or relationship that might influence, or would reasonably be perceived to influence, in a material respect, his or her capacity to bring



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an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its securityholders generally. The Board regularly monitors and assesses the independence of each Director and will consider the materiality of any given interest, position, association or relationship on a case-by-case basis.

The Company's Board Charter sets out guidelines and thresholds of materiality for the purpose of determining independence of directors in accordance with the ASX Recommendations and has adopted a definition of independence that is based on that set out in the ASX Recommendations. The Board reviews the independence of each director in light of interests disclosed to the Board from time to time.

At all times during the reporting period, and as at the date of this statement, the Board considers that each of Neil Chatfield, Tim Goldsmith, Janette Kendall, Peter Margin and Jane Wilson are free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of the director's judgement and is able to fulfil the role of an independent director for the purposes of the ASX Recommendations.

Harry Debney joined the Board as a non-executive director effective from 1 July 2021 and he is not considered by the Board to be an independent director due to his current role as interim CEO and his previous executive role with the Company.

Accordingly, the Board consists of a majority of independent non-executive directors in accordance with the ASX Recommendations.

### Nomination Committee and Board education and succession

The Board has established a Nomination Committee which is comprised of all of the Company's non-executive directors and accordingly consists entirely of independent directors. The Chairman of the Nomination Committee is the Chairman of the Board, Neil Chatfield (who is an independent director).

The roles, responsibilities, composition and structure of the Nomination Committee are set out in the Nomination Committee Charter, a copy of which can be found in the Costa Investor Centre.

The Company has a program for inducting new directors and provides appropriate professional development opportunities on an ongoing basis for directors to develop and maintain the skills and knowledge needed to effectively perform their role as directors. In addition to the site visits conducted by new directors as part of their induction, the directors regularly visit Costa's operations. During the reporting period the Board recommenced a program of regular site visits following prior years' COVID-19 disruption and visited the Company's 2PH Farms in Emerald Queensland and the mushroom farming operations in Mernda.

The Company's succession plans are designed to maintain an appropriate balance of skills, knowledge, experience, independence and diversity on the Board. The Board continues to review its composition with a view to maintaining an appropriate balance of these factors.

### Principle 3 – Instil a culture of acting lawfully, ethically and responsibly

The Company is committed to and strives to act honestly and with integrity in all its dealings and to act ethically and responsibly. It has adopted a Code of Conduct that sets out the Company's values, commitments, ethical standards and policies and outlines the standards of conduct expected of Costa's business and people, taking into account the Company's legal and other obligations to its stakeholders. The Code of Conduct is supplemented by a Whistleblower Policy and an Anti-Bribery and Anti-Corruption Policy, all of which have been approved by the Board. The Company's Risk Escalation procedure requires any breaches of the Code of Conduct or these policies to be reported through to the Board or the Chair of the Company's Audit & Risk Committee.

A Securities Trading Policy has been established to set out the Company's policy on employees and directors buying and selling securities of the Company including shares, options, derivatives and other financial products of the Company that are able to be traded on a financial market.

A Human Rights Policy and Supplier Code of Conduct have been approved by the Board, to outline the Company's commitment to respecting the rights of others and to demonstrate the standards of conduct that the Company expects of organisations from which it sources goods and services.

The Company has adopted a Diversity and Inclusion Policy that sets out Costa's commitment to diversity and inclusion in the workplace at all levels and provides a framework to achieve its diversity goals. The Company is committed to creating and ensuring a diverse work environment in which everyone is treated fairly and with respect and where everyone feels responsible for the



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reputation and performance of the Company. The directors and management believe that the Company's commitment to that policy contributes to achieving the Company's corporate objectives and embeds the importance and value of diversity within the culture of the Company.

The Company has adopted an Environmental Policy that outlines the key principles in Costa's Sustainable Commercial Farming objectives. The policy sets out the Company's commitment to undertaking its activities in an environmentally responsible manner.

Copies of the Code of Conduct and the abovementioned policies can be found in the Costa Investor Centre.

### Principle 4 – Safeguard the integrity of corporate reports

#### Audit & Risk Committee

The Board has established an Audit & Risk Committee to assist the Board in carrying out its accounting, auditing and financial reporting responsibilities, including oversight of:

- the integrity of the Company's external financial reporting and financial statements;
- the appointment, remuneration, independence and competence of the Company's external auditors;
- the internal assurance program and the authority, independence and objectivity of the internal auditors;
- the performance of the internal assurance and external audit functions and review of their audits;
- the effectiveness of the Company's system of risk management and internal controls including modern slavery and labour risks; and
- the Company's systems and procedures for compliance with applicable legal and regulatory requirements, including tax laws relevant to the Group.

The Audit & Risk Committee is comprised of 4 non-executive directors, all of whom are independent, being Tim Goldsmith (Chair), Neil Chatfield, Janette Kendall and Peter Margin. The Company has adopted a Charter for the Audit & Risk Committee, which can be found in the Costa Investor Centre.

The CEO, the CFO and the external auditor must attend Committee meetings if requested. The Committee has unrestricted access to management and the auditors and has rights to seek explanations and additional information. The Committee meets on a regular basis with the internal and external auditors, including meetings without management present.

#### Certifications and verification

For the results for the reporting period, the CEO and CFO have provided a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Company's non-audited periodic corporate reports, such as the Sustainability Report, the Modern Slavery Statement and the non-audited sections of the Annual Report, are verified by management (and external verification where appropriate) and approved by the Board prior to release to the market.

#### External audit

Costa's external auditor is KPMG. The Company ensures that the lead audit engagement partner from its external auditor attends the Company's AGM and is available to answer questions from shareholders relevant to the audit and the preparation and content of the auditor's report.

### Principle 5 – Make timely and balanced disclosure

The Company has established a Disclosure & Communication Policy for the purposes of complying with its continuous disclosure obligations imposed by law and ensuring that the Company's announcements are presented in a factual, clear and balanced way.



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Subject to limited exceptions, the Company is required to immediately disclose to the ASX any information concerning the Company which is not generally available and which, if it was made available, a reasonable person would expect to have a material effect on the price or value of the Company's securities.

The Disclosure & Communication Policy outlines the processes that the Company implements to ensure compliance with its continuous disclosure obligations, including the establishment of a Disclosure Committee which currently comprises the CEO, CFO, COO and Company Secretary. The Disclosure & Communication Policy can be found in the Costa Investor Centre.

In accordance with the Company's Disclosure & Communication Policy, if the Company gives a new and substantive investor or analyst presentation, a copy of the presentation materials is released to the market through the ASX ahead of the presentation.

The Company Secretary provides copies of all material market announcements to the Board promptly after they are made.

### Principle 6 – Respect the rights of securityholders

#### Communication with shareholders

The Company acknowledges that respecting shareholders' rights is of fundamental importance and that communication with shareholders is a key element of this. The Company is committed to ensuring that shareholders are informed of all major developments affecting the Company through effective communication materials and processes. Shareholder communications include half yearly and annual reports, market announcements and media releases, all of which are available in the Costa Investor Centre in addition to governance and background information on the Group. Shareholders have the option to receive communications from, and send communications to, the Company and its security registry electronically, to ensure that information is received in a timely manner.

Shareholders are encouraged to attend general meetings for the opportunity to meet the Board and senior management. Shareholders who are unable to attend will be able to vote on the motions proposed by appointing a proxy or using any other means included in the notice of meeting. The Company conducts its general meetings in accordance with the Company's constitution, the Corporations Act and the Listing Rules and ensures that all substantive resolutions at meetings of security holders are decided by a poll. To ensure shareholder participation in the event of unforeseen COVID 19 restrictions, the Company's Annual General Meeting during the reporting period utilised technology to provide the ability for shareholders attending remotely to vote and ask questions in real time during the meeting. The Board will continue to facilitate shareholder participation as appropriate.

The Company's policies on communicating with its shareholders can be found in the Disclosure & Communication Policy, which can be found in the Costa Investor Centre.

#### Investor relations and stakeholder engagement

In addition to the above shareholder communications, the Company's investor relations program includes scheduled and ad hoc interactions and briefings with institutional investors, analysts and the financial media. This activity also provides an opportunity for two way communication, where the parties involved can provide their views and feedback on matters of particular interest to them relating to the Company and its performance. In conjunction with the investor relations program the Company also operates a broader stakeholder engagement program involving interactions with politicians, bureaucrats, regulators and community groups. This activity is aimed at ensuring Costa's stakeholders are sufficiently aware of the Company's views and concerns relating to matters including public policy, and for the Company to be proactively informed on matters relevant to its stakeholders involving the activities of the Company.

### Principle 7 – Recognise and manage risk

#### Audit & Risk Committee

The Company's Audit & Risk Committee is responsible for overseeing, implementing and periodically reviewing the Company's risk management system, including:

- regularly reviewing the material risks facing the Company including financial and non-financial matters;



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- ensuring that the Company has an effective risk management system and reviewing the risk management system at least annually to ensure that it continues to be sound and to determine whether there have been any changes in the material business risks faced by the Company;
- monitoring management's performance against the Company's risk management framework, including whether it is operating with due regard to the risk appetite set by the Board;
- assessing and ensuring that there are internal controls for determining and managing key risk areas, including tax risks;
- overseeing the internal audit program, and the authority, independence and objectivity of the internal auditors; and
- overseeing the entity's insurance program, having regard to the insurable risks associated with the Company's business.

The Company has adopted a Risk Management Policy, which can be found in the Costa Investor Centre. In accordance with that policy, during the reporting period the Board reviewed and updated the Company's risk management framework, including reviewing and improving crisis management procedures.

### Evaluation and management of risk

The Board and the Audit & Risk Committee also monitor and evaluate internal risks through a variety of systems, programs and policies including:

- annual budgeting and monthly reporting systems to monitor performance against budget;
- external financial audits;
- internal and external reviews of key risks identified by the Audit & Risk Committee;
- an annual insurance program;
- workplace health and safety reviews, including overseeing regular cross-functional reviews of each site by the Company's executive team;
- approval limits for matters requiring Board approval; and
- annual identification and assessment of strategic risks facing the Company.

The Company's management is responsible for managing operational risk and implementing risk mitigation measures, within parameters set by the Board. As a result, management has incorporated risk management into strategic planning and decision making to understand and prioritise the management of material business risks.

The Company's internal audit function provides an independent and objective evaluation of the adequacy and effectiveness of Costa's governance, risk management and internal controls, together with recommendations to improve the design of processes supporting the achievement of the Company's stated goals and objectives.

As outlined in the Internal Assurance Charter, approved by the Board, the internal audit function is authorised full and unrestricted access to any and all of the Company's records, physical properties, and personnel pertinent to carrying out its activities. The Group Manager Risk & Internal Assurance reports functionally to the Audit & Risk Committee and administratively to the Chief Financial Officer. The Audit & Risk Committee review the performance of the internal audit function including the alignment of its activities to business risks, approve the internal audit plan, monitor the function's authority and independence, and review reports and associated agreed management actions.

Comments on the Company's material exposure to environmental and social risks are set out on pages 27-33 of Costa's Annual Report for the reporting period. Further information on the Company's commitment to environmental and social responsibility is provided in a separate Sustainability Report. The most recent Sustainability Report can be found in the Costa Investor Centre.

## Principle 8 – Remunerate fairly and responsibly

### Remuneration and Human Resources Committee

The Company's Remuneration and Human Resources Committee assists and advises the Board on remuneration policies and practices for the Board, the CEO, the CFO, senior executives and other persons whose activities, individually or collectively, affect the financial soundness of the Company, together with assisting and advising the Board in relation to management programs to optimise the Company's human resources.



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The Remuneration and Human Resources Committee is comprised of 4 non-executive directors, all of whom are independent including the Chair. The directors currently serving on this Committee are Peter Margin (Chair), Jane Wilson, Tim Goldsmith and Neil Chatfield. The roles, responsibilities, composition and structure of the Remuneration and Human Resources Committee are set out in the Remuneration and Human Resources Committee Charter, a copy of which can be found in the Costa Investor Centre.

### Director and executive remuneration

The Remuneration Report in Costa's Annual Report for the reporting period sets out details of the Company's policies and practices for remunerating directors and executives. The Company distinguishes the remuneration of executive directors and executives from that of non-executive directors by executives a mix of fixed and incentive remuneration in certain circumstances (e.g. under the Company's short term incentive plan and long term incentive plan). Due to the interim nature of the position, the Interim CEO's remuneration is wholly fixed and does not include any short or long term incentives.

Remuneration of non-executive directors is fixed and the Company does not have in place any schemes for retirement benefits, other than superannuation, for non-executive directors. The Company's non-executive directors are required to acquire shares equal to the after-tax value of their annual base fee (excluding additional Committee fees) within 5 years after their appointment to the Board and to maintain that level of shareholding for the balance of their time as a director. All non-executive directors currently hold above the minimum level of shares.

### Securities Trading Policy

The Company's Securities Trading Policy provides that the CEO and other Company executives (each being 'Designated Persons' under the policy) are prohibited from entering into transactions or arrangements with anyone which could have the effect of limiting their exposure to risk relating to an element of their remuneration that has not vested or is held subject to escrow restrictions.