



### More Government childcare support on the horizon

<b>Company/ASX Code</b>	G8 Education Ltd
<b>AGM date</b>	Wednesday 19 May 2021
<b>Time and location</b>	11.00am AEST Virtual Meeting
<b>Registry</b>	Link Market Services
<b>Webcast</b>	Yes
<b>Poll or show of hands</b>	Poll on all items
<b>Monitor</b>	Geoffrey ORROCK
<b>Pre AGM Meeting?</b>	TBC

The individual (or his associates) involved in the preparation of this voting intention has no shareholding in this company.

<b>Item 1</b>	<b>Consideration of accounts and reports</b>
<b>ASA Vote</b>	No vote required

### Summary of ASA Position

In a year dominated by the COVID pandemic the company focus was in two areas:

- The safety and wellbeing of the team, and children and families who attend the centres; and
- Business continuity, particularly cash flow, liquidity and the balance sheet

By end of March 2020 attendances across the sector had fallen to half that of prior years prompting the Federal Government to provide a sector specific relief package as well as the JobKeeper subsidy, to provide certainty of revenue to enable centres to remain open during the peak of the pandemic. In total G8 Education received during 2020 \$160M to boost revenue for the year to \$788.3M and a \$102.9M JobKeeper subsidy against employment costs of \$525.9M.

Statutory NPAT for CY2020 was \$(187.0)M (CY2019 was \$52M). The main contribution was an impairment of \$275.2M before tax which resulted from a review of the likely impacts of the COVID-19 pandemic operating environment, the risk of delays in economic recovery and subsequent impact on performance. Operating cash generation for the year was \$189.6M

There was no dividend paid in CY2020. During the period the share price declined by \$0.72 cps to \$1.18 resulting in a TSR of (37.9%).

In April 2020 the Group raised \$301M via an underwritten institutional and retail entitlement offer. The raising was to provide the Group with the liquidity and financial flexibility to

withstand a prolonged period of economic downturn and allows the Group to pursue opportunities that may emerge.

In accordance with G8 Education's Board Succession Plan, Mr Brian Bailison, a director for 10 years retired from his position of NED. His successor was Mr Peter Trimble who was appointed to the Board in May 2020 and elected at last year's AGM.

### Summary

(As at CYE)	2020	2019	2018	2017	2016
NPAT (\$m)	(187.0)	52.0	71.8	80.6	80.3
UPAT (\$m)	60.0	67.7	79.4	92.9	93.3
Share price (\$)	1.18	1.90	2.83	3.45	3.59
Dividend (cents)	0	12.75	14	18	24
TSR (%)	(37.9)	(27.9)	(13.9)	(0.6)	7.3
EPS (cents)	8.1	13.7	15.9	18.9	21.2
CEO total remuneration, actual (\$m)	0.736	0.878	0.905	0.793	0.896

For 2020, the CEO's total actual remuneration was **8 times** the Australian Full time Adult Average Weekly Total Earnings of \$92,034.80 (based on November 2020 data from the Australian Bureau of Statistics).

<b>Item 3</b>	<b>Adoption of Remuneration Report</b>
<b>ASA Vote</b>	<b>For</b>

### **Summary of ASA Position**

During the period 1 May 2020 to 30 October 2020 all Executive KMP Fixed Remuneration (FR) was reduced by 20%. The MD's actual FR was \$757,816.

For a second year no STI was paid as, on this occasion, the NPAT gateway was not achieved.

The performance condition associated with 2018 LTI performance rights requiring EPS growth of more than 10% over 3 years to 31 December 2020 was not achieved and accordingly the performance rights did not vest and no LTI was paid.

Board NED base fees were unchanged from 2019. The Board also reduced its fees for six months during 2020.

Overall, remuneration levels of both NEDs and KMP are modest, incentive targets are very challenging and in the circumstances of COVID-19 ASA will support this resolution.

<b>Item 2</b>	<b>Re-election of Ms Margaret Zabel as a Director</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

Margaret Zabel joined the Company's Board on 1 September 2017 and is a specialist in customer centred business transformation, brand strategy, innovation, digital communications, customer experience and change leadership. She has 20 years of senior executive experience working across major companies and brands in food, technology and communications industries including multinational, ASX 100 and not-for-profit companies.

Her previous roles include National Marketing Director Lion Nathan, VP Marketing for McDonald's Australia and CEO and Board Director of The Communications Council. She has also served as a non-executive Board Director for the mental health charity R U OK? for the past 5 years,

Ms Zabel is currently a Non-Executive Director on the Board of Collective Wellness Group and Fairtrade AUNZ.

Margaret Zabel holds 29,000 G8 Education shares.

<b>Item 5</b>	<b>Approval of LTI grant to CEO/Managing Director First Gary Carroll</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

If Shareholder approval is granted, the maximum number of Performance Rights that may be granted to Mr Carroll in respect of the FY21 grant is 583,406, this number calculated as representing 75% of his FR (\$630,000) divided by the market price of shares of \$1.0799. The grant is issued at no cost to the MD.

Mr Carroll must satisfy the following vesting conditions in order for his Performance Rights to vest:

- continuous service with the Company up to the relevant exercise date; and
- reported (audited) earnings per share (EPS) with a Cumulative EPS measure subject to adjustment for significant items as determined by the Board in its discretion.

If the Cumulative EPS condition is met over the 3 financial years to 31 December 2023 then the grant will vest as follows:

CAGR less than 20 cents	0%
CAGR 20-24 cents	50%- 100% linearly
CAGR more than 24 cents	100%

The Board also seeks approval for Mr Carroll's unvested Performance Rights, in certain circumstances, to vest early in accordance with the terms of the GEIP that may apply from time to time, as approved by the Board.

The ASA believes this grant of Performance Rights is fair incentive and will support this resolution.

<b>Item 6</b>	<b>Approval of Amendments to the Constitution</b>
<b>ASA Vote</b>	<b>Against</b>

### Summary of ASA Position

The Board considers it is appropriate to amend the Company's constitution to ensure that the Company has flexibility to hold virtual shareholder meetings in the future, should they be permitted at the relevant time under the Corporations Act.

The ASA is vigorously opposed to Annual General Meetings being routinely held as virtual shareholder meetings.

Like the large funds retail shareholders are owners of the company and the Board and independent directors are representatives of retail shareholders. The large funds or their proxy representatives met regularly with Boards to present their views. The AGM is a once a year opportunity for a balanced discussion between retail shareholders and the Board. It allows them to question their Boards and hold them accountable.

Retail shareholders have recently seen what happens when the Board of a large company did not see itself accountable and retail shareholders amongst others were left "to pay the very big price".

This proposal is not in the interests of retail shareholders and ASA will not support it.

#### ASA Disclaimer

*This document has been prepared by the Australian Shareholders Association Limited ABN 40 000 625 669 ("ASA"). It is not a disclosure document, it does not constitute investment or legal advice and it does not take into account any person's particular investment objectives. The statements and information contained in this document are not intended to represent recommendations of a particular course of action to any particular person. Readers should obtain their own independent investment and legal advice in relation to the matters contemplated by this document. To the fullest extent permitted by law, neither ASA nor any of its officers, directors, employees, contractors, agents or related bodies corporate:*

- makes any representations, warranties or guarantees (express or implied) as to the accuracy, reliability, completeness or fitness for purpose of any statements or information contained in this document; or*
- shall have any liability (whether in contract, by reason of negligence or negligent misstatement or otherwise) for any statements or information contained in, or omissions from this document; nor for any person's acts or omissions undertaken or made in reliance of any such statements, information or omissions.*

*This document may contain forward looking statements. Such statements are predictions only and are subject to uncertainties. Given these uncertainties, readers are cautioned not to place reliance on any such statements. Any such statements speak only to the date of issue of this document and ASA disclaims any obligation to disseminate any updates or revisions to any such statements to reflect changed expectations or circumstances.*

## Appendix 1

### Remuneration framework detail

CEO rem. Framework for FYXX	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	0.84	40%	NA	
STI - Cash	0.315	15%	NA	
STI - Equity	0.315	15%	NA	
LTI	0.63	30%	NA	
Total	2.10	100.0%	NA	

Following shareholder approval G8 Education implemented a new Remuneration Plan (GEIP) in 2020.

A Table of 5 year Performance and Executive Remuneration Comparison is provided as is a Table of Actual Remuneration.

Fixed remuneration (FR) is pitched at a level between the median and the 65<sup>th</sup> percentile of the market. The MD's FR in 2020 was \$840,000, a relatively modest base and the same as in 2019. FR was reduced by 20% for 6 months of the CY.

Remuneration at risk is provided through both Short Term (STI) and Long Term (LTI) Incentive. For the MD the opportunity for both STI and LTI is 75% of FR each, giving a mix in the ratios 40:30:30. KMP have lower incentive values of 50:25:25.

Short Term Incentive is paid to incentivise achievement of targets in Team Turnover, Team Engagement, Quality Outcomes and Customer NPS. The required achievements and outcomes are detailed in the Annual Report. A gateway of 90% of Plan NPAT is applied, if not achieved no STI is paid.

STI is granted 50 % in cash and, at Board discretion, 50% in equity, for grants above \$100,000. The equity component is locked for 1 year depending only on service.

Long Term Incentive opportunity for the MD is 75% of FR. LTI is paid as Performance Rights (PR) which are issued at no cost. The number of PRs granted is calculated using a market value.

For the 2018 and 2019 grants the vesting period is 3 years and there is a single vesting hurdle of Compound Annual Growth of reported EPS.

For the 2020 grant the vesting period is 3 years and there is a single vesting hurdle of Cumulative Annual Growth of reported EPS. If the Cumulative EPS condition is met over the 3 financial years to 31 December 2022 then the grant will vest as follows:

CAG EPS less than 14 cents	0%
CAG EPS 14-17 cents	50% - 100% linearly
CAG EPS more than 17 cents	100%

There is no dividend or voting rights attached to the Performance Rights

There are hedging and lending prohibitions and a clawback clause.

The MD currently holds 174,547 G8 Education shares. He also has a total of 1.5M Performance Rights unvested.

Board NED base fees are \$140,000 and the Chairman's fee is \$285,000. Committee chairs receive \$25,000 but there is no additional fee for committee members. Board members also received a 20% reduction in fees during a 6month period of 2020.