

**Academies Australasia Group Limited ('AKG') (ACN 000 003 725):**

**CORPORATE GOVERNANCE STATEMENT**

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The Board of Academies Australasia Group Limited ('the Company') endorses the Australian Securities Exchange ('ASX') Corporate Governance Principles and Recommendations, (3rd Edition) ('Recommendations'). This Corporate Governance Statement outlines the Company's governance practices and is prepared in accordance with the Recommendations.

Given the size of the Company and its subsidiaries ('the Group'), it is neither reasonable nor practicable to comply with certain Recommendations. This statement identifies and explains where the Company has not complied fully with the eight principles stated in the Recommendations during the year ended 30 June 2017 and to the date of this statement.

This Corporate Governance Statement was approved by the Board and is current as at 18 August 2017.

At that date, the Board comprised the following Directors:

- Dr John Lewis Schlederer	Chairman, Non-executive
- Christopher Elmore Campbell	Group Managing Director and Chief Executive Officer
- Chiang Meng Heng	Non-executive
- Gabriela Del Carmen Rodriguez Naranjo	Executive
- Sartaj Hans	Independent, Non-executive

At that date, the Senior Executives of the Group comprised the following:

- Christopher Elmore Campbell	Group Managing Director and Chief Executive Officer
- Gabriela Del Carmen Rodriguez Naranjo	Group Chief Operating Officer and Joint Company Secretary
- Melinda Burgess	Director, Strategic Operations
- Esther Teo	Chief Executive Officer of Academies Australasia Polytechnic
- Stephanie Noble	Group Finance Manager and Joint Company Secretary

Details of the Directors and Senior Executives are provided in the Company's 2017 Annual Report, a copy of which is on the Corporate page of the Company's website: ([www.academies.edu.au](http://www.academies.edu.au)).

**Principle 1 – Lay solid foundations for management and oversight**

**Roles and Responsibilities of Board and Management**

**Role of the Chairman**

The Chairman leads the Board, its meetings and the Directors, so that all Directors are able to contribute effectively, all matters are properly considered and there is clear decision-making.

**Role of the Board of Directors**

The Board provides leadership and strategic guidance to the Company and effective oversight of its management. The Board acts on behalf of all shareholders and is accountable to the shareholders for the strategy, governance and performance of the Company.

Key responsibilities include:

- appointing the Chairman;
- appointing and, if necessary, replacing the Group Managing Director and Chief Executive Officer;

- overseeing management's implementation of the Company's strategic objectives and its performance generally;
- approving operating budgets and major capital expenditure;
- reviewing and ratifying systems of risk management and internal compliance and control;
- overseeing the integrity of the Company's financial and information reporting systems, including external audit;
- overseeing the Company's processes for making timely and balanced disclosure to the ASX;
- ensuring that the Company has an appropriate risk management framework;
- approving the Company's remuneration policies and framework; and
- monitoring the effectiveness of the Company's governance practices.

The Board retains ultimate authority over the management of the Company. However, day-to-day management of the Company according to the Board's directives is formally delegated to the Group Managing Director and Chief Executive Officer.

The Board meets regularly and also as required. Details of each Director's meetings attendance record are set out in the Directors' report contained in the Company's annual reports.

### **Roles of Committees of the Board**

The Board appoints and is assisted by committees which are responsible for specified operations of the Company. The Committees act by considering relevant matters and making recommendations to the Board. The Board satisfies itself that the members of each committee are competent and will exercise their delegated functions in accordance with directors' duties.

There are currently two committees of the Board.

**Audit and Risk Management Committee.** Members of this committee are:

Sartaj Hans (Chairman, appointed 19 October 2016)  
 Dr John Lewis Schlederer  
 Chiang Meng Heng

**Remuneration Committee.** Members of this committee are:

Dr John Lewis Schlederer (Chairman)  
 Chiang Meng Heng  
 Christopher Elmore Campbell

Details of each member's committee meetings attendance record are set out in the Directors' report contained in the Company's annual reports.

All Directors are expected to exercise independent judgement on all Board matters. All Directors have the right to seek independent professional advice in the furtherance of their duties as directors at the Company's expense. Written approval must be obtained from the Chairman prior to incurring any expense on behalf of the Company.

### **Role of the Company Secretary**

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters concerning the proper functioning of the Board. There are, presently, two Company Secretaries.

### **Roles of Senior Executives**

The Company sets out in writing the respective responsibilities and performance expectations of all Senior Executives, including Executive Directors. Individual performance against expectations is regularly monitored by the Group Managing Director and Chief Executive Officer. Appraisals are conducted at least annually. All Senior Executives were reviewed in respect to performance during the year ended 30 June 2017.

## **Principle 2 – Structure the Board to add value**

### **Board Composition**

The Board currently consists of three Non-executive Directors and two Executive Directors. In accordance with the Recommendations, the roles of the Chairman and the Group Managing Director are exercised by separate individuals. Inconsistent with the Recommendations, the Chairman, who is Non-executive, is not independent.

Details of the names, qualifications, experience and expertise of each director in office at the date of the Company's annual report, are set out in the Directors' Report.

### **Directors' independence**

The Board regularly assesses whether each Director is independent in accordance with the Recommendations and, when assessing a Director's independence, materiality is assessed on a case by case basis having regard to the individual circumstances of the Director. Accordingly:

**Dr John Lewis Schlederer** (Chairman) is considered to be Non-executive but not independent because he has a relevant interest of 5% or more in the shares of the Company

**Chiang Meng Heng**, Non-executive Director, is not considered to be independent as he has a relevant interest of 5% or more in the Company's shares. [Mr Heng ceased to be Chairman of Academies Australia College in Singapore in January 2015]

**Christopher Elmore Campbell**, Group Managing Director and Chief Executive Officer, is not considered to be independent as he is a Senior Executive of the Group and has a relevant interest of 5% or more in the Company's shares.

**Gabriela Del Carmen Rodriguez Naranjo**, Chief Group Operating Officer, is not considered to be independent as she is a Senior Executive of the Group.

Sartaj Hans, Non-executive Director is considered to be independent.

There is therefore, only one independent director.

The Company does not meet the Recommendation that there be a majority of independent directors, as there is only one such director. However, the Board confirms that nothing has come to its attention that would cause it to question current procedures and governance for a company of its business, structure and size. The performance of each of the non-independent directors has led the Board to conclude that each acts consistently in the best interests of the Company.

The Non-executive Directors set aside time to confer without Executive Directors or other Senior Executives being present.

### **Board Skills**

The Board considers that the mix of skills required for it to properly perform its function is as follows:

- executive and non-executive director experience
- experience or knowledge in the provision of training and education services in Australia and overseas, especially in Asia
- corporate and business leadership, including growing enterprises
- corporate governance
- independent strategic thinking
- subject matter expertise, including:
  - financial and capital management
  - corporate financing

- mergers and acquisitions
- risk management
- marketing and delivery of training and education services
- government relations and education policy – locally and internationally

Currently the Board considers that there are no significant gaps in the skills available to it from the directors collectively.

The Board regularly reviews this list of skills and the extent to which the Directors contribute the skills listed.

### **Nominations Committee**

The purpose of a Nominations Committee is to ensure that the Board comprises directors with a range of skills and experience appropriate for achieving its mandate.

Currently, there is no separately appointed Nominations Committee and, instead, the Board undertakes all the functions of a Nominations Committee. The Board nominates new directors to fill occasional vacancies. When considering the appointment of a new director, the Board follows the Recommendations for a Nominations Committee, as outlined below.

### **Procedure for Selection and Appointment of New Directors**

The structure of the Board is determined having regard to the following criteria:

- The Chairman should be a Non-executive Director, preferably independent.
- A majority of the Board should be Non-executive Directors, preferably independent.
- The roles of Chairman and Group Managing Director should not be exercised by the same individual.
- The Board should comprise directors with an appropriate range of qualifications and expertise.
- The Company should meet the requirements of the ASX Diversity Guidelines.

### **Selection and appointment of directors**

The following principles and guidelines are adhered to in the selection and appointment of new directors:

- The Board is required to have a broad range of skills, experience, diversity, and commercial expertise to ensure that it discharges its mandate effectively. Therefore, when an individual is nominated for consideration as a director, they are evaluated on their skills, experience, diversity and how they would complement or enhance the Board's effectiveness.
- The composition of the Board needs to be conducive to making decisions expediently and in the best interests of the Company as a whole.
- Individuals being considered for appointment as non-executive directors are required to provide the Board with details of their other commitments and an indication of the time involved. Candidates must be able to satisfy the Board that they will have sufficient time to undertake their duties. The Board undertakes independent checks of the details of individuals being considered for appointment to the Board.
- The Constitution of the Company provides that the Board may at any time appoint a person to be a director. That person shall hold office until the end of the next general meeting and shall be eligible for election at that meeting.
- The Constitution of the Company provides that at every general meeting one-third of the directors or, if their number is not a multiple of three, then the number nearest to one-third, shall retire from office and be eligible for re-election.
- The Company provides detailed information as per the Recommendations to assist shareholders in their decision whether to elect a director standing for election or re-election.

Presently, the Company does not have a written agreement with each director setting out the terms of their appointment. The Company is aware that, under the Recommendations, written agreements are expected between it and each of its directors. The Company is formalising suitable agreements which, when signed, will satisfy the Recommendations in this regard.

### **Board Performance Evaluation and Succession Planning**

At least annually, the Board conducts reviews of its performance, policies and practices. Reviews include examination and evaluation of:

- the effectiveness and composition of the Board, including the required mix of skills, experience, diversity and other qualities that the directors collectively bring to the Board;
- the professional development of directors to enable each to develop and maintain the skills and knowledge needed for the effective performance of their role;
- the Company's strategic direction, objectives, and corporate governance practices;
- the objectives and achievements of the Group Managing Director and Chief Executive Officer and each of the Senior Executives and
- the organisational structure and succession planning for the Company's Senior Executives and for the Board itself.

In addition, the Chairman discusses their individual performance with Directors throughout the year.

The Board reviewed its performance and the performance of its committees, individual Directors and all Senior Executives in respect of the year ended 30 June 2017.

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

#### **Code of Conduct**

The Company has a Code of Conduct to guide the Board and Senior Executives as to the practices necessary to maintain confidence in the Company and in the accountability of individuals for reporting and investigating reports of unethical practices. The Company and its directors, managers, employees and contractors are expected to act with high standards of honesty, integrity, independent judgement, fairness, and equity; striving at all times to enhance the reputation and performance of the Group as a whole.

The Company's Code of Conduct is on the Corporate page of the Company's website: ([www.academies.edu.au](http://www.academies.edu.au)).

#### **Diversity Policy**

The Company is committed to diversity and inclusiveness. It aims to provide an environment in which employees have equal access to opportunities, are treated with fairness and respect and are not unfairly judged. This commitment enables the Company to attract and retain people with the best skills and abilities.

A copy of the Company's Diversity Policy is on the Corporate page of the Company's website: ([www.academies.edu.au](http://www.academies.edu.au)).

The Company does not favour or discriminate on gender. As at 30 June 2017, the personnel of the Group, not including casual employees, comprised:

	Men	Women
Board	4	1
Senior Executives (including Executive Directors)	1	5
Total all personnel (excluding casual academic staff)	96	159

Women comprise 56% of Senior Executives and Board directors. The objective of 30% female composition of the Board and Senior Executive group combined was therefore achieved. At that date, 62% of Group employees (excluding casual academic staff) were women. The objective is to have an equal balance of men and women employees (excluding casual academic staff).

Group employees have a wide range of qualifications, experience, periods of service, ethnic and cultural backgrounds.

## **Share Trading Policy**

A copy of the Company's policy on the trading of the Company's securities is on the Corporate page of the Company's website: ([www.academies.edu.au](http://www.academies.edu.au)).

The policy requires that the Company's directors, managers, employees, advisers and contractors must not trade in the Company's securities while in possession of price sensitive information.

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

### **Audit and Risk Committee**

Dr John Lewis Schlederer and Chiang Meng Heng were members of the Audit and Risk Committee throughout the year. The previous Chairman Bill Say Mui Foo left the Committee on his resignation from the Board on 17 October 2016. From 19 October 2016, the Committee was chaired by Sartaj Hans.

Details of the qualifications, skills and expertise of the directors appointed to the Audit and Risk Committee and their attendance at meetings of the committee are included in the Directors' Report in the Company's Annual report.

The Company has complied with two of the three Recommendations: that there be a minimum of three members and that the Chairman is not also the Chairman of the Board. However, the Committee does not have a majority of independent directors.

The Company has consistently complied with the Recommendation that all members of the Committee be non-executive.

The functions of the Audit and Risk Committee encompass:

- Financial reporting
- Financial, legal and operational risk management
- Internal financial controls
- External audit

In the year to 30 June 2017, the Group Managing Director, Directors Group Finance Manager and external auditors attended Audit and Risk Committee meetings at the invitation of the Committee.

The Audit and Risk Committee's Charter is available on the Corporate page of the Company's website: ([www.academies.edu.au](http://www.academies.edu.au)).

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

### **Continuous Disclosure**

It is Company policy that it complies with its continuous disclosure obligations under the ASX Listing Rules.

Directors, employees and contractors must immediately notify the Group Managing Director and Chief Executive Officer or Company Secretary if they become aware of any information that should be considered for release to the market. The information is reviewed by the Board and, if considered appropriate, disclosure is made to the ASX.

The Company will not release any such information to any other party until acknowledgement has been received from the ASX that the information has been released to the market.

A copy of the Company's Continuous Disclosure policy is on the Corporate page of the Company's website: ([www.academies.edu.au](http://www.academies.edu.au)).

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

The Company recognises that shareholders must receive high quality relevant information in a timely manner in order to be able to properly and effectively exercise their rights.

The Company aims to ensure that shareholders are informed of all major developments affecting the Company. Information is communicated to shareholders on a regular basis through continuous disclosures and half yearly and annual reports. The Board ensures that these reports include all relevant information about the operations of the Company, changes in the state of affairs of the Company and information on future developments.

All documents that are released publicly (i.e. ASX Announcements and Annual Reports), together with this Statement and all Company charters and policies referenced in this Statement, are available on the Corporate page of the Company's website: ([www.academies.edu.au](http://www.academies.edu.au)).

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as resolutions. The Board also requests that the external auditors attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditors' report.

Investor enquiries about the Company are welcomed and are responded to, within the provisions of the Listing Rules, by the Group Managing Director and Chief Executive Officer.

The Company prefers enquiries via email to address: [companysecretary@academies.edu.au](mailto:companysecretary@academies.edu.au).

Investors may elect for their communications from the Company to be by electronic means.

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

The Board has established policies for the oversight and management of material business risks. The Audit and Risk Committee assists the Board in carrying out this function.

Material business risks that have the potential to adversely impact the Company's operations are addressed, comprising:

- a. Financial risk
- b. Strategic and operational risk
- c. Legal risk

Procedures exist to monitor risk, with ultimate reporting to the Board, through either the Audit and Risk Committee for financial and business risk or the Group Managing Director and Chief Executive Officer for operational risk.

The Board acknowledges that the policies are designed to provide reasonable but not absolute protection against error and irregularity and that they are intended to identify control issues that require the attention of the Board or Audit and Risk Committee.

Management periodically monitors and assesses business risks and reports to the Audit and Risk Committee on the identification, reporting, mitigation and management of material business risks.

The Company has internal control processes to ensure that information presented to senior management and the Board is relevant, accurate and timely. The control processes include, among other things:

- annual audit and half year review by the external auditors;
- management review of the financial reports and internal control environment;
- comparative analyses and measurement of business performance and
- monthly review of operational and financial performance compared to budget, forecasts and other expectations.

The Board reviews the adequacy and implementation of the risk management and internal compliance and control systems on an annual basis. There is currently no internal audit function due to the size of the Group. The Board requires and facilitates the continuous evaluation and improvement of the Company's risk management and internal control processes. The qualifications, experience and performance of personnel involved in financial processes and controls are assessed at least annually. As the Group grows, consideration will be given to establishing an internal audit function – either staffed in-house or on contract with an external firm.

For the annual and half-year accounts released publicly, the Board receives assurance from the Group Managing Director (Chief Executive Officer) and the Chief Financial Officer that, in their opinion:

- the financial records of the Group have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;
- the financial statements and notes required by accounting standards for external reporting:
  - give a true and fair view of the financial position and performance of the Company and the consolidated group; and
  - comply with the accounting standards and applicable ASIC Class orders; and
- these representations are based on sound systems of risk management and internal control and that the systems operate effectively in all material respects in relation to financial reporting.

The Board received these assurances in respect of the year ended 30 June 2017.

The Board considers that the Company does not have any material exposure to economic, environmental and social sustainability risks.

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

### **Remuneration Policies**

The Remuneration Committee annually reviews and makes recommendations to the Board on the remuneration packages and policies applicable to the Group Managing Director and Chief Executive Officer, Senior Executives and Directors themselves. This role includes responsibility for fairness in remuneration, share option, performance and retention incentive schemes, superannuation entitlements, retirement and termination entitlements, fringe benefit policies and professional indemnity and liability insurance policies. Remuneration levels are set to attract and retain appropriately qualified and experienced directors and personnel.

The Company's policies and practices regarding the remuneration of Non-executive Directors and the remuneration of Executive Directors and other Senior Executives are set out in the Remuneration Report, which is a section of the Directors' Report in the Company's Annual Report.

### **Remuneration Committee**

The role of the Remuneration Committee is to assist the Board with the application of its remuneration policies.

During the year to 30 June 2017 and to the date of this statement, the Remuneration Committee comprised Dr John Lewis Schlederer, Chiang Meng Heng and Christopher Elmore Campbell. The Committee is chaired by Dr John Lewis Schlederer.

Details of the members of the Remuneration Committee and their attendance at meetings of the Committee are included in the Directors' Report in the Company's Annual Report.

The structure of the Committee is consistent with the Recommendations in that it comprises at least three members. However, there are no independent directors and therefore, fails the independent Chair and majority independent members Recommendation.

The Remuneration Committee is assessing suitable performance based remuneration programs aligned to the Company's short and long term performance objectives. All the Non-executive Directors and Senior Executives are presently on fixed remuneration arrangements.

There is no scheme for retirement benefits for non-executive directors, other than statutory superannuation.

A copy of the Company's Remuneration Committee Charter is on the Corporate page of the Company's website: ([www.academies.edu.au](http://www.academies.edu.au)).

This Corporate Governance Statement and information about the Company's corporate governance practices and policies (including 'Charters' referred to in this statement) are available on the Corporate page of the Company's website: ([www.academies.edu.au](http://www.academies.edu.au)).