

22 February 2022

Company Announcements Office
ASX Limited / NZX Limited

Dividend Policy update

Michael Hill International Limited (ASX/NZX: MHJ) today announced an update to its dividend distribution policy (**Policy**).

The Board approved an updated Policy which reflects current practices and considerations to be taken into account for the declaration and payment of dividends.

A copy of the updated Policy is attached.

This announcement was authorised for release by the Board.

- ENDS -

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DIVIDEND DISTRIBUTION POLICY

1. Policy statement

The Michael Hill International Limited Board is committed to a policy of providing consistent, sustainable, and reliable annual dividend program to shareholders while maintaining a strong balance sheet and retaining flexibility to meet the business' financial needs.

2. Policy guidelines

- (a) Prior to declaring a dividend, the Board will seek a recommendation from the Chief Executive Officer and Chief Financial Officer. Any recommendation to declare a dividend will be supported by:
 - (i) current year earnings, and forecast earnings based on trading outlook in our various markets
 - (ii) availability of funds for distribution including consideration of debt facility capacity
 - (iii) impact on any banking or other funding requirements by which the Group is bound to
 - (iv) capital requirements
 - (v) desired long term capital structure
 - (vi) the requirements specified in the Constitution and the *Corporations Act 2001* (Cth), and
 - (vii) any other matter that the Board should be made aware of before making their decision.
- (b) The annualised target Dividend Payout Ratio is in the range of 50% to 75%. However, abnormal circumstances or events could take the dividend payout ratio outside this range from time to time.
- (c) In order to deliver a sustainable and reliable annual dividend program, consideration will be given to the seasonality of earnings between H1 and H2 (eg H1 interim dividend might be a higher proportion of the total annual dividends).
- (d) Other relevant economic factors can also impact the company's Distribution Policy and the board reserves the right to set dividends taking into account any external factors affecting the business. Wherever possible dividends will be fully imputed, fully franked and paid from conduit foreign income, however this is dependent on the level of imputation credits, franking credits and foreign conduit income available to attach at the time of payment.
- (e) Subject to the Constitution and the Corporations Act, after considering capital requirements to meet strategic objectives, a special dividend may be declared based on an aggregation of retained earnings or funds inflow from a corporate transaction (or series of transactions). A special dividend may be declared in a single period or pooled for release over a series of periods. Based on the nature of the special dividend, timing of declaration and payment can coincide with an interim or final dividend; or out of cycle from an interim or final dividend.

3. Definitions

In this policy:

Dividend(s) means either an interim or final dividend.

Dividend Payout Ratio means annual Dividends paid/payable as a percentage of full year NPAT (on a pre-AASB16 basis)

Special dividend means a non-recurring dividend.