

EBOS Limited (EBO)

Whakarāpopototanga | Summary

EBOS has a Tahito score of 5.5 (out of 10) with good scores in climate change and environmental efforts and governance quality. EBOS has an 'AA' MSCI ESG rating.

T Score
5.5

V Score
4.6

TAHITO Score Card - EBO (Out of 10)	Score
Te Taiao - Environment	6.2
Hapori - Social	3.4
Mana whakahaere - Governance	4.4
MSCI ESG Ratings (Out of 10)	AA
Climate change	8.3
Environment	8.3
Human capital development	4.9
Corporate governance	8.5

Whakarāpopototanga | Summary

EBOS Group (EBOS) is the largest and most diversified Australasian marketer, wholesaler and distributor of healthcare, medical and pharmaceutical products. Last year, EBOS marked its centenary. The original business began in 1922 as the Early Brothers Trading Co.

Ngā tohu matau i aro ki ngā whaipanga ō TAHITO | Key points aligned to TAHITO values

Utu - tō mauri (Reciprocal – collective dominance):

EBOS has approved the scoping of an 18.8MW solar array. This infrastructure is planned to meet the total annual electricity demand of its Australian operations.

Kawa - tō ora (Cyclical - collective success):

In 2022 EBOS celebrated its centenary. The Board has stated that for the next one hundred years, they believe in the power of people working together to bring about positive change as demonstrated by the success of their enduring partnerships with key stakeholders – investors, employees, suppliers, customers, clients, consumers, patients and community-based organisations.

Te pae o Rangī | Environment: Info, Metrics and Targets

EBOS supports widespread consensus around the world that governments, corporates and civil society must work together to limit global warming within 1.5 degrees Celsius of pre-industrial levels.

EBOS has a 15 year partnership with Greenfleet, a not for-profit working to protect the climate by restoring native forests. Since 2007, the EBOS healthcare segment has offset estimated annual transport emissions from customer deliveries with carbon credits from Greenfleet totalling over 90,000 tonnes of CO₂e.

2022 Highlights: 12,192 tonnes of Co₂ offset with Greenfleet. Carbon neutral targets established.

Carbon Zero / Neutral: Info

In FY22, the EBOS Board endorsed the commencement of a journey to becoming a Carbon Neutral organisation.

EBOS Targets:

- Reduce energy consumption by 15% through efficiency measures by FY25.
- Generate renewable energy to meet the electricity demand for all Australian operations by FY27.
- Achieve an average 4-stars NABERS Energy rating at the highest energy-consuming sites by FY28.
- Neutral Scope 1 emissions in FY23, Neutral Scopes 1 and 2 emissions in FY27, Neutral Scopes 1, 2 and 3 building emissions in FY28.
- Continue to offset the estimated greenhouse gas emissions from transport associated with customer deliveries in the healthcare segment with Greenfleet.

Scope 1 emissions are generated by machinery or equipment owned/ controlled by EBOS. These are driven predominantly by gas powered drying and heating. **741 tCO₂e Scope 1 GHG emissions.**

Scope 2 emissions are linked to consumption of electricity on sites that are owned/controlled by EBOS. Since grid-purchased power in New Zealand is ~90% renewable, the vast majority of these emissions arise in the Australian operations. **14,452 tCO₂e Scope 2 GHG emissions.**

EBOS has started to estimate Scope 3 emissions arising from essential business activities in the value chain such as waste disposal, road transport in the distribution network, staff commuting and data storage.

EBOS has approved the scoping study for an 18.8MW solar array. This infrastructure is planned to meet the total annual electricity demand of the Australian operations. The solar array is a multi-year project scheduled to be delivered in four stages.

EBOS Limited (EBO) - Continued

Te Poho o Papa | Environment: Info, Metrics and Targets

2022 Highlights: Ethical sourcing strategy developed. Sustainable packaging goals set, commencing 2025 or earlier. EBOS plans to convert all packaging for their Grocery brands into reusable, recyclable, or compostable materials.

Waste management / reduction: Info

- In FY22, Masterpet* and Sentry* achieved 'Advanced'-level APCO performance ratings, indicating tangible action on optimising use of recyclable materials, increasing reusable packaging and improving recoverability of packaging at end-of-life, among other indicators of progress.
- Masterpet is engaging actively with major packaging suppliers on their sustainability program. The goal is for 80% of Masterpet packaging to be recyclable by 2025.
- Sentry uses Forest Stewardship Council (FSC) certified paper for own-brand packaging and its product lines with 400gsm gray inside and white outside carton packaging are made of 50-70% recycled material.
- Endeavour Consumer Health* has launched a new range of dietary supplement products packaged in plant-based material derived from sugarcane, which are 100% recyclable. (*EBOS Brands)

Te Mana Taurite | Equity & Diversity

EBOS measures and discloses meaningful information about the Group's performance guided by the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB).

Code of Ethics

In FY22, EBOS implemented online Integrity training to ensure that employees understand EBOS policies and can uphold legal and regulatory requirements. E-learning courses on topics such as Worker Health & Safety, Discrimination and Harassment, Anti Bribery & Code of Ethics, Fraud Awareness, Whistleblower, Consumer Protection & Unfair Business Conduct and Privacy were assigned to relevant employees.

EBOS notes that their Ethical Sourcing Framework includes: Modern Slavery, Child Labour, Compliance with labour laws - including wage compliance, Health and safety, Environmental standards, Compliance with other laws - including international sanctions.

People and whanau: internal

EBOS allows employees to become shareholders in the Group through the EBOS Employee Share Plan (ESP). The latest ESP invitation in 2022 was accepted by nearly 60% of eligible employees.

Gender Diversity

EBOS has 43% Women representation on the Board (3 of 7) and 36% Women representation on the Executive team (4 of 11).

Indigenous policy rights, values and numbers

In August 2021, EBOS released their second Reflect Reconciliation Action Plan, aiming to embed better awareness and understanding of Aboriginal and Torres Strait Islander peoples, cultures, histories and achievements throughout the organisation. Their stated focus is on how EBOS can improve career opportunities for First Nations people and procure more goods and services from Aboriginal and Torres Strait Island suppliers.

EBOS has partnered with Supply Nation, a directory of more than 3,500 verified Indigenous businesses. Supply Nation offers under-represented businesses the same opportunities to compete for business as other qualified suppliers giving rise to a range of business benefits, including supplier diversity, sustainability, flexibility, innovation and value, and helping to close the gap between First Nations and non-Indigenous businesses.

EBOS works with 15 Times Better, a First Nation's organisation with a mission to support companies in establishing, improving, scaling up and delivering Indigenous affairs programs as part of the collective national effort to 'close the gap.'

EBOS also commenced cultural awareness training in New Zealand to improve their Cultural Intelligence of Māori inclusion. The program explored New Zealand's diverse and evolving cultural landscape and equips leaders to effectively manage cultural profiles, styles and assumptions in the workplace.

Wage ratio (Within 1 to 10)

1 to 56.3 (Wage ratio = CEOs salary divided by median salary)

Partnerships

Business and industry associations:

- National Pharmaceutical Service Association (NPSA): The peak organisation representing full-line pharmaceutical wholesalers in Australia.
- Medicines New Zealand: Representing modern medicines recognised as life-changing, breakthrough and leading therapies in New Zealand.
- Medicines Australia: The leading industry body for research based medicines in Australia.
- Medical Technology Association of NZ: The leading industry body representing medical technology manufacturers, importers and distributors in New Zealand.

Te Hāpori Whanui | Community

EBOS provided medical supplies to global relief efforts after an urgent plea for help on behalf of the Australian Federation of Ukrainian Organisations. \$160,000 of medical supplies went to the Ukraine.

In August 2021, EBOS introduced a COVID-19 vaccination incentive; donating \$75 to UNICEF for every employee who received the vaccination. As a result, 2,897 employees were vaccinated, raising \$217,000 for UNICEF's VaccinAid appeal.

EBOS has been supporting the September challenge steps for Cerebral Palsy for 5 years. In 2021 staff raised \$32,873 with 96,261,533 steps. The money goes to initiatives including early detection of cerebral palsy, research, telehealth, investment in mobility and communication aids, and state-of-the art therapy centres.

TerryWhite Chemmart aims to raise an additional \$150,000 for Ovarian Cancer Australia by the end of 2022. Every year 1500 Australian women are diagnosed with ovarian cancer – and for the past 16 years TerryWhite Chemmart has been supporting Ovarian Cancer Australia's efforts to find a cure for the disease. TerryWhite Chemmart has raised more than \$1.7 million for the Melbourne-based organisation.

TerryWhite Chemmart has partnered with the Jodi Lee Foundation on its Trust Your Gut campaign to raise awareness of regular bowel screening and to sell bowel screening kits.

EBOS Limited (EBO) - Continued

Te Ngākau Aroha

In FY22, EBOS developed ESG sub-strategies to deliver on their ESG Program, including setting targets, milestones and Key Performance Indicators (KPIs) for Environmental Stewardship, Packaging and Waste, Ethical Sourcing and Our People – Health, Safety and Wellbeing, Culture and Engagement, Talent and Capability, and Performance and Reward.

EBOS products and services impacts lives of millions of consumers and patients each day. They profess commitment to serving stakeholders with goods and services that are safe, effective and affordable, healthy for people, animals and the planet. They claim to focus on continually enhancing the fundamentals of good quality, safety, social responsibility and environmental protection.

Values

EBOS values: customer driven; brave and innovative; working together; taking care of each other; striving for excellence; and doing what is right.

Purpose

The EBOS ESG program comprises five pillars encompassing 20 material ESG topics that EBOS believe to significant for the sustainability of their business and/or the interests of our stakeholders.

Core Business offering: Pillars 1 and 2 of the ESG Program, Health & Animal Care Partners and Consumers & Patients, focus on impacts of the Group's daily business operations. They aim to support customers to achieve better health outcomes by ensuring the availability and reliability of medicines and other essential products and services.

Social and environmental role: Pillar 3 of the ESG Program, Community & Environment, addresses broader sustainability challenges facing communities. Reaching out to help out is understood to be an integral part of their corporate culture. They aspire to contribute positively towards resolving complex problems such as responding to climate change and helping to create a fairer, healthier and more equal society.

Firm foundations: Pillars 4 and 5 of the ESG Program, Our People and Responsible Business, recognise that corporate sustainability stems from solid foundations embedded in their corporate culture.

Mauri Oho-oho

Community Service Obligation: Community pharmacies and Community Service Obligation (CSO) wholesalers fulfil a vital role in ensuring that all Australians enjoy reliable and affordable access to essential medicines under the Pharmaceutical Benefits Scheme (PBS) and National Diabetes Services Scheme (NDSS).

Te Whakaaturanga Pakihi | Business Description

EBOS Group Limited is an Australasian marketer, wholesaler and distributor of healthcare, medical and pharmaceutical products. The Company is also an Australasian animal care brand owner, product marketer, and distributor. Its segments include Healthcare, Animal Care and Corporate. The Healthcare segment incorporates the sale of healthcare products in a range of sectors, such as own brands, retail healthcare, medical devices, capital equipment, pharmacy services, and wholesale activities. The Animal Care segment incorporates the sale of animal care products in a range of sectors, own brands, retail, and wholesale activities. Its Community Pharmacy business includes Symbion, Endeavour Consumer Health, ProPharma, DoseAid, TerryWhite Chemmart, and Pharmacy Wholesalers Russells, among others. Its Contract Logistics business includes Healthcare Logistics and Healthcare Logistics Clinical Trials. Its Institutional Healthcare includes Clinect, Cryomed Aesthetics and Onelink, among others.

MSCI ESG Rating

EBOS Group has been upgraded to 'AAA' from 'AA'. EBOS Group leads global peers on corporate governance. The company does not have a controlling shareholder and follows the one share one vote principle, aligning shareholders' voting power with economic exposure. Moreover, its executive pay practices appear to be generally well-aligned with sustainable shareholder interests. We note the company is on par with peers in quality management performance. Like healthcare distributor peers, the company is exposed to corruption risks due to multiple touchpoints with the government for approvals. Nevertheless, it leads global and home market peers with strong ethics management practices, notably a robust anti-corruption policy and whistleblower protection. As a distributor of medical equipment and supplies, EBOS Group is exposed to risks related to product quality. Our research indicates the company has evidence of certification to international quality standards (ISO 9001). However, we note it had at least one Class II (moderate) recall in the three years ended March 2022. EBOS Group has a relatively low exposure to risks of compliance costs stemming from new or more stringent carbon regulations. Nevertheless, the company implements some carbon mitigation measures, such as setting reduction targets and using cleaner energy sources, which are on par with those of global peers.

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
EBO: 4.6	3.0%	28.0	16.7	1.7	15%	8.9%	33%

Website: www.ebosgroup.com

Ticker: EBO

Market Capitalisation: \$NZ8,550m

Country: New Zealand

Industry: Health Care Providers & Services Sub-Industry: Health Care Distributors