

## 2022 Corporate Governance Statement

### Kip McGrath Education Centres Limited

This Corporate Governance Statement of Kip McGrath Education Centres Limited (the 'company') has been prepared in accordance with the 4<sup>th</sup> Edition of the Australian Securities Exchange's ('ASX') Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council ('ASX Principles and Recommendations') and is included in the company's Annual Report pursuant to ASX Listing Rule 4.10.3. This listing rule requires the company to disclose the extent to which it has followed the recommendations during the financial year, including reasons where the company has not followed a recommendation and any related alternative governance practice adopted.

Both this Corporate Governance Statement and the ASX Appendix 4G have been lodged with the ASX. This statement has been approved by the company's Board of Directors ('Board') and is current as at 23 August 2022.

The ASX Principles and Recommendations and the company's response as to how and whether it follows those recommendations are set out below.

#### **Principle 1: Lay solid foundations for management and oversight**

*Recommendation 1.1 - A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.*

The Board is ultimately accountable for the performance of the company and provides leadership and sets the strategic objectives of the company. It appoints all senior executives and assesses their performance at least annually. It is responsible for overseeing all corporate reporting systems, remuneration frameworks, governance issues, and stakeholder communications. Decisions reserved for the Board relate to those that have a fundamental impact on the company, such as material acquisitions and takeovers, dividends and buy-backs, significant profit upgrades, downgrades, and closures.

Management is responsible for implementing Board strategy, day-to-day operational aspects, and ensuring that all risks and performance issues are brought to the attention of the Board. They must operate within the risk and authorisation parameters set by the Board.

*Recommendation 1.2 - A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.*

The company undertakes in depth interviews and comprehensive background checks prior to appointing a director, or putting that person forward as a candidate, ensuring the person is competent, experienced, and would not be impaired in any way from undertaking the duties of director. The company provides relevant information to shareholders for their consideration of candidates together with whether the Board supports the appointment or re-election.

*Recommendation 1.3 - A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.*

The terms of the appointment of non-executive directors, executive directors and senior executives are agreed upon and set out in writing at the time of appointment.

*Recommendation 1.4 - The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.*

The Company Secretary reports directly to the Board through the Chairman on all matters to do with the proper functioning of the board and is accessible to all directors.

*Recommendation 1.5 - A listed entity should (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: (1) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.*

The company has a diversity policy approved by the Board, which includes requirements for the Board to set measurable objectives for achieving diversity, including gender, and to assess annually both the objectives and the entity's progress in achieving them.

The company is committed to providing an inclusive workplace and recognises the value individuals with diverse skills, values, backgrounds and experiences bring to the company. As a global provider of education services, the company is committed to equality and respect in all locations it operates.

Diversity is recognising and valuing the unique contribution people can make because of their individual background and different skills, experiences and perspectives. People differ not just on the basis of race and gender, but also other dimensions such as lifestyle, education, physical ability, age and family responsibility.

The Board's measurable objective about gender diversity is to progressively increase the portion of women in Board and Senior Executive roles and this objective is being continually reviewed. As at the date of this report the proportion of women to men was as follows:

	Proportion of women	Proportion of men
On the board	25%	75%
In senior executive positions	33%	67%
Across the whole organisation	72%	28%

For this purpose, the Board defines a senior executive as a person who makes, or participates in the making of, decisions that affect the whole or a substantial part of the business or has the capacity to affect significantly the company's financial standing. This therefore includes all senior management and senior executive designated positions as well as senior specialised professionals.

No entity within the consolidated entity is a 'relevant employer' for the purposes of the Workplace Gender Equality Act 2012 and therefore no Gender Equality Indicators are not disclosed.

*Recommendation 1.6 - A listed entity should (a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

The company does not currently have a formal process for evaluating the performance of the Board, its committees or individual directors. The Board conducts an introspective annual discussion of its performance on a collective basis to identify general aspects of its performance that could be improved upon, and such analysis includes the roles played by each Board member. Such reviews therefore encapsulate collective discussion around the performance of individual Board members, their roles on

specific projects during the financial year, and where relevant, how their role could be modified or suggestions for individual development or performance improvement for the future.

Until such time as the company expands to justify an expansion of Board members, the Board is of the current opinion that such performance evaluation is suitable for the company.

*Recommendation 1.7 - A listed entity should (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

The Board conducts an annual performance assessment of the CEO against agreed performance measures determined at the start of the year. The CEO undertakes the same assessments of senior executives. In assessing the performance of the individual, the review includes consideration of the senior executive's function, individual targets, group targets, and the overall performance of the company. The most recent review was completed in July 2022.

## **Principle 2: Structure the board to add value**

*Recommendation 2.1 - The board of a listed entity should (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.*

The Board does not maintain a Nomination Committee as it is considered that the current size of the Board does not warrant the formal establishment of a separate committee. The Board therefore performs the function of such a committee which includes the identification of skills and competencies required for the Board and related committees, as well as nomination, selection and performance evaluation of non-executive directors. The Board does not actively manage succession planning and instead relies upon Director's extensive networking capabilities and/or executive recruitment firms to identify appropriate candidates when a Board vacancy occurs or when a vacancy is otherwise envisaged. Attributes of candidates put forward will be considered for 'best-fit' to the needs of the Board which are assessed at the time of the vacancy.

*Recommendation 2.2 - A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.*

The Board does not maintain a formal skills matrix that sets out the mix of skills and diversity that the Board aims to achieve in its membership. The current Board members represent individuals who have extensive industry experience and a broad array of professional skills which support the company in achieving its strategic, operational and compliance objectives. Their suitability to the directorship has therefore been determined primarily on the basis of their ability to deliver outcomes in accordance with the company's short and longer term objectives and therefore deliver value to shareholders.

External consultants may be brought in with specialist knowledge to address areas where this is an attribute deficiency in the Board.

All Board members are expected to be able to demonstrate the following attributes:

### **Board member attributes**

Leadership	Represent the company positively amongst stakeholders and external parties; decisively act ensuring that all pertinent facts are considered; lead others to action; proactive solution seeker.
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Ethics and integrity	Be aware of social, professional and legal responsibilities at individual, company and community level; identify independence conflicts; apply sound professional judgement; identify when external counsel should be sought; uphold Board confidentiality; be respectful in every situation.
Communication	Effectively work within defined corporate communications policies; make constructive and precise contribution to the Board both verbally and in written form; communicate effectively with executives.
Negotiation	Utilise advanced negotiation skills which engender stakeholder support for implementing Board decisions.
Corporate governance	As experienced Directors be familiar with the mechanisms, controls and channels to deliver effective governance and manage risks.

*Recommendation 2.3 - A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.*

Details of the Board of directors, their appointment date, length of service and independence status is as follows:

Director's name	Appointment date	Length of service at reporting date	Independence status
Ian Campbell	25 August 2009	13 years	Independent Non-Executive – Chairman (appointed on 5 August 2019)
Trevor Folsom	22 September 2014	8 years	Independent Non-Executive
Diane Pass	1 February 2017	6 years	Independent Non-Executive
Storm McGrath	5 August 2019	3 years	Executive Director – Chief Executive Officer

The composition of the Board is structured to ensure the Board has the appropriate mix of expertise and experience.

Details of directors that the Board has declared as independent but which maintain an interest or relationship that could be perceived as impairing independence, and the reason as to the Board's determination are as follows:

Director's name	Details of interest or relationship	Board reasoning why director is independent
Ian Campbell	500,000 ordinary shares held indirectly in superfund	This holding aligns the interests of the director with those of the shareholders and is encouraged by the company.
Trevor Folsom	600,000 ordinary shares held indirectly	This holding aligns the interests of the director with those of the shareholders and is encouraged by the company.
Diane Pass	156,719 ordinary shares held directly	This holding aligns the interests of the director with those of the shareholders and is encouraged by the company.

*Recommendation 2.4 - A majority of the board of a listed entity should be independent directors.*

Having regard to the response to Recommendation 2.3 above, the majority of the Board at the reporting date was independent.

*Recommendation 2.5 - The Chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.*

Ian Campbell is Chair of the Board from 5 August 2019 and does not hold the position of CEO of the company. The CEO is Storm McGrath.

*Recommendation 2.6 - A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.*

New directors undertake an induction program coordinated by the Company Secretary that briefs and informs the director on all relevant aspects of the company's operations and background. A director development program is also available to ensure that directors can enhance their skills and remain abreast of important developments.

### **Principle 3: Act ethically and responsibly**

*Recommendation 3.1 - A listed entity should articulate and disclose its values.*

The company values are what we stand for and describe what we care about as a group of people. Our values are:

- Ensure quality – We're only as good as our last lesson and are constantly looking for ways to improve. When we deliver quality, we hit student goals.
- Show passion – We're changing the world one child at a time. It's something we're all passionate about – and we have fun along the way!
- Be curious – We ask questions and love to learn and improve. By always asking 'why', we can see things more clearly and find a better way.
- Work as one – We all have a role to play, but together we make a whole. By working as a team every day, the outcomes are magic.
- Nurture needs – Our customers are at the core of everything we do. By valuing their feedback, we can all have a better journey.
- Unlock potential – We want everyone in the business to be their best. We empower them with respect, tools and information to make this a reality.
- Shoot for the moon – We pioneer new ideas, products, services, technologies and ways of working. Inspiration and innovation are in our DNA.

*Recommendation 3.2 A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) ensure that the board or a committee of the board is informed of any material breaches of that code.*

The company maintains a code of conduct for its directors, senior executives and employees. In summary, the code requires that each person act honestly, in good faith and in the best interests of the company; exercise a duty of care; use the powers of office in the best interests of the company and not for personal gain; declare any conflict of interest; safeguard company's assets and information; and not undertake any action that may jeopardise the reputation of company. The Board has processes in place to ensure any material breaches of the code are reported directly to the Chairman.

*Recommendation 3.3 A listed entity should: (a) have and disclose a whistleblower policy; and (b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.*

The company maintains a whistleblower policy and has processes in place to ensure any breaches of the policy are reported directly to the Chairman

*Recommendation 3.4 A listed entity should: (a) have and disclose an anti-bribery and corruption policy; and (b) ensure that the board or committee of the board is informed of any material breaches of that policy.*

The company maintains an anti-bribery and corruption policy and has processes in place to ensure any breaches of the policy are reported directly to the Chairman

#### **Principle 4: Safeguard integrity in corporate reporting**

*Recommendation 4.1 - The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.*

The Board has an Audit Committee, under a formal Charter, the members of which are:

Director's name	Executive status	Independence status
Ian Campbell – Chair	Non-Executive Director	Independent
Trevor Folsom	Non-Executive Director	Independent
Diane Pass	Non-Executive Director	Independent

During the year the Committee consisted entirely of non-executive directors, Ian Campbell, Diane Pass, and Trevor Folsom. The chairperson, Ian Campbell, is also the Board chair and is an independent director during the financial year ended 30 June 2022. Ian Campbell has remained Audit Committee Chair due to his extensive experience and qualifications in the audit sector.

The number of Committee meetings held and attended by each member is disclosed in the 'Meetings of directors' section of the Directors' Report.

Details of the qualifications and experience of the members of the Committee is detailed in the 'Information of directors' section of the Directors' report.

*Recommendation 4.2 - The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO 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.*

For the financial year ended 30 June 2022 and the half-year ended 31 December 2021, the company's CEO and CFO provided the Board with the required declarations.

*Recommendation 4.3 - A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.*

The Board has in place a requirement that all periodic corporate reporting by the entity is reviewed by an external auditor.

## **Principle 5: Make timely and balanced disclosure**

*Recommendation 5.1 - A listed entity should (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.*

The company maintains a written policy that outlines the responsibilities relating to the directors, officers and employees in complying with the company's disclosure obligations. Where any such person, is of any doubt, as to whether they possess information that could be classified as market sensitive, they are required to notify the Company Secretary immediately in the first instance. The Company Secretary is required to consult with the Chairman in relation to matters brought to his attention for potential announcement. Generally, the Chairman is ultimately responsible for decisions relating to the making of market announcements. The Board is required to authorise announcements of significance to the company. No member of the company shall disclose market sensitive information to any person unless they have received acknowledgement from the ASX that the information has been released to the market.

*Recommendation 5.2 - A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.*

The Board has in place a requirement that it receives all material market announcements promptly after they have been made.

*Recommendation 5.3 - A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.*

The Board has in place a requirement that all investor presentation materials are released via an ASX announcement prior to the presentation.

## **Principle 6: Respect the rights of security holders**

*Recommendation 6.1 - A listed entity should provide information about itself and its governance to investors via its website.*

The company maintains information in relation to the board of directors, share registry, ASX announcements and contact details on the company's website.

### *Recommendations 6.2 and 6.3*

*A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors (6.2).*

*A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders (6.3).*

The company does not have a formal investor relations program. The Board, CEO and Company Secretary engage with investors at the AGM and respond to shareholder enquiry on an ad hoc basis. Material communications are dispatched to investors either via email, surface mail, and/or via market announcement.

*Recommendation 6.4 - A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.*

The Board has in place a requirement that that all substantive resolutions at a meeting of security holders are decided by a poll.

*Recommendation 6.5- A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.*

The company engages its share registry to manage the majority of communications with shareholders. Shareholders are encouraged to receive correspondence from the company electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can elect to do so through the share registry, Computershare [www-au.computershare.com](http://www-au.computershare.com).

## **Principle 7: Recognise and manage risk**

### *Recommendations 7.1 & 7.2*

*The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework (7.1).*

*The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place (7.2).*

The company does not maintain a Risk Committee as it is considered that the current size of the Board does not warrant the formal establishment of a separate committee. The Board and Audit Committee therefore performs the function of such a committee which includes setting of corporate governance policy and exercising due care and skill in assessing risk, developing strategies to mitigate such risk, monitoring the risk and the company's effectiveness in managing it. The company maintains internal controls which assist in managing enterprise risk, and these are reviewed as part of the scope of the external audit, with the auditor providing the Board with commentary on their effectiveness and the need for any additional controls. The CEO and CFO are responsible for monitoring operational risk, ensuring all relevant insurances are in place, and that all regulatory and compliance obligations of the company are satisfied. The last review was completed in June 2022.

*Recommendation 7.3 - A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.*

The company has appointed an independent accounting firm to provide Internal Audit services. An Internal Audit Charter has been established and the Internal Auditor reports quarterly to the Board Audit Committee against the annual audit plan agreed with the Committee.

*Recommendation 7.4 - A listed entity should disclose whether it has any material exposure to, environmental or social risks and, if it does, how it manages or intends to manage those risks.*

As at the date of reporting the company continues to be exposed to the significant operational and economic risks posed by the Covid-19 pandemic. These risks are being managed through active engagement with franchisees and customers to mitigate the operational risks of the pandemic, as well as prudent management of the organisation to mitigate the economic risks. The pivot to the online capability in the business has been a significant part of the company's response to these risks.

As at the date of reporting the company does not consider it has any material exposures to any other economic, environmental or social sustainability risks. Refer to commentary at Recommendations 7.1 and 7.2 for information on the company's risk management framework.

## **Principle 8: Remunerate fairly and responsibly**

*Recommendation 8.1 - The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.*

The Board maintains a Remuneration Committee, whose members during the financial year, were as follows:

Director's Name	Executive Status	Independence Status
Diane Pass – Chair	Non-Executive Director	Independent
Ian Campbell	Non-Executive Chairman	Independent
Trevor Folsom	Non-Executive Director	Independent

The Committee consists entirely of non-executive directors, Ian Campbell, Diane Pass and Trevor Folsom. The chairperson, Diane Pass is not Board chair and is an independent director. The number of Committee meetings held and attended by each member is disclosed in the 'Meetings of Directors' section of the Directors' report.

The Board has established the committee under formal Charter.

*Recommendation 8.2 - A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.*

The Committee reviews remuneration packages and policies applicable to the CEO and senior executives. This may include share schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefit policies and professional indemnity and liability insurance policies. External advice is sought as appropriate.

Further details of directors' and executives' remuneration, superannuation and retirement payments are set out in the remuneration report which forms part of the directors' report. The CEO is invited to Remuneration committee meetings, as required, to discuss management performance and remuneration packages.

Non-executive directors do not receive incentive payments or retirement benefits (other than statutory superannuation). Equity-based remuneration is not a standard component of executive remuneration agreements. Any future equity issued to executives or non-executives as remuneration will be approved at the annual general meeting of shareholders.

No senior executive is involved directly in deciding their own remuneration.

*Recommendation 8.3 - A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it*

The use of derivatives or other hedging arrangements for unvested securities of the company or vested securities of the company which are subject to escrow arrangements is prohibited. Where a director or other senior executive uses derivatives or other hedging arrangements over vested securities of the company, this will be disclosed.