G8 Education Limited
ABN: 95 123 828 553

Corporate Governance Statement
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Corporate Governance

G8 Education Limited (the Company) and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to review the framework and practices to ensure they meet the interests of shareholders. The Company and its controlled entities together are referred to as the Group in this statement.

A description of the Group’s main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year.

Principle 1: Lay solid foundations for management and oversight

The relationship between the Board and senior management is critical to the Group’s long-term success. The directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

The responsibilities of the Board include:

- Providing strategic guidance to the Group including contributing to the development of and approving the corporate strategy;
- Reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;
- Overseeing and monitoring:
  - Organisational performance and the achievement of the Group’s strategic goals and objectives;
  - Compliance with the company’s Code of Conduct; and
  - Progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments;
- Monitoring financial performance including approval of the annual and half year financial reports and liaison with the Group’s auditors;
- Appointment, performance assessment and, if necessary, removal of key executives;
- Ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team including the CEO, COFO and the Company Secretary;
- Ensuring there are effective management processes in place and approving major corporate initiatives;
- Enhancing and protecting the reputation of the organisation;
- Overseeing the operation of the Group’s system for compliance and risk management reporting to shareholders; and
- Ensuring appropriate resources are available to senior management.
The terms and conditions of the appointment and retirement of directors are set out in a letter of appointment.

Day to day management of the Group’s affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Managing Director and senior executives. These delegations are reviewed on an annual basis.

The Group has developed a process for annual appraisal of senior executives measuring performance in ten areas, including contribution to the overall success of the business. The appraisal is designed to measure success in achieving objectives set for the past twelve months and to set objectives for the ensuing twelve months. Succession planning is also built into the appraisal process to encourage development of future leaders within the Group.

The Group undertook performance evaluations for the management team and senior executives in November 2012.

The Board Charter is available on the corporate governance section of the company’s website www.g8education.com.

Principle 2: Structure the board to add value
The Board operates in accordance with the broad principles set out below:

Board composition
The charter states:

- The Board is to be comprised of both executive and non-executive directors. Non-executive directors bring perspective to the Board’s consideration of strategic, risk and performance matters and are best placed to exercise independent judgement and review and constructively challenge the performance of management;
- In recognition of the importance of independent views and the Board’s role in supervising the activities of management, the Chairperson must be an independent non-executive director, half of the Board must be independent of management and all directors are required to bring independent judgement to bear in their Board decision making;
- The Chairperson is elected by the full Board and is required to meet regularly with key executives;
- The board is to establish measurable board gender diversity objectives and assess annually the objectives and progress in achieving them;
- The Group is to maintain a mix of directors on the Board from different backgrounds with complementary skills and experience; and,
The Board is required to undertake an annual Board performance review and consider the appropriate mix of skills required by the Board to maximise its effectiveness and its contribution to the Group.

The board seeks to ensure that:

- At any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the group and directors with an external or fresh perspective; and
- The size of the board is conducive to effective discussion and efficient decision-making.

Board members
Details of the members of the Board, their experience, expertise, qualifications, term of office and independent status are set out in the directors’ report under the heading “Information on directors”. The Board consists of six directors, five of whom are non-executive and all five (J Hutson, B H Bailison, A Kemp, S Forrester and M Reynolds) are considered independent under the principles set out below.

Directors’ Independence
The Board has adopted specific principles in relation to directors’ independence. These state that to be independent, a director must be a non-executive and:

- Not be a substantial shareholder of the Group or an officer of, or otherwise associated directly with, a substantial shareholder of the Group;
- Within the last three years, not have been employed in an executive capacity by the Company or any other Group member, or been a director after ceasing to hold any such employment;
- Within the last three years not have been a principal of a material professional adviser or a material consultant to the Company or any other Group member, or an employee materially associated with the service provided;
- Not be a material supplier or customer of the Company or any other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- Must have no material contractual relationship with the Company or a controlled entity other than as a director of the Group; and
- Be free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the directors’ ability to act in the best interests of the Company.

Materiality for these purposes is determined on both a quantitative and qualitative bases. An amount of over 5% of annual turnover of the Company or Group or 5% of the individual directors’ net worth is considered material for these purposes.
In addition, a transaction of any amount or a relationship is deemed material if knowledge of it may impact the shareholders’ understanding of the directors performance.

Recent thinking on corporate governance has introduced the view that a directors’ independence may be perceived to be impacted by lengthy service on the Board. To avoid any potential concerns, the Board has determined that a director will not be deemed independent if he or she has served on the Board of the Company for more than ten years.

Term of Office
The Company’s Constitution specifies that all directors, other than a managing director, must retire from office no later than the third annual general meeting following their last election. Where eligible, a director may stand for re-election.

Commitment
The number of meetings of the Company’s Board of directors and of each Board committee held each year, and the number of meetings attended by each director is disclosed in the Company’s Annual Report.

It has been the Company’s practice to allow executive directors to accept appointments outside the Company with approval of the Board. There are currently no executive directors with outside appointments. The commitments of non-executive directors are considered by the Board prior to the directors’ appointment to the Board of the Company and are to be reviewed each year as part of the annual performance assessment.

Prior to appointment or being submitted for re-election, each non-executive director is required to specifically acknowledge that they have and will continue to have the time available to discharge their responsibilities to the Company.

Conflict of interests
Directors are required to avoid conflicts of interest and immediately inform the Board should a conflict of interest arise. Directors are also required to advise of any relevant interest that may result in a conflict. The Board has adopted use of formal standing notices in which directors disclose any material personal interests and the relationship of these interests to the affairs of the Company. A director is required to notify the Company of any material personal interest or if there is any change in the nature or extent of a previously disclosed interest.

Independent professional advice
Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the company’s expense. Prior written approval of the Chairperson is required, but this will not be unreasonably withheld.
Nominations and Remuneration
Due to the small size of the Board, nomination and remuneration matters are addressed by the Board. A set of guidelines has been established in this regard. The guidelines are available at www.g8education.com or by contacting the registered office.

Board Performance Assessment
The Board has developed an annual self-assessment process for its collective performance, the performance of the Chairperson and its committees. A questionnaire is to be completed by each director, evaluating his or her individual performance, that of other Board members and of the Board as a whole. The results and any action plans are to be documented together with specific performance goals which are to be agreed for the coming year.

Principle 3: Promote ethical and responsible decision making

Code of Conduct
The Company has developed a Code of Conduct (the Code) which has been fully endorsed by the Board and applies to all directors and employees. The Code is available at www.g8education.com or by contacting the registered office. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group’s integrity.

In summary, the Code requires that at all times all Company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Company policies.

Trading in Company Securities
The purchase and sale of Company securities by directors and employees is only permitted during the four week period following the annual general meeting, release of the half yearly and annual financial results to the market, except with written authority in accordance with the Company’s Securities Trading Policy. Any transactions undertaken must be notified to the Chairperson in advance. The Company’s share trading policy is available at www.g8education.com or by contacting the registered office.

The directors are satisfied that the Group has complied with its policies on ethical standards, including trading in securities.

Diversity policy
The Company values diversity and recognises the benefits it can bring to the organisation’s ability to achieve its goals. Accordingly the Company has developed a diversity policy which can be found at www.g8education.com or by contacting the registered office. This policy outlines the Company’s diversity objectives in relation to gender, age, cultural background and ethnicity. It includes requirements for the board to establish measurable objectives for achieving diversity, and for the board to assess annually both the objectives, and the Company’s progress in achieving them.
In accordance with this policy and ASX corporate Governance Principles the board expects to set the measurable objectives during 2013.

**Principle 4: Safeguard integrity in financial reporting**

**Audit Committee**
The audit committee consists of three non-executive directors, as disclosed in the Annual Report.

Details of these directors’ qualifications and attendance at audit committee meetings are also set out in the directors’ report in the Annual Report.

All members of the audit committee are financially literate and have an appropriate understanding of the industries in which the group operates.

The audit committee operates in accordance with a charter which is available on the company website. The main responsibilities of the committee are to:

- Review, assess and approve the annual full and concise reports, the half year financial report and all other financial information published by the company or released to the market
- Assist the board in reviewing the effectiveness of the organisation’s internal control environment covering:
  - Effectiveness and efficiency of operations;
  - Reliability of financial reporting;
  - Compliance with applicable laws and regulations;
- Oversee the effective operation of the risk management framework;
- Recommend to the board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance;
- Consider the independence and competence of the external auditor on an ongoing basis
- Review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence;
- Review and monitor related party transactions and assess their propriety; and
- Report to the board on matters relevant to the committee’s role and responsibilities.

In fulfilling its responsibilities, the audit committee:

- Receives regular reports from management and the external auditors;
- Meets with external auditors at least twice a year, or more frequently if necessary;
- Reviews the processes the MD and COFO have in place to support their certifications to the board; and
- Review any significant disagreements between the auditors and management, irrespective of whether they have been resolved.
The audit committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

**External Auditors**

The Company policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. The Company’s external auditor is disclosed in the Annual Report.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the directors’ report and in the notes to the financial statements contained in the Annual Report. The external auditors provide an annual declaration of their independence to the audit committee in accordance with the requirements of the Corporations Acts.

The external auditor attends the annual general meeting to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

**Principle 5 and 6: Make timely and balanced disclosures and respect the rights of shareholders**

**Continuous disclosure and shareholder communication**

The Company has policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company’s securities. These policies and procedures also include the arrangements the Company has in place to promote communication with shareholders and encourage effective participation at general meetings.

The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). The role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the Company’s website as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Group’s operations, the material used in the presentation is released to the ASX and posted on the Company’s web site. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed and, if so, this information is also immediately released to the market.

In addition, the Company seeks to provide opportunities for shareholders to participate through electronic means via the Company’s website. A copy of the Company’s Constitution and main Corporate
Governance documents, have been posted to a dedicated section of the Company’s website at www.g8education.com.

**Principle 7: Recognise and manage risk**

**Risk assessment and management**

The Board is responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented a sound system of risk management and internal control. Detailed work on this task is delegated to the audit committee and reviewed by the full board.

The audit committee is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. They monitor the Company’s risk management by overseeing management’s actions in the evaluation, management, monitoring and reporting of material operational, financial, compliance and strategic risks. In providing this oversight, the committee:

- Reviews the framework and methodology for risk identification, the degree of risk the Company is willing to accept, the management of risk and the processes for auditing and evaluation the Company’s risk management system;
- Reviews group wide objectives in the context of the abovementioned categories of corporate risk;
- Reviews and, where necessary, approves guidelines and policies governing the identification, assessment and management of the Company’s exposure to risk;
- Reviews and approves the delegations of financial authorities and addresses any need to update these authorities on an annual basis, and
- Review compliance with agreed policies.

The committee recommends any actions it deems appropriate to the board for its consideration.

Responsibility for Risk Management and Internal control is delegated to the appropriate level of management within the Group, with the MD/CEO and COFO having ultimate responsibility to the Board for the risk management and internal control framework.

The Group has a Risk Management Policy to formally document the policies and procedures already in place to manage risk. The Company’s Risk Management policy is available at www.g8education.com or by contacting the registered office.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. Adherence to the Code of Conduct is required at all times and the Board actively promotes a culture of quality and integrity.
Corporate Reporting

In complying with recommendation 7.3, the Managing Director and COFO have made the following certifications to the Board:

- The Company’s financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and Group and are in accordance with relevant accounting standards;
- The above statement is founded on a system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- The Group’s risk management and internal compliance and control framework is operating efficiently and effectively in all material respects in relation to financial reporting risks.

Principle 8: Remunerate fairly and responsibly

Remuneration

Due to the small size of the Board, nomination and remuneration matters are addressed by the Board. A set of guidelines has been established in this regard. The guidelines are available at www.g8education.com or by contacting the registered office.

Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description. This job description is reviewed by the Board on an annual basis and, where necessary, is revised in consultation with the relevant employee.

Further information on directors’ and executives’ remuneration, including principles used to determine remuneration, is set out in the directors’ report under the heading "Remuneration Report" in the Company’s Annual Report.

Non-executive directors do not receive options or bonus payments and are not provided with retirement benefits other than superannuation.

The Board also assumes responsibility for overseeing management succession planning, including the implementation of appropriate executive development programmes and ensuring adequate arrangements are in place, so that appropriate candidates are recruited for later promotion to senior positions.
Adoption of ASX Corporate Governance Recommendations

The Group has adopted the ASX Corporate Governance Recommendations Version 2 for all or part of the year, as outlined in the Corporate Governance Statement, with the following exceptions:

_Council Recommendation 2.4: The Board should establish a Nomination Committee._

The Board does not have a Nomination or Remuneration Committee due to the small size of the Board.

_Council Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them._

_Council Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them._

_Council Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board._

The Board has established a policy concerning diversity which is disclosed on the Company website [www.g8education.com](http://www.g8education.com). The board did not set measurable objectives for achieving gender diversity but expects to set these during 2013. G8 Education Ltd currently has two women on the Board out of a total of six directors’, and six women in the management team, out of a total of eight.