

## Blackmores (BKL)

### Whakarāpopototanga | Summary

BKL has a healthy TAHITO score (6.7/10) with high scores in community engagement and governance. BKL has a 'AA' MSCI ESG rating. Four of the seven BKL board members are female. Five out of twelve members of the executive team are female. BKL has healthy optimistic values and principles.

T Score  
**6.7**

V Score  
**5.4**

TAHITO Score Card - BKL (Out of 10)	Score
Te Taiao - Environment	<b>6.8</b>
Hapori - Social	<b>5.7</b>
Mana whakahaere - Governance	<b>8.5</b>
<b>MSCI ESG Ratings (Out of 10)</b>	<b>AA</b>
Climate change	7.6
Environment	6.0
Human capital development	3.5
Corporate governance	7.9

### Te Whakaaturanga | Business Description

Blackmores Limited is an Australia-based natural healthcare company. The Company is engaged in developing, manufacturing, sales, and marketing of natural health products for humans and animals including vitamins, and herbal and mineral nutritional supplements. The Company's segments include Australia and New Zealand (ANZ), China and International. The ANZ segment includes BioCeuticals and PAW brands sold across Australia and New Zealand. The China segment consists of Blackmores and PAW by Blackmores brands in China and the China Export Division. The International segment comprises Indonesia, Thailand, Malaysia, Singapore, Hong Kong (China), Taiwan (China), Korea, Vietnam, Pakistan and Kazakhstan.

### Mana Whakahaere | Governance

Blackmores purpose and vision talk to nature and connection. These are two behavioural changes required for a sustainable and resilient future.

OUR purpose: We exist so you have a choice to make living well each day a natural way of life.

OUR vision: To connect every person on Earth to the healing power of nature.

Blackmores has labelled their values 'PIRLS', and they are both behavioural and aspirational. They underpin their work practices and are supported by legal policies and procedures.

- **Passion for Natural Health:** Our enthusiasm and belief in a natural, holistic approach to health inspires us to excellence in everything we do.
- **Integrity:** We are honest, trustworthy and committed to the highest standards of personal, professional and business behaviour.
- **Respect:** We treat each other with fairness, dignity and compassion and we embrace diversity.
- **Leadership:** As a company, in teams and as individuals, we use our wisdom, experience and knowledge to inspire and influence everyone to be their best.

- **Social Responsibility:** Our actions demonstrate our care, respect and compassion for our people, the broader community and the environment.

### Te Taiao | Environment

Blackmores has committed to these impactful environmental targets:

- Net Zero Carbon Emissions by 2030.
- Transitioning to 100% renewable electricity in NZ and Australia by 2025.
- Optimise the use of technology and increase staff awareness to reduce travel emissions intensity by 30% by 2030 (compared to 2018).
- Delivering a sustainable packaging solution, consisting of a 100% recycled packaging target in Australia and NZ by 2025.
- Optimising material recycling and recovery, diverting 80% of onsite waste from landfill by 2025.

Blackmores has taken clear steps to address their greenhouse gas emissions impact. Group manufacturing emissions intensity was down 17% compared to the prior year. The Net Zero by 2030 commitment is their flagship initiative as part of a program to address climate change resilience. Through ongoing climate scenarios and risk assessments, Blackmores continue to monitor changes to their natural environment, operational markets and the evolving health needs of the people they serve, to ensure they address the need to mitigate climate change and to adapt to its impacts.

Blackmores have developed a financial model to enable them to quantify the risk assessment in relation to their supply chain, enabling them to prioritise sustainable sourcing initiatives and improve climate-related disclosures in future reports.

Blackmores has also taken the first steps towards developing a framework for understanding the biodiversity impacts in their supply chain. This journey is shared with many of their key suppliers.

Partnering for Adaptation initiative is a sister program for Partnering for People, launched in December 2018 when Blackmores Group committed to assess and address the risk of modern slavery in their supply chain.

## Blackmores (BKL) - Continued

As a result of this program, they were able to publish their first Modern Slavery Statement. They have since strengthened their Supplier Code of Conduct, completed risk assessments on 100% of the key suppliers and rolled out education modules to lift capability to achieve a vision of zero exploitation within their supply chain.

### Challenges

Blackmores progress has not been without its challenges. Waste diversion from landfill declined significantly because of changes to the waste export market. Even though more than 98% of their current packaging footprint is recyclable, there's more work to be done to achieve the vision for 100% recyclability and to contribute to a circular economy, one which is more conscious of the resource footprint without compromising product quality.

### Environmental positive impact tracking:

- Group carbon emissions, encompassing Scope 1, 2 and 3 emissions, were down by 162 tonnes. Though a modest 1% decline, the prior year contained only eight months of emissions from the recently-acquired Braeside manufacturing facility.
- The Net Zero Carbon by 2030 initiatives have already facilitated a 24.7% reduction in the Group's footprint trajectory compared to the prior year.
- 25% of energy is now from renewable sources, up from 8% the prior year.
- 86% of the corporate fleet is now hybrid vehicles.

TCFD progress: The Blackmores Financial Sensitivity Model aims to:

- Quantify potential climate impacts on future earnings to inform reporting in line with the Task Force on Climate-related Financial Disclosures.
- Identify areas of focus for their sustainable sourcing program.
- Improve packaging recycling outcomes.

The Australasia Recycling Label was added to a further 115 products and now appears on 51% of Australian and New Zealand products, which is in excess of their 2025 target.

Sustainable supply chain progress:

- Sustainability risk assessments completed on 100% of raw material, packaging, packing and contract manufacturing suppliers.
- First supply chain biodiversity risk assessments undertaken.

## Te Pāpori | Social

Blackmores state that they strive to make a difference by building healthier communities, supporting charitable organisations and inspirational individuals who are helping to create a brighter future. Here are the BKL prominent social impact activities.

- Community Day: Permanent staff members are entitled to one Community Day each year to take a day out of the office to do volunteer work with their favourite charitable community organisation.
- Matched Donations Charitable Scheme: Employees are encouraged to participate in a charitable scheme whereby 0.5% of their taxable pay is deducted each payday and placed in an interest-bearing trust account. The Company matches this and twice yearly each participating employee nominates

a registered charity to receive the donation. Donations totalled \$181,000 in FY21.

- In Australia, the Blackmores Mercie Whellan Women & Wellbeing Awards celebrate women making an outstanding contribution to their local communities. They are also long-term supporters of Quest
- for Life Foundation founded by Petrea King, which runs educational self-help programs and community-based workshops to improve resilience and wellbeing
- In Asia, the Blackmores staff drive grassroots initiatives. This includes their Malaysia team's Project Kindness, which served 7,500 meals to the urban poor and homeless in 2018 and their Thailand team's 'Keep Running Keep Wellbeing' program which recently donated 7,543 pairs of shoes to needy school children. In Indonesia, they support the Bumi Sehat Foundation to improve maternal and child health in rural communities.
- Blackmores also supports additional community groups and fundraising and awareness activities throughout the year with financial contributions, Blackmores product charity hampers and staff-driven fundraising initiatives such as breakfast BBQs.
- Blackmores contributed more than \$880,000 in product and financial donations and staff gave more than 5,300 hours of their time to wellness initiatives and volunteering to support communities in need.

## Ngā Tohu Whakamana | Accreditations and Recognition

Blackmores is guided by the United Nations Sustainable Development Goals and informed by relevant GRI standards for select indicators. Limited assurance is provided by Deloitte Touche Tohmatsu.

BKL's sustainable and ethical sourcing focus has been on progress towards a goal of zero exploitation within their supply chain. The company commissions ethical audits, including independent on-site human rights and sustainability audits using the Sedex Members Ethical Trading Audit (SMETA) protocol.

## Whanaungatanga | Partnerships

Blackmores engaged 41% of Tier 1 direct suppliers in their Partnering for Adaptation program to collaborate on climate risk and biodiversity impacts.

## Blackmores (BKL) - Continued

### Te Hāpori me te Taiao | People and the Planet

Blackmores is aiming to achieve:

- A strong position to understand and address the impact of climate change and biodiversity loss on access to natural medicines.
- To be a leader in natural health and sustainability through innovation, research, education and a robust corporate governance framework.
- To make a meaningful contribution to society by providing high quality and trusted health education, championing equality to support their consumers in the recovery of their packaging.
- To inspire wellbeing through research and delivery of accredited health education to 100,000 healthcare advisors each year.
- Advocacy for change to optimise recycling and reduce the

impact of their packaging.

- 50% of senior executive roles are held by women by 2025.
- 50% of management roles are held by women by 2025.
- 50% of board roles are held by women by 2025.
- Gender equity in relation to remuneration.
- Alignment reporting to the recommendations of the Task Force on Climate-related Financial Disclosures.

To increase their understanding of Indigenous culture, Blackmores partnered with Koori Kinnections during National Reconciliation Week to engage in a First Nations cultural immersion. Their native species of flora guide shared traditional uses for many of the native species growing at the Blackmores Campus. The strong connection between Indigenous medicine and naturopathic ingredients is seen as a reminder of Blackmores' role in preserving the environment, both through sustainable practices and by strengthening their indigenous understanding.

### Te Pārongo Ahumoni | Financial Information

Ticker and V Score	Forward Dividend Yield	Forward P/E	Long Run Median P/E	Forward P/E rel LRM	Forecast EPS Growth (Yr 2&3)	Return on Capital	Total Debt / Total Capital
<b>BKL: 5.4</b>	1.7%	45.2	19.7	2.3	42%	9.7%	7%

In 2018, Chinese sales accounted for more than a third of Blackmores operating profits and significant portion of its growth promises. Four years on, amidst a global pandemic, significant logistics challenges and geo-political flares, the operating profits in the Chinese division are less than half of what they were in 2018, falling from \$35m to \$14m. Sales are down 8% but the growth potential still remains.

BKL showed strong earnings growth over the past year and is

currently liked by analysts predicting good earnings growth. BKL is trading below estimated fair value. BKL is debt free.