

ASX Announcement

G8 Education Limited
(ASX:GEM)



8 December 2020

Remediation Program to Address Award Compliance Issues

- A proactive review of G8's award and legislative requirements has identified inadvertent non-compliance issues with the relevant awards
- G8 has self-reported the matter to the Fair Work Ombudsman and is undertaking a remediation program to ensure all affected team members are paid in full
- Remediation costs are presently estimated to be in the range of \$50 million to \$80 million pre-tax over the period from 1 July 2014 to present
- G8 unreservedly apologises to team members for these inadvertent errors
- Wages and rostering systems and processes are being amended to ensure compliance
- G8 is committed to ensuring every team member is paid correctly moving forward

Review of award and legislative requirements

G8 Education Limited (the "Group" or "G8", ASX: GEM) refers to the Half Year Results Investor Presentation released on 24 August 2020 in which the Group noted it was undertaking a review of award and legislative requirements as part of implementing a new Human Resources Information System ("HRIS") and rostering system.

This review identified potential inadvertent non-compliance with some requirements of the Children's Services Award and the Educational Services (Teachers) Award for a number of the Group's team members in Australia (collectively "Awards").

The Group has been assisted by law firm Allens and professional services firm PwC in relation to these issues, and they will support G8 with the implementation of a remediation program.

The issues identified primarily relate to payment for overtime, minimum engagement periods and agreed hours of work and allowances. In many cases, the issues arose due to insufficient documentation of agreed hours.

The cohort of current and former team members being reviewed for potential remediation is approximately 27,000, however, the final number of affected team members will be determined during the remediation program.

The total one-off remediation costs of these issues is presently estimated to be \$50 million to \$80 million pre-tax. This includes estimated direct wage costs of approximately \$38 million to \$60 million, wage oncosts (superannuation and payroll tax), interest and remediation program costs. This estimate is based on preliminary analysis and assumptions.

The remediation costs, net of tax (approximately \$35m to \$56m), will be funded from existing cash reserves.

From a reporting perspective, the remediation costs relating to prior financial years will be addressed via a prior-period restatement.

G8 has voluntarily self-reported to the Fair Work Ombudsman ("FWO") and will continue to respond to the FWO throughout this process.

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Full remediation program

G8 has instigated a full remediation program covering the 6.5-year period from 1 July 2014 to ensure all affected team members employed during this period are paid what they are owed in full as quickly as possible. Team members will also be paid interest and superannuation in accordance with G8's obligations. The remediation program is expected to be completed by 31 July 2021.

G8 Chief Executive Officer Gary Carroll said: "The Group deeply regrets that these pay errors have occurred. We apologise unreservedly to any affected team member. As soon as we identified and quantified this issue, we initiated a remediation program to ensure they will be paid every dollar they are owed. The commitment of our people – particularly during the enormous challenges of the past year – is the key to our success. We are determined to ensure this issue can never be repeated."

The new rostering system, designed to automate certain award compliance and improve visibility, is scheduled to be fully implemented across G8's network by the end of H1 CY21. In the interim, the Group will be utilising the centralised processes designed as part of the new HRIS to mitigate the impact of these issues. Accordingly, G8 does not expect any material impact to wage costs in future years as a result of these issues.

ENDS

This document has been authorised for release by the Board of Directors.

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