

G8 Education Limited
ABN: 95 123 828 553

Corporate Governance Statement

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Under Listing Rule 4.10.3, G8 Education is required to provide a statement in its annual report disclosing the extent to which it has followed the Recommendations in the reporting period. Where a Recommendation has not been followed, the fact must be disclosed, together with reasons for departure from the Recommendation. In addition, a number of the Recommendations require the disclosure of specific information in the corporate governance statement of the annual report.

G8 Education corporate governance statement is structured with reference to the Council's Principles and Recommendations 3rd Edition. The key principles are as follows:

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 of 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;
 - progress in relation to the Company's diversity objectives and compliance with the diversity policy;
 - 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 liaising 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, CFO 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.

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 management 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 next twelve months. Succession planning is also built into the appraisal process to encourage development of future leaders within the Group.

All Executives enter into a written agreement with the Company which sets out the terms of their appointment.

The Group undertook performance evaluations for the management team and senior executives in December 2016. The Company Secretary is accountable directly to the board of directors through the Chair on all matters to do with the proper functioning of the Board.

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, a copy of which can be found on the Company's website. 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.

The table below illustrates the number of women employees and percentage of total workforce in the entire organisation, senior executive positions and on the Board.

The Board set measurable objectives for achieving gender diversity during 2016. As at 31 December 2016 Education Limited had one female on the Board from a total of six Directors, and six females in the management team, from a total of nine.

The measurable objective set by the Board for 2016 are as follows:

	Actual	
	Number	%
Number of females employee in the whole organisation	9,831	98
Number of females in senior leadership team	4	67
Number of females on the board	1	17

	Target	Actual	
	%	No	%
Executives in leadership roles will be female	>30	2	40
Continually grow number of female in senior leadership team	>30	4	67

¹Calculated as a percentage of total non-executive directors

²Defined as support office Executive Management team

In accordance with the requirements of the Workplace Gender Equality Act 2012, G8 Education Group workplace profile for Australia only is set out in the table below:

	Workplace Profile - G8 Education					
	Male					
Reporting level to CEO (for Manager only)	Full time permanent	Full Time contract	Part time permanent	Part Time contract	Casual	
CEO/Head of business in Australia	-	1	-	-	-	-
Key Management Personnel (KMP)	1	3	-	-	-	-
Other Executives / General Managers	2	1	-	-	-	-
Senior managers	3	7	-	-	-	-
Other managers	4	4	-	-	-	-
Professionals	-	7	-	-	-	-
Community and personal service	-	10	-	125	-	59
Clerical and administrative	-	2	-	2	-	-
Total	-	35	-	127	-	59

	Workplace Profile - G8 Education						Total Female Staff	Male	
	Reporting level to CEO (for Manager only)	Full time permanent	Full Time contract	Part time permanent	Part Time contract	Casual			
CEO/Head of business in Australia	-	-	-	-	-	-	1	-	1
Key Management Personnel (KMP)	1	4	-	1	-	-	8	5	3
Other Executives / General Managers	2	6	-	-	-	-	7	6	1
Senior managers	3	44	-	1	-	-	52	45	7
Other managers	4	379	-	91	-	-	474	470	4
Professionals	-	15	-	2	-	-	24	17	7
Community and personal services	-	1,031	-	6,172	-	2,012	9,409	9,215	194
Clerical and administrative	-	41	-	30	-	2	77	73	4
Total	-	1,520	-	6,297	-	2,014	10,052	9,831	221

Principle 2: Structure the Board to add value

The Board operates in accordance with the broad principles set out below:

Board Composition

The Board is to be comprised of both Executive and Non-Executive Directors. On appointment to the Board, all Non-Executive Directors enter into a service agreement with the Company. The agreement summarises the Board policies and terms, including remuneration, relevant to the office of Director.

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.

The Chairman 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.

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;
- the size of the Board is conducive to effective discussion and efficient decision-making.

Board Renewal, Succession Planning and Board Matrix

The Board regularly reviews its composition, skills and succession plans to ensure it aligns with the company's Strategic Plan.

The People and Culture Committee developed a Board skills matrix. This contains the mix of skills, experience, knowledge and diversity that the Board currently has and is looking to achieve in its composition. The People and Culture Committee also oversee the professional development of Directors to ensure that identified skill sets are strengthened and deepened.

A summary of the comprehensive skills matrix is set out below.

Each of these areas is currently represented on the Board, recognising that each Director may not necessarily have experience in or fit within all of these areas. However, the Board benefits from the combination of the Directors' individual skills, experience, knowledge and diversity.

Category	Explanation
Executive Leadership	General commercial/business management experience in large organisations Successful career as a senior executive or CEO
Board Experience	Experience serving as a Director on ASX listed companies or large private entities Experience gained serving as Chair or Member of Board Committees including Audit and Risk or Remuneration Graduate (progressing to Fellow) of AICD
Strategy	Setting and reviewing organisational strategy Setting corporate KPIs Assessing corporate performance
Banking and Finance	Accounting and statutory financial reporting, corporate finance and internal controls, including assessing quality of financial controls Retail / investment banking and Capital Markets experience
Governance and Risk	Knowledge, experience and commitment to the highest standards of corporate governance Understanding of risk management principles Able to identify the key risks to the organisation and monitor effectiveness of risk management frameworks and practices
Legal	Knowledge of corporate/commercial law and legal compliance Understanding of Directors' duties and responsibilities Working knowledge of ASX Rules and Guidelines
Industry Sector	Early learning/child care or education sector knowledge and expertise Delivery of quality services in a highly regulated environment
Mergers and Acquisitions	Experience in acquisitive or companies experiencing accelerated growth Experience of financial analysis, due diligence processes associated with acquisitions and post-merger integration
Information Technology	Governance of critical information technology infrastructure
Business Development	Development and oversight of customer focused business development strategies Marketing of Services in large distributed network Sales and Marketing in Education Sector
People	Overseeing and assessing senior management, remuneration frameworks, strategic human resource management Experience of HR issues associated with acquisitions Organisational change management
Relationship Management	Experience in managing external stakeholders Experience in managing internal stakeholders Strong relevant professional networks Mentoring/coaching experience

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. During 2016 the Board consists of six Directors, five of whom are Non-Executive and all five (M Johnson, B Bailison, M Reynolds, D Foster and S Forrester) are considered independent under the principles set out below. Gary Carrol was appointed Managing Director from 1 January 2017 with Chris Scott resigning as Managing Director and appointed as an Executive Director from 1 January 2017. The Board in 2017 will consist of seven Directors.

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 basis.

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 Director's 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.

Chairman and Managing Director

The Chairman is responsible for leading the Board, ensuring Directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with the Company's senior executives. In accepting the position, the Chairman has acknowledged the significant time commitment that will be required and confirmed that other positions will not hinder their effective performance in the role of Chairman. The Chairman is an independent director.

The Managing Director is responsible for implementing Group strategies and policies.

Induction

The induction provided to new Directors and senior managers enables them to actively participate in Board decision making as soon as possible. It ensures that they have a full understanding of the Company's financial position, strategies, operations, culture, values and risk management policies. It also explains the respective rights, duties, responsibilities, interaction and roles of the Board and senior executives and the Company's meeting arrangements.

Commitment

The Board held 11 Board meetings during the year.

The number of meetings of the Company's Board of Directors and of each Board committee held during the year ended 31 December 2016, and the number of meetings attended by each Director is disclosed on page 15.

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 Nomination Committee 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

There were no conflicts of interests during the year ended 31 December 2016.

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 Chairman is required, but this will not be unreasonably withheld.

Nominations

The Board established a Remuneration & Nomination Committee in August 2014.

The committee operates under a charter approved by the Board.

The Nomination Committee comprises the following members:

- M Johnson (Chair)
- B Bailison
- S Forrester
- D Foster
- M Reynolds
- C Scott

For details of Directors' attendance at meetings of the Nomination Committee, please refer to page 15 of the Directors' Report.

The Terms of Reference of the Nomination Committee is publicly available on the Company's website:

www.g8education.edu.au/about-us/corporate-governance

The main responsibilities of the Nomination Committee include:

- To conduct an annual review of the membership of the Board having regard to present and future needs of the Company;

- To make recommendations on Board composition and appointments;
- To conduct an annual review of and conclude on the independence of each Director;
- To propose candidates for Board vacancies and complete appropriate checks before appointing a person or putting forward to security holders a candidate for election, as a director;
- To oversee the annual performance assessment program;
- To oversee Board succession, including the succession of the Chair, and reviewing whether succession plans are in place to maintain an appropriately balanced mix of skills, experience and diversity on the Board;

To manage the processes in relation to meeting

- Board diversity objectives;
- To assess the effectiveness of the induction process;
- Ensure security holders are provided with all material information to make a decision on whether or not to elect or re-elect a director.

Board Performance Assessment

The Board has developed an annual self-assessment process for its collective performance and the performance of the Chairman 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.

Due to significant changes in committee members and changes in initiatives undertaken by the Board in 2016, no board assessment was carried out. The Board will look to undertake the assessment in 2017.

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.edu.au/investor-information/corporate-governance

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 in accordance with the Company's Securities Trading Policy.

The Company's Securities Trading Policy is available at www.g8education.edu.au/investor-information/corporate-governance or by contacting the registered office.

The Directors are satisfied that the Directors and Employees have complied with its policies on ethical standards, including trading in securities.

Principle 4: Safeguard integrity in financial reporting

Audit and Risk Management Committee

The Audit and Risk Management Committee (ARM Committee) consisted of the following Non-Executive Directors:

- B Bailison (Chair);
- D Foster; and
- M Johnson

Details of these Director's qualifications and attendance at audit committee meetings are set out in the Directors' Report on pages 11 and 15 respectively.

All members of the ARM Committee are financially literate and have an appropriate understanding of the industry in which the Group operates.

The ARM Committee operates in accordance with a charter which is available on the Company's website.

The main responsibilities of the committee are to:

- review, assess and approve the annual report, 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; and
 - 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 ARM Committee:
- receives 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 Managing Director and Chief Financial Officer have in place to support their certifications to the Board; and
 - reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved.

The ARM Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

Before the Board approves the entity's financial statements for a financial period it receives from its MD and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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. Following a tender in late 2015, Ernst & Young were appointed as the Company's external auditor, effective from 1 January 2016.

An analysis of fees paid to the external auditors, including a breakdown of fees for non-audit services, is provided in the Directors' Report and in note 33 to the financial statements. The external auditors provide an annual declaration of their independence to the ARM Committee in accordance with the requirements of the Corporations Act 2001.

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 impact on the price of the Company's securities.

These policies and procedures also include the arrangements the Group 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). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and coordinating 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 website. 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.edu.au.

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 ARM Committee and reviewed by the full Board.

The ARM 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 of the Company's risk management system;
- reviews Group wide objectives in the context of the above mentioned 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
- reviews 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 Managing Director 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.edu.au 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.

The Company's risk management policy and the operation of the risk management and compliance system are managed by the Company's risk management group which consists of senior executives chaired by the Chief Financial Officer. The Board receives quarterly reports from this group as to the effectiveness of the Company's management of material risks that may impede meeting business objectives.

Corporate Reporting

In complying with recommendation 4.2, the Managing Director and Chief Financial Officer 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.

The Company appointed HLB Mann Judd in May 2016 to provide an internal audit function for the Company. This ensures key internal controls and processes are operating effectively to mitigate the risks identified by the risk committee.

Principle 8: Remuneration fairly and responsibly

People & Culture Committee

The Board established a People & Culture Committee in August 2014 that operates under a charter approved by the Board.

The People & Culture Committee comprised the following members:

- S Forrester (Chair)
- M Reynolds
- M Johnson

For details of Directors' attendance at meetings of the Remuneration Committee, please refer to page 15 of the Directors' Report.

The Terms of Reference of the People & Culture Committee is publicly available on the Company's website and detailed in the Nomination Committee Terms of Reference:

www.g8education.edu.au/investor-information/corporate-governance

The People & Culture Committee advises the Board on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive Directors, other Senior Executives and Non-Executive Directors.

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 contract includes 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", which is disclosed on pages 16 to 32.

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

The committee 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. This includes overseeing processes in relation to meeting diversity objectives for executives and staff below Board level.