



# Corporate Governance Statement

2020

**reece**  
group™

# ASX Corporate Governance Principles

01

## Doing the right thing

Our approach and our businesses

03

## Leadership

Principle 1

Lay solid foundations for management and oversight

07

## Expertise

Principle 2

Structure the Board to add value

10

## Principled

Principle 3

Act ethically and responsibly

12

## Accountable

Principle 4

Safeguard integrity in corporate reporting

15

## Transparent

Principles 5 & 6

Make timely and balanced disclosure  
Respect the rights of security holders

17

## Responsible

Principle 7

Recognise and manage risk

20

## Just

Principle 8

Remunerate fairly and responsibly

# Doing the right thing


## Corporate Governance at Reece


Our Board of Directors are responsible for corporate governance, but everyone at Reece is responsible for doing the right thing. Reece's purpose is to improve the lives of our customers and our people by striving for greatness every day.

We do this through good management and our values, which unite us and drive how we work at all levels of the organisation. To us, good governance means ethical dealings with everyone – investors, customers, suppliers, employees and neighbours near and far.

Reece has a unique ownership structure. With foundations in family, the Company has grown enormously in size and diversity, becoming Australia's leading supplier of plumbing and bathroom products. Reece now encompasses over 800 branches and more than 7,800 employees across Australia, New Zealand and the United States. The Board, too, has evolved to reflect this development. The US subsidiary of Reece, MORSCO is governed by the MORSCO Board of Managers, which is accountable to the Reece Group Board.

Our success comes equally from doing things right and doing the right thing. This statement outlines our corporate governance policies and practices in line with version three of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.















**Our Purpose**

To improve the lives of our customers and our people by striving for greatness every day.

**Our Values**

<p>Create customers for life</p> 	<p>Discover your best</p> 
<p>Grow as a team</p> 	<p>Innovate big and small</p> 
<p>Try. Try. Try.</p> 	<p>Own it</p> 
<p>Keep it simple</p> 	<p>Do the right thing</p> 
<p>Be humble</p> 	<p>Write the next chapter</p> 

Our values are the foundation of our culture and a driving force in our organisation. While strategy determines what we do, our values determine how and why we do it. They are an important part of what keeps Reece strong, cohesive and motivated.



# Our Operations

## ANZ

We're best known for our Plumbing business, but we also operate in the Waterworks and HVAC markets. Across these operations we have more than 5,000 employees located in 639 outlets.

## US

In July 2018 Reece Group completed the acquisition of MORSCO, a leading supplier of plumbing, waterworks and HVAC products in the US Sun Belt region. Across MORSCO we have 2,500 employees located in 184 branches. MORSCO and its business are subsidiaries of Reece Group. They operate under the direction of the MORSCO Board of Managers.



## Principle 1

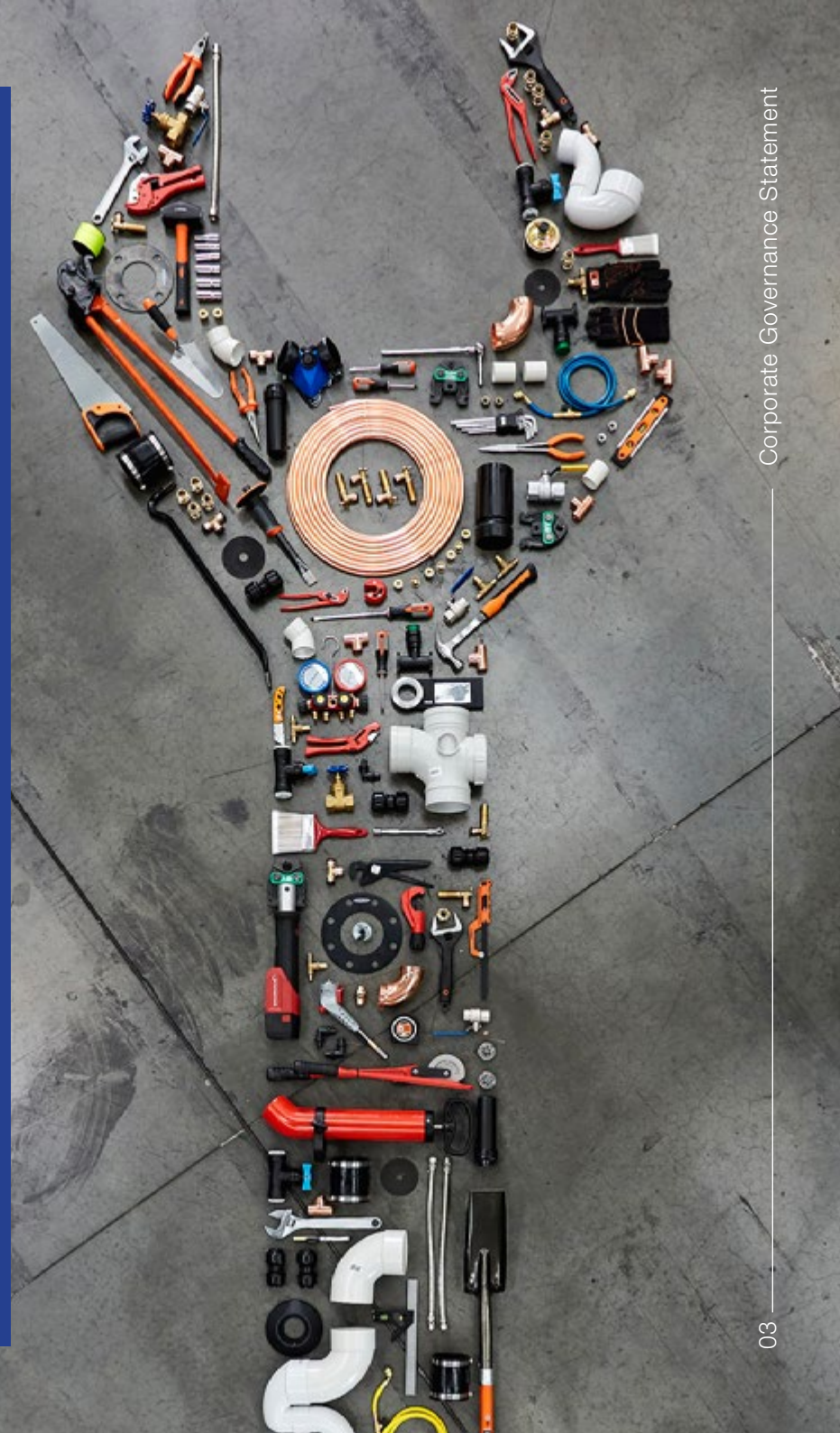
# Leadership

Lay solid foundations for management and oversight

The role of the Board is to provide strategic guidance and effective oversight. It is responsible for establishing Reece's business strategies, overseeing the Company's management and setting our values and standards as we deal with our stakeholders. The Board is the custodian of our shareholders' interests.

The Board Charter details the composition, functions, responsibilities and powers of the Board and is available on request.

- The Board Charter details the matters expressly reserved to the board and those delegated to management.



# Board Responsibilities

The Company has written agreements with Executive Directors and senior executives that set out the terms of their appointment.

An internal evaluation is conducted annually of the performance of Executive Directors and senior executives against the Board Charter with regard to the individual and the overall performance of Reece. Board members participate in a rigorous annual self-assessment of the performance of the Board as a whole.

Company Secretary, Gavin Street, is responsible for all matters relating to the proper functioning of the Board and is directly accountable to the Board through the Chair.

## Strategy

- › Setting and monitoring the strategic plans and corporate objectives, including performance objectives, and approving the entities' remuneration framework.

## Stakeholder interests

- › Setting and monitoring the strategic plans and corporate objectives, including performance objectives, and approving the entities' remuneration framework;
- › Approving Annual Reports and disclosures to the market and overseeing the entities' process for timely and balanced disclosures of all material information; and
- › Monitoring compliance with Reece's own ethical and business standards, including codes of conduct and Company values.

## Risk management and compliance

- › Overviewing the Risk Management Strategy, internal policies and procedures, as well as accounting and reporting systems; and
- › Monitoring compliance with legal and regulatory requirements and the effectiveness of the entities' governance.

## Executive review

- › Monitoring the performance of senior executives;
- › Appointing or removing the Chief Executive Officer, Chief Financial Officer and Company Secretary; and
- › Approving the appointment and, where appropriate, the removal of executives who report directly to the Chief Executive Officer, including their remuneration.

## Board administration

- › Appointing the Chair of the Board;
- › Managing succession planning for Executive Directors and senior executives; and
- › Approving the appointment, undertaking the appropriate checks and providing all relevant material information on Directors who will come before shareholders for election at the Annual General Meeting.

## Company performance

- › Monitoring the Company's operational and financial activities; and
- › Approving budgets and monitoring capital expenditure, capital management and acquisitions.

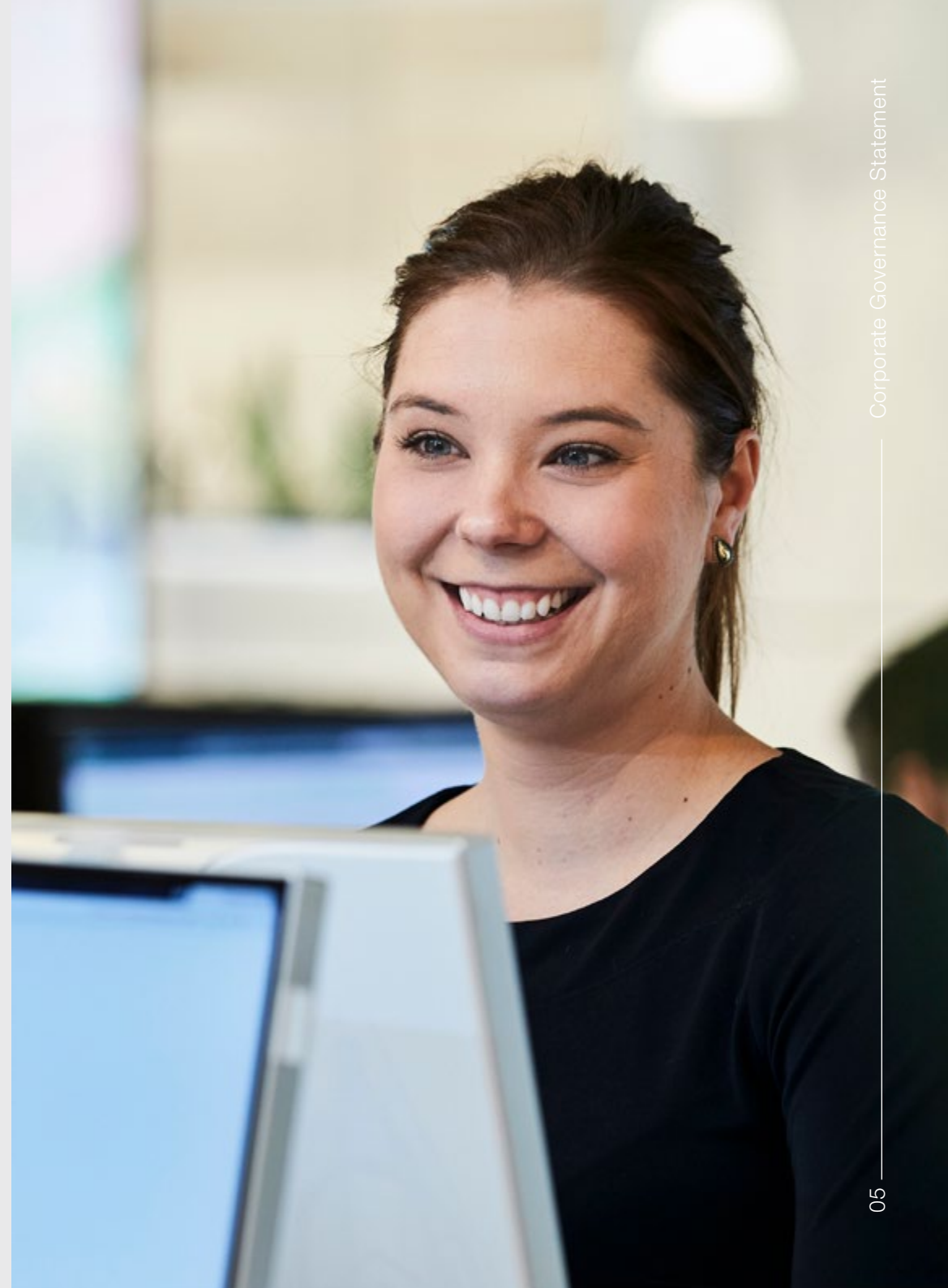
## Leadership

The Board conducts an annual review of its Equal Opportunity and Diversity Policy to assess its measurable objectives.

Women represent 24% of the Company's total employees, 15% of senior management roles and 29% of the Board. Senior management roles are identified through a job evaluation methodology.

## Gender at Reece

The workforce at Reece enjoys diversity in terms of social and ethnic backgrounds. Our foundation in the traditionally male plumbing trade has made gender balance more challenging. This is changing through the increasing sophistication of our business and a targeted approach to recruitment, training and retention. A number of initiatives are having a positive impact in this regard, including management training, new recruitment focus and processes, and our graduate programs in which graduates rotate through a number of positions in Reece businesses. Reece employs graduates in Operations, Marketing & Supply and reecetech streams. More information is available on our careers website [reececareers.com.au](https://reececareers.com.au)



# Reece's strength in management

Reece is a multi-dimensional business  
with world class people and processes.

Empowered  
front line  
operations



World class  
back end  
services



Customised  
Service



## Principle 2

# Expertise

Structure the Board to add value

The growth of the Company, its trading results and returns to shareholders, reflects the Board's wide management and professional experience, as well as its commitment to growing returns for shareholders and protecting shareholders' investment.



**Mr L. Alan Wilson**  
Executive Chairman



The Board has the range of skills, knowledge and experience to direct the Company. To enable performance of their duties, all directors:

- › Have undergone a detailed induction process to enable them to be effective Directors and gain substantial knowledge about Reece. This includes mandatory staff induction and individual induction by the Chairman and the CEO, including site visits;
- › Are provided with appropriate information in a timely manner and can request additional information at any time. This includes key presentations from management and external professionals;
- › Are able to seek independent professional advice at the company's expense;
- › Are able to undertake professional development opportunities to further develop their knowledge and skill needed to perform their role as a director; and
- › Have access to the Chairman of the Board, the Chief Financial Officer and the Company Secretary.

The Reece Board ASX Corporate Governance Principles and Recommendations 2.4 and 2.5 recommend a majority of independent directors and an independent Chair.

Mr L. Alan Wilson has been Executive Chairman since 1 January 2008. He is a substantial shareholder and as a previous Chief Executive Officer is not independent.

Principle 2.1 of the ASX Corporate Governance Principles and Recommendations recommends a Board Nomination Committee. At Reece this role is carried out by the full Board.

Strategic Area	Skills
Leadership	Executive Management
	Senior Executive Experience
Governance	Corporate Governance
	Regulation
	Compliance
	Board Experience
Finance	Financial Acumen
	Treasury
	Banking
	Accounting
Business and industry knowledge	Knowledge of Reece Group
	Knowledge of the plumbing industry
	Knowledge of the retail industry
	Business development
	Network
People	M&A
	HR
	Remuneration
	Culture
Other	Sustainability
	Diversity

Succession planning is undertaken by the Chairman, assisted by any other member of the Board or Executive as appropriate. Board vacancies are filled with a view to the structure of the Board, skill composition and the needs of shareholders. Recent appointments have considered the skills of finance and investment, corporate governance and structure in large entities, and digital footprint with the engagements of Mr Timothy M. Poole, Ms Megan L. Quinn and Ms Georgina Williams.





**Mr L. Alan Wilson**  
Executive Chairman

Appointment date: 1969

Alan has nearly 60 years' experience working in plumbing distribution and has been working at Reece for almost 50 years as General Manager, Deputy Chairman, Managing Director and now Chairman. In this time Alan has grown the Company from a Victorian-based plumbing supplier into a multi-dimensional, global distribution business of plumbing, waterworks and HVAC-R products.



**Mr Peter J. Wilson**  
Chief Executive Officer and Managing Director

Appointment date: 1997  
Qualifications: B.Com (Melbourne), FAIM

Peter has more than 25 years' experience working with Reece, commencing his career in branch before being appointed Marketing Manager, General Manager – Operations and then Chief Operating Officer. Peter was appointed Chief Executive Officer and Managing Director in 2008, the start of a significant organic and acquisition-led growth period for Reece Group into new industries and throughout Australia, New Zealand and the US.



**Mr Timothy M. Poole**  
Independent Non-Executive Director

Appointment date: 2016  
Qualifications: B.Com (Melbourne)

Tim has more than 28 years' experience in investment and funds management, starting his career at Price Waterhouse before helping to build Hastings Funds Management, where he became Managing Director. Tim has held numerous Board positions including Newcrest Mining Limited and Japara Healthcare Limited.



**Mr Bruce C. Wilson**  
Non-Executive Director

Appointment date: 2016  
Qualifications: B.Com (La Trobe)

Bruce has more than 20 years' experience in the plumbing industry working at Wilson Sheet Metals, a manufacturer of quality rainwater products and accessories for trade customers.



**Ms Megan L. Quinn**  
Independent Non-Executive Director

Appointment date: 2017  
Qualifications: GAICD

Megan has more than 25 years' experience in retail, advertising, marketing, publishing, supply-chain and finance, having worked in senior executive and consulting roles in Australia and globally. Megan co-founded NET-A-Porter in 1999 and has held a variety of senior executive and Non-Executive Director roles including Harrods and zipMoney Limited.



**Ms Georgina Williams**  
Independent Non-Executive Director

Appointment date: 2017  
Qualifications: B.Com, BA (Melbourne)

Georgina has more than 25 years' experience in the financial services industry, having several executive positions in commercial banking, wealth, strategy and marketing departments at NAB in Australia, and in the UK. Ms Williams has also worked as Chief Executive Officer, Food and Wine Victoria and Group Executive Engagement, Advocacy and Brand at Australian Super.



**Mr Andrew W. Wilson**  
Non-Executive Director

Appointment date: 2018  
Qualifications: B.Bus (RMIT), GAICD, ACMA/CGMA

Andrew has more than 20 years' experience in finance with leading national and multi-national companies. Andrew has held senior roles in the fields of audit, risk management, tax and treasury.



**Mr Gavin W. Street**  
Company Secretary & CFO

Appointment date: 2008  
Qualifications: B.Bus, B.Comp (Monash), CPA

Gavin served as Chief Financial Officer of Reece for eight years before being appointed Chief Data and Digital Officer in 2017. In July 2018, Gavin returned to the Chief Financial Officer and Company Secretary. Before joining Reece, Gavin held finance roles at GE, ANZ Banking Group Limited and was Chief Financial Officer of Westpac Bank in New Zealand.

The experience and expertise relevant to the position of Director held by each Director in office at the date of the Annual Report is included in the Directors' Report.



### Principle 3

## Principled

**Act ethically and responsibly**

The Board places great emphasis on honesty and integrity in all business dealings, recognising that the interests of all stakeholders are served best when Directors, senior executives and all employees adhere to high standards of business ethics and comply with the law.

In order to clarify the standards of ethical behaviour required of its directors, senior executives and employees, the Board has established a Code of Conduct to ensure that Reece's ethical reputation is maintained. Senior executives and employees are required to complete online Code of Conduct training when they commence with Reece. The Reece Code of Conduct for Directors, senior executives, employees is published on the Company website at [www.reecegroup.com.au](http://www.reecegroup.com.au)

The Board is informed of any material breaches of the Code of Contact.



Reece has a policy concerning trading in the Company's securities. The Share Trading for Directors and Employees Policy includes detailed requirements for Directors, officers and management on when they can trade Reece securities. The policy is published on the company website at [www.reecegroup.com.au](http://www.reecegroup.com.au)

Reece has an Equal Opportunity and Diversity Policy that is published on the company website at [www.reecegroup.com.au](http://www.reecegroup.com.au)

The Company has adopted a Whistleblower Policy designed to provide all employees the opportunity to raise concerns regarding improper conduct without fear of any adverse ramifications. These concerns can be raised internally with our human resources department, or via an independent and confidential service.

The Board encourages and supports the Reece commitment to an ethical and responsible work environment that provides an equal opportunity to all employees. Reece has implemented the following initiatives:

- › Made the policy available to all employees;
- › Introduced online training programs on equal opportunity;
- › Continued providing management training programs that highlight the importance and benefits of diversity in the workforce;
- › Continually reinforced our policy to recruit for the best available talent regardless of gender, age, ethnicity, disability or cultural background; and
- › Conducted an annual review by the company's Risk and Compliance Committee and the Board of the Reece gender profile.

#### Principle 4

# Accountable

Safeguard integrity in corporate reporting

The details of the number of Audit Committee meetings held and attended are included in the Directors' Report. Minutes are taken at each Audit Committee meeting, with the minutes tabled in the following full Board meeting.





The Audit Committee operates under a charter that details the roles, duties and membership requirements. The Audit Committee Charter is available on request.

The Audit Committee reports back to the Board on all matters relevant to the Committee's roles and responsibilities. This includes:

- › An assessment of the adequacy of Reece's external reporting for shareholder needs;
- › An assessment of the appropriateness of accounting judgements exercised by management in the preparation of the financial statements;
- › An assessment as to whether the financial statements reflect a true and fair view of the financial position and performance of the company;
- › The procedures to select and appoint an external auditor and the rotation of external audit engagement partners in accordance with regulatory requirements;
- › Recommendations for the appointment or, if required, the removal of an external auditor;
- › Assessment of the performance of the external auditor;
- › Assessment of the performance and objectivity of Reece's internal audit function; and
- › Review of Reece's risk management system and associated internal controls.

In addition to their roles and responsibilities, the key activities undertaken by the Audit Committee during the year include:

- › Monitoring developments in accounting and financial reporting relevant to Reece;
- › Approval of the scope, plan and fees for the 2020 external audit;
- › Meeting with external auditors and monitoring the progress of the external audit for 2020;
- › Reviewing and recommending to the Board the adoption of Reece's half year and annual financial statements;
- › Jointly with the full Board, monitoring the progress of matters arising from the Code of Conduct and Whistleblower Policy; and
- › Reviewing the internal audit reports and approving the Internal Audit Plan.

The Company has an internal audit function responsible for auditing all branches and departments. Internal auditors attend branches to conduct audits and monitor adherence to policies and procedures, reporting to the Board Audit Committee twice yearly.

## Chairman

L. Alan Wilson

## Board of Directors

Peter J. Wilson  
Managing Director

Timothy M. Poole  
Independent Non- Executive Director  
(Deputy Chairman of the Board, Chairman of the Audit Committee, Chairman of the Remuneration Committee)

Bruce C. Wilson  
Non-Executive Director (Audit + Remuneration)

Megan L. Quinn  
Independent Non-Executive Director (Remuneration)

Georgina Williams  
Independent Non-Executive Director (Audit)

Andrew W. Wilson  
Non-Executive Director (Audit + Remuneration)

Gavin W. Street  
Company Secretary

## Executive

Peter J. Wilson - Group CEO  
Gavin W. Street - Group CFO  
Claude (Chip) A.S. Hornsby - MORSCO Executive Chairman  
Sasha Nikolic - CEO United States

Principle 5 & 6

# Transparent

Make timely and balanced disclosure  
Respect the rights of security holders

Reece has policies and procedures to ensure compliance with the ASX Listing Rule requirements for timely and balanced disclosure of all material matters concerning the Company. All market disclosures are approved by the Board.



The Board has approved a Continuous Disclosure Policy and is committed to complying with the continuous disclosure requirements of the Corporations Act 2001 and ASX Listing Rules.

The Chairman and the Company Secretary are authorised to communicate with shareholders and the market in relation to Board approved ASX disclosures. Other Directors and management must adhere to this policy at all times.

All announcements made to the ASX are placed on the Reece Group website directly after public release. Reece publishes its Annual Report on the Company's corporate website and provides a printed copy of to all shareholders who request it. The Annual Report contains relevant information about the Company's operations and during the year, changes in the Company's circumstances and other disclosures required by the Corporations Act 2001. The half year report provides summarised financial information and a review of Reece operations during the period.

The Reece Group website provides all shareholders access to all announcements and related information, which are posted immediately after release to the ASX. Through its share registry, shareholders can elect to receive communications electronically. In addition, the Reece Group website publishes corporate governance documents, an overview of operations and company history.

All shareholders are invited to the Annual General Meeting, which is structured to encourage shareholders to actively participate. They are invited to comment or ask questions of directors on any matter relevant to the performance and operation of the Company. External auditors attend each Annual General Meeting and are available to answer shareholder questions about the Auditors' Report.



## Principle 7

# Responsible

## Recognise and manage risk

The Board sees effective risk management as an integral part of good management and vital to the continued growth and success of the Company. The Board has decided against the establishment of a separate Board Risk Committee at this time, and risk oversight remains a direct responsibility of the full Board.

As a part of the Company's rigorous risk management process, a Risk and Compliance Committee, made up of executives and management, meets quarterly and reports to the Board. The Committee reviews the risk management framework annually and provides recommendations to the Board.



Reece risk management policy aims not to eliminate risk but to identify, monitor and manage material risks inherent in the activities of the Company.

In managing risk, the Board has charged the Risk and Compliance Committee with the responsibility of determining and implementing risk management controls in the conduct of the business in at least the following areas:

- › Strategic risks;
- › Operations, including business continuity;
- › Product and service quality;
- › Reputation;
- › Ethical conduct in business dealings;
- › Maintenance of a safe work environment;
- › Management of technology resources;
- › Integrity and reliability of financial reporting;
- › Compliance with internal policies and procedures;
- › Compliance with regulatory requirements; and
- › Compliance with environmental obligations.

The Company has effective risk management controls implemented by Reece management incorporating:

- › A clearly defined organisational structure with defined management responsibilities;
- › Segregation of duties;
- › Delegated limits of authority;
- › Reliable and stable management reporting systems and accounting controls;
- › Internal audit function to review the quality and effectiveness of internal processes, procedures and controls;
- › Procedures for managing financial risk and the treasury function;
- › A comprehensive insurance program that is reviewed annually;
- › Utilisation of an independent, confidential and impartial whistleblowing management service; and
- › A clearly defined set of standards and behaviours expected from those working within the company.

The Board retains oversight responsibility for assessing the effectiveness of the Company's systems for the management of material business risks and has received written assurances from management as to the effectiveness of the Company's management of these.

The Chief Executive Officer and Chief Financial Officer have provided written assurance that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects relating to financial reporting risks.



## Responsible to our stakeholders

In addition to our shareholders, customers and employees, we take a wider view of those impacted by our business and how we conduct it. We seek to make this impact positive at all times. We see our stakeholders as the people with whom we work, whether they are employees, suppliers or neighbours. We see our communities and our environment as local and global, and work to generate positive change.

The Company has a number of initiatives in place to manage environmental, customer, supplier and employee risks and include;

- › The Company reports its carbon emissions annually under the Federal Government's National Greenhouse and Emissions Reporting scheme, with a copy available on the company website at [www.reecegroup.com.au](http://www.reecegroup.com.au);
- › The Board supports a number of philanthropic initiatives with details provided in the Directors' Report;
- › Reece supports a range of community projects to improve the environment and help local communities;
- › Reece is committed to providing products which provide sustainable solutions to our customers;
- › Reece undertakes independent quality testing and operates an in-house laboratory for the testing and development of products;
- › Reece provides an after sales customer care service;
- › Customer satisfaction surveys are conducted annually and reported to management and the Board. Senior management reviews the feedback and develops actions to further improve customer service;
- › Reece works closely with its suppliers and conducts regular meetings; and
- › Reece undertakes employee engagement surveys. Results, issues and actions are reported to the Board. In addition, employees have the ability to provide feedback on a daily basis directly to senior management on any issues.



## Expanding The Reece Grant

After three years of supporting our customers to fulfil dreams of bringing lifesaving sanitation to overseas communities, we have expanded The Reece Grant. Now Reece is also funding projects with cash and products to help Australians and Australian communities.

The Reece Grant is our way to support projects in local and international communities and help Australians students gain important skills to benefit their futures. 100% of profits from all drinks sold in the Reece store network are directed to The Reece Grant. Since inception, The Reece Grant has raised over \$500,000 and funded community projects at home and abroad, as well as provided support to students.

## Reece Partners

Our charity partners were selected based on the ability for the organisations to work with us towards causes that have the greatest impact on Reece's people and customers - mental health, men's health, disease prevention, supporting rural and regional communities and creating youth employment pathways.

The partners selected are:



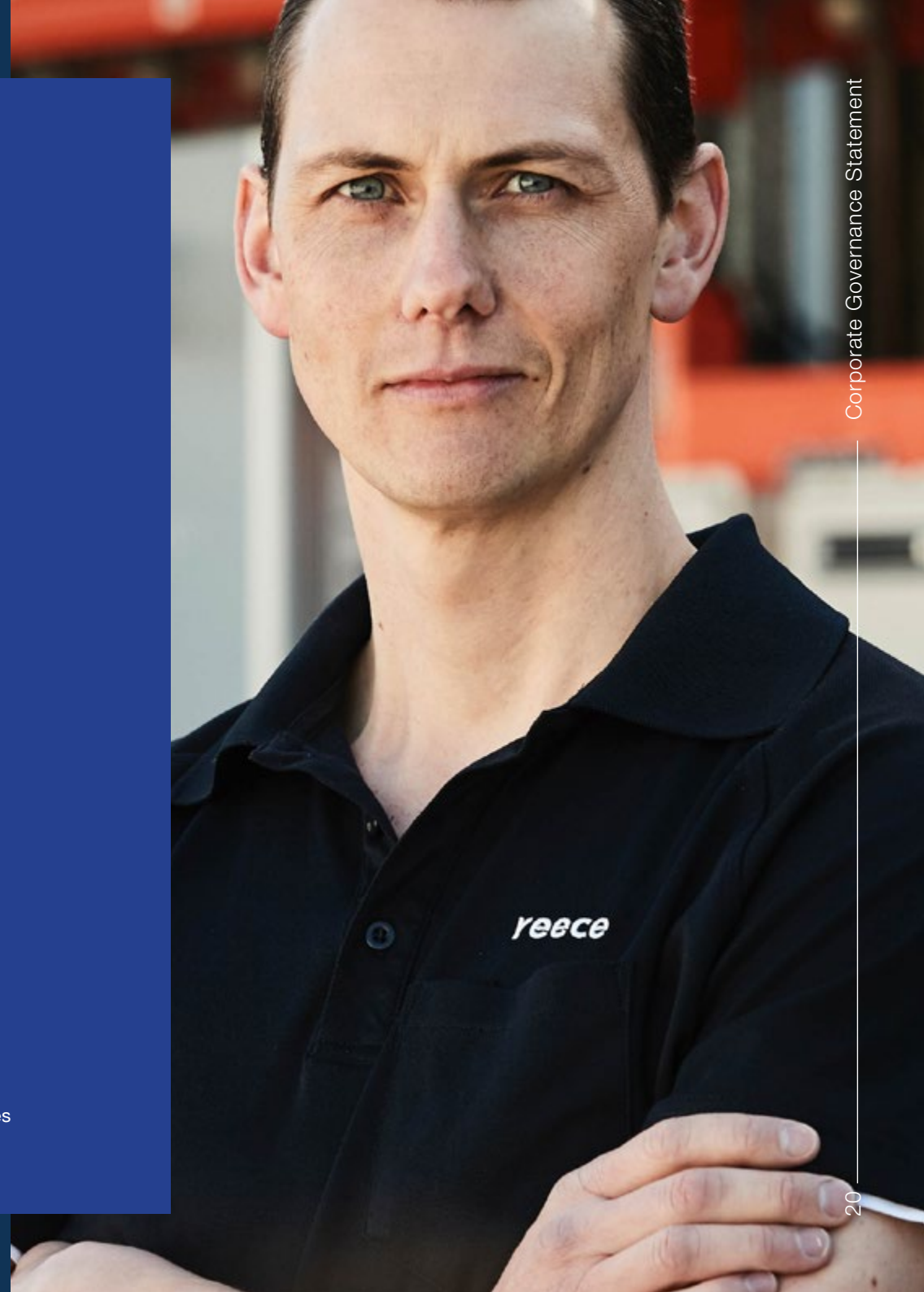
## Principle 8

# Just

Remunerate fairly and responsibly

The ASX Corporate Governance Principles and Recommendations recommend a Remuneration Committee of at least three members, the majority independent. Reece's Remuneration Committee includes four Non-Executive directors, two of which are independent, including the Chair.

The Committee is chaired by an Independent Director, Timothy M. Poole, and includes Megan L. Quinn, Andrew W. Wilson and Bruce C. Wilson.



Just

Directors' and senior executives' remuneration is the responsibility of the Remuneration Committee. The Committee obtains advice where necessary, to ensure Reece attracts and retains talented and motivated employees who can enhance our performance through their contributions and leadership.

The Board retains a high calibre management team through a policy of fair and appropriate remuneration that takes employment market conditions into consideration and is linked to the Company's financial and operational performance.

The remuneration components for each Executive Director and senior executive are largely cash based and non-cash benefits are modest. In FY20 Reece introduced a Long-Term Incentive Plan. The rules of the plan prohibit executives from hedging their economic risk as a result of participating in the long-term incentive scheme.

Non-executive Directors are remunerated through cash fees plus statutory superannuation and do not participate in the company's incentive scheme.

There is no scheme to provide non-executive directors with retirement benefits other than statutory superannuation. Director and executive disclosure requirements are dealt with in the Directors' Report. The Remuneration Committee operates under its own charter, which is available from Reece on request.



### Remuneration – just part of the package

We see best practice remuneration and performance processes as essential to good management. But we also know what our people value most is opportunity. Our culture encourages people to have a go and gives them permission to fail when they try something new. Our value of teamwork means they probably won't, though.





[reecegroup.com.au](http://reecegroup.com.au)