

## Corporate Governance Statement

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### Introduction

This corporate governance statement is up to date as at 30 June 2015 and has been approved by the Board of Navitas Limited (**Navitas** or **Company**).

The Board of directors of Navitas (**Board**) is responsible for the corporate governance of Navitas and its subsidiary companies (**Navitas Group** or **Group**). The Board determines all matters relating to the strategic direction, academic quality and governance, policies, practices, management and operations of Navitas with the aim of protecting the interests of the holders of fully paid ordinary shares in the Company (**Shareholders**) and other stakeholders, including employees, students and partners, and creating value for them.

Details of Navitas' compliance with the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations (3<sup>rd</sup> edition)" (**Principles and Recommendations**) for the year ended 30 June 2015 are disclosed in this corporate governance statement and in the Company's Appendix 4G. Both these documents have been lodged with the ASX and are available on the Company's website at: [www.navitas.com/corporate/investors](http://www.navitas.com/corporate/investors)

For further information on the corporate governance policies adopted by Navitas, please refer to the Company's website: [www.navitas.com/corporate/investors](http://www.navitas.com/corporate/investors)

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

#### Role and responsibilities of the Board and management

The Company has established the functions reserved to the Board pursuant to the Board Charter and the Delegation of Authority Policy and associated Procedures Manual.

Under the Board Charter, the Board is responsible for, and has the authority to determine, all matters relating to the strategic direction, policies, practices, establishing goals for management and the operation of the Company. Without limiting this general role, the specific functions and responsibilities of the Board include:

- oversight of the Company, including its educational outcomes, control and accountability systems;
- appointing and removing the CEO (or equivalent), including approving remuneration of the CEO and the remuneration policy and succession plans for the CEO;
- ratifying the appointment and, where appropriate, the removal of the CFO (or equivalent);
- approving the appointment and, where appropriate, the removal of the Secretary;
- final approval of management's development of corporate strategy and performance objectives;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures; and
- approving and monitoring financial and other reporting.

Under the Delegation of Authority Policy and Procedures Manual, authority has been reserved to the Board with respect to various matters, including:

- activities relating to strategic planning for the Navitas Group;
- activities relating to governance;
- joint venture or partnering agreements;
- Group-wide policies related to treasury, corporate governance, risk and compliance;
- purchase of businesses outside the Navitas Group;
- annual report; and
- forecasts and rolling plans for the Navitas Group.

Certain functions have been delegated to the Group CEO under the Board Charter and the Delegation of Authority Policy and Procedures Manual. The Group CEO is responsible for the ongoing

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management of the Company in accordance with the strategy, policies and programs approved by the Board. The Group CEO's responsibilities include:

- developing with the Board, a consensus for the Company's vision and direction;
- constructing, with the Company's management team, programs to implement this vision;
- appointing the senior management team;
- providing strong leadership to, and effective management of, the Company in order to:
  - encourage co-operation and teamwork;
  - build and maintain staff morale at a high level; and
  - build and maintain a strong sense of staff identity with, and a sense of allegiance to, the Company;
- ensuring a safe workplace for all personnel;
- ensuring a culture of compliance generally, and specifically in relation to environmental matters;
- carrying out the day-to-day management of the Company;
- keeping the Board informed, at an appropriate level, of all the activities of the Company;
- ensuring that all personnel act with the highest degree of ethics and probity; and
- reporting performance and profit figures, and undertaking all other public relations activities.

The Board has also formally delegated the power to the Group CEO to authorise all expenditures as approved in the budget, subject to certain exceptions. Under the Delegation of Authority Policy and Procedures Manual, authority has been delegated to the Group CEO with respect to various matters, including:

- activities relating to strategic planning for the individual divisions within the Group (**Divisions**);
- significant administrative changes affecting more than one entity within the Navitas Group;
- Group-wide policies related to ASX/ASIC governance;
- risk management plans across the Navitas Group;
- official Navitas publications for external use specific to the Navitas Group;
- forecasts and rolling plans for Navitas' Divisions;
- operating expenditure in relation to more than one entity within the Navitas Group;
- capital expenditure up to a maximum of \$1m or where such expenditure is in relation to more than one entity within the Navitas Group;
- media contact and media releases; and
- marketing and advertising material at the Navitas Group level.

The Board Charter, the Delegation of Authority Policy and Delegation of Authority Procedures Manual are all publicly available on the Company's website: [www.navitas.com/corporate/investors](http://www.navitas.com/corporate/investors)

### **Appropriate Checks and Written Agreements**

Before a person is appointed as a director of Navitas (**Director**) or as a Navitas Leadership Team (**NLT**) member, the following is required (as applicable):

- appropriate checks are to be completed before appointing a person, or putting them forward as a candidate for election, as a Director;
- all material information in Navitas' possession relevant to a decision on whether or not to elect or re-elect a Director is to be provided to Shareholders; and
- all Directors and NLT members are to enter into written agreements with Navitas setting out the terms of their appointment.

Further details are contained in the Charter of the People and Remuneration Committee on the Company's website: [www.navitas.com/corporate/investors](http://www.navitas.com/corporate/investors)

### **Company Secretary**

All Directors have access to the Company Secretary who is directly accountable to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

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### Diversity

Navitas has a Diversity Policy and has set measurable objectives for achieving gender diversity.

The People and Remuneration Committee (see "Principle 2" below) is accountable to the Board for ensuring the Diversity Policy is implemented in respect of the Board and the process for identifying and selecting new Directors. The Managing Director is accountable to the Board for ensuring the Diversity Policy is implemented throughout the Navitas' workforce. Senior executives and all personnel involved in recruitment are expected to ensure this Policy is implemented and integrated into all of Navitas' activities.

Navitas recognises that a talented and diverse workforce is a key competitive advantage and Navitas' success is a reflection of the quality and skills of its people. Navitas is committed to promoting a workplace that recognises and embraces the skills, characteristics and experiences that people bring to the Group. Accordingly, Navitas has adopted a diversity strategy document for the purposes of implementing initiatives to achieve greater diversity.

The diversity strategy document outlines measurable objectives to achieve gender diversity. During the year, Navitas developed and adopted the Diversity Policy; assigned responsibility for the Diversity Policy and its administration, monitoring and review; reviewed the Charter of the People and Remuneration Committee to ensure it reflects Navitas' obligations in relation to gender diversity; and investigated the reporting capacity of business units for the purposes of determining diversity targets.

The Board has set specific gender diversity targets as follows:

Target	Date for completion
At least one of the next 2 Board appointments desirably should be female with appropriate skills and attributes	When it is appropriate to expand or refresh the Board
At least 50% of the next senior executive* appointments desirably should be female with appropriate skills and attributes	When it is appropriate to expand or refresh the senior executive team
At least 33% of employees should be female with appropriate skills and attributes.	Annually by 30 June each year

\*Senior executives for the purposes of the above table are defined as members of the Navitas Leadership Team, the Senior Management Team, the Executive General Management (EGM) and the senior direct reports to the EGM of the operating Divisions.

Navitas has achieved its targets in relation to Board appointments, and full-time and part-time employees during the year. Other than for the position of Group General Manager, Strategy and Business Development (which has now been filled), there were no vacancies for senior executive appointments during the year.

Of six Board positions, four (66.7%) were held by men, and two (33.3%) were held by women.

Of 183 senior managers and above positions\*\*, 102 (55.7%) were held by men and 81 (44.3%) were held by women.

\*\*Diversity reporting has been undertaken using respective proportions where senior managers and above positions include CEO/Head of Business in Australia, Key Management Personnel, Other Executives/General Managers and Senior Managers as per the Workplace Gender Equality Agency Reference Guide.

Of 1,150 full-time permanent employees, 721 (62.7%) were women and 429 (37.3%) were men. Of 439 full-time contract employees, 240 (54.7%) were women and 199 (45.3%) were men. Of 354 part-time permanent employees, 286 (80.8%) were women and 68 (19.2%) were men. Of 388 part-time contract employees, 254 (65.5%) were women and 134 (34.5%) were men.

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As at 30 March 2015, the proportion of women employed by the Navitas Group is set out in the table below:

	Percentage of Employees				Casual	Total
	Full time Permanent	Full time Contracts	Part time Permanent	Part time Contracts		
Female	62.7%	54.7%	80.8%	65.5%	61.7%	63.2%
Male	37.3%	45.3%	19.2%	34.5%	38.3%	36.8%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Following the adoption of the Diversity Policy, updates on the progress of achieving various strategies, initiatives and targets are to be provided to the Board and People and Remuneration Committee.

The Diversity Policy is publicly available on the Company's website:  
[www.navitas.com/corporate/investors](http://www.navitas.com/corporate/investors)

### Performance Evaluation

The performance of the Board and its individual Directors is reviewed periodically.

As disclosed in the Company's 2013 annual report, for the financial year ending 30 June 2013, the Board conducted a formal review of itself through an independent specialist. A report was prepared on improving Board effectiveness, particularly relating to areas of composition, process and focus. The Board review process for the financial year ending 30 June 2015 consisted of following on with implementation of the recommendations from the independent specialist.

A review of the Board, including succession planning, was also commenced with an external consultant in the financial year ending 30 June 2015 and will continue into the next financial year.

The process for evaluating the performance of the People and Remuneration Committee and the Audit and Risk Committee involved an internal review by the relevant committee of its performance against its objectives and responsibilities as set out in the relevant committee charter. The People and Remuneration Committee conducted an internal review evaluating its performance against its objectives and responsibilities as set out in the Charter of the People and Remuneration Committee. Following that review, the People and Remuneration Committee is of the view that its composition, operations and discharge of its responsibilities are consistent with Principles 2 and 8.

The Audit and Risk Committee conducted an internal review evaluating its performance against its objectives and responsibilities as set out in the Charter of the Audit and Risk Committee. Following that review, the Audit and Risk Committee is of the view that its composition, operations and discharge of its responsibilities are consistent with Principles 4 and 7.

The performance of key executives is reviewed internally on an annual basis pursuant to a Navitas-wide performance planning and review process. Key performance indicators are agreed on an individual basis for such executives and performance against these indicators is then reviewed by the Group CEO. The performance review also takes into account the extent to which the executive's behaviour is aligned with Navitas' values. The outcome of the review then provides the basis for a professional development plan for the key executive.

As noted above, performance evaluations for individual Directors and key executives were conducted during the reporting period in accordance with the above processes.

### Principle 2: Structure the Board to add value

The skills, experience and expertise relevant to the position of the Directors held by each Director in office at the date of this statement are included in the "Board of Directors" section of the Navitas Annual Report for the financial year ending 30 June 2015 (**Annual Report**) on pages 8 to 9. A copy of the Annual Report can be found at: [www.navitas.com/corporate/investors](http://www.navitas.com/corporate/investors)

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### Board skills matrix

To assist in identifying areas of focus and maintaining an appropriate mix of skills, experience, knowledge and diversity in its membership, the People and Remuneration Committee uses a Board skills matrix which is reviewed by the People and Remuneration Committee on a periodic basis. It is an important, but not the only, criteria used for Director appointments.

The Board skills matrix set out below contains the mix of skills, experience, knowledge and diversity that the Board currently has and is looking to achieve in its composition. Each of these areas is currently well 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.

<b>Skills and experience (out of 6 directors)</b>	
<b>Leadership and experience</b>	
Leadership	6
Corporate governance	6
Strategy	6
Government relations, public policy	6
<b>Operations</b>	
Education	4
Marketing, student recruitment	4
<b>Sector experience</b>	
UPD	3
SAE	2
PEP	2
<b>Geographic experience</b>	
Australia	6
North America	4
Europe	3
Asia	4
<b>Finance and Risk</b>	
Accounting	6
Finance	6
Acquisitions, Equity Capital Markets	6
Risk management	6
<b>People</b>	
Human resources	5
Remuneration	6
<b>Digital / Technology</b>	
Digital / Technology	1
<b>Tenure</b>	
0-3 years	3
3-6 years	-
6-9 years	-
9+ years	3
<b>Gender diversity</b>	
Female	2
Male	4

### Independence of Directors

A Director is considered to be independent where he or she is a non-executive Director, is not a member of management and is free of any relationship that could, or could reasonably be perceived to, materially interfere with the independent exercise of their judgment. The existence of the following relationships may affect independent status, if the Director:

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- is a substantial Shareholder of Navitas or an officer of, or otherwise associated with a substantial Shareholder of Navitas (as defined in section 9 of the Corporations Act);
- is, or has been, employed in an executive capacity by the Company or any of its child entities and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- is, or has within the last three years been, a partner, director or senior employee of a provider of material professional services to the Company, or any of its child entities;
- is, or has been within the last three years, in a material business relationship (e.g., as a supplier or customer) with the Company or any of its child entities, or an officer of, or otherwise associated with, someone with such a relationship;
- has a material contractual relationship with the Company or its child entities other than as a Director;
- has close family ties with any person who falls within any of the categories described above; or
- has been a director of the entity for such a period that his or her independence may have been compromised.

Directors are expected to bring independent views and judgement to the Board's deliberations. The Board Charter requires that at least one half of the Directors of Navitas will be non-executive (preferably independent) Directors and that the Chair will be an independent, non-executive Director.

In the context of Director independence, "materiality" is considered from both the Company and individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount, being the monetary value of the transaction or item in question. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it.

In accordance with the definition of independence above, and the materiality thresholds set, the Board reviewed the positions and associations of each of the six Directors in office at the date of this statement and considers that five of the Directors are independent as follows:

Name	Position
Harvey Collins	Independent Non-Executive Chairman
Tony Cipa	Independent Non-Executive Director
Diana Eilert	Independent Non-Executive Director
Tracey Horton	Independent Non-Executive Director
James King	Independent Non-Executive Director

The Board will assess the independence of new Directors upon appointment, and the independence of other Directors, as appropriate. It is noted that Harvey Russell Collins and James Stephen King have served as non-executive directors for 10 years. However, upon assessment of their independence for the year ending 30 June 2015, the Board still considers them to be independent directors because they both continue to provide unbiased and challenging (where appropriate) but respectful views and judgement to matters considered by the Board and its committees. Accordingly, as at 30 June 2015, the majority of Board is independent. To facilitate independent judgement in decision-making, each Director has the right to seek independent professional advice at Navitas' expense. However, prior approval from the Chair is required, which may not be unreasonably withheld.

The Board has established an Audit and Risk Committee and a People and Remuneration Committee to assist it in discharging its functions. Further details of these committees are provided below.

### People and Remuneration Committee

#### Role of the People and Remuneration Committee

The Board has established a People and Remuneration Committee that operates under a charter approved by the Board. The purpose of the People and Remuneration Committee is to review and

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approve the strategies and practices for people management within Navitas. Specifically, to provide advice, recommendations and assistance to the Board with respect to people and remuneration matters.

The People and Remuneration Committee is responsible for:

- identifying specific individuals for nomination for directorship, the CEO and key executive roles and providing advice and recommendations to the Board with respect to the appointment and removal of Directors and key executives;
- providing the Board with advice and recommendations regarding identifying, assessing and enhancing Director competencies and a succession plan;
- approving and monitoring succession planning policies and processes for the CEO and executive team;
- ensuring that the Board is of a size and composition that allows for decisions to be made expediently, a range of different skills and perspectives are brought to Board deliberations and Board decisions are made in the best interests of Navitas;
- creating and maintaining 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 (as set out below);
- reviewing and providing recommendations to the Board with respect to the remuneration packages of senior management and executive directors; and
- reviewing the relative proportion of women and men in Navitas' workforce on an annual basis.

The People and Remuneration Committee comprised the following members:

### Name

Tracey Horton (Chairman)\*

Diana Eilert ^

James King ~

\* Appointed as Chairman of the People and Remuneration Committee on 12 September 2014

^ Appointed to the Board on 28 July 2014 and to the People and Remuneration Committee on 12 September 2014

~ Appointed to the People and Remuneration Committee on 12 September 2014

Tracey Horton has extensive experience in HR and remuneration matters at both board and executive level. She has been a member of and chaired remuneration committees for listed and private companies as well as for a government enterprise.

Diana Eilert has extensive experience in HR matters and remuneration. She was previously Chair of the Remuneration and Nomination Committee of an ASX listed company, had responsibility for Group HR at Suncorp as well as running very large businesses.

James King has over 30 years of board and management experience with major multi-national companies in Australia and internationally. He has past experience as Chairman of the Pacific Brands Remuneration Committee.

For details of Directors' attendance at meetings of the People and Remuneration Committee, please refer to page 72 of the Annual Report.

The Charter of the People and Remuneration Committee is publicly available on the Company's website: [www.navitas.com/corporate/investors](http://www.navitas.com/corporate/investors)

### Selection and Appointment of New Directors

A description of the procedure for the selection and appointment of new Directors and of the Board's policy for the nomination and appointment of Directors is set out below.

The People and Remuneration Committee, at least twice each year, reviews:

- the composition of the Board taking into account the number of appointed Directors;
- the performance of the Board and individual Directors of the Company;
- the business and strategic objectives and needs of the Company;



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- the skills, experience, knowledge and diversity required on the Board and the extent to which each competency is represented, maintained and developed by the Board;
- the opportunities to appoint non-executive Directors and obtain the services of particular persons with desirable skills, experience and knowledge at the time of their availability;
- the need to cater for the replacement or scheduled retirement of Directors ahead of each annual general meeting; and
- succession planning for the Board,

to enable it to determine whether it is necessary to recruit any additional Directors to the Board or desirable to reduce the number of existing Directors. The Committee reports to the Board setting out the results of these reviews.

If the People and Remuneration Committee determines that it is necessary to recruit an additional Director to the Board, or the Board so determines, the Committee:

- will determine the particular skills, experience, expertise and personal qualities required to best complement the Board's effectiveness;
- will determine the most appropriate formal and transparent procedure to identify candidates with the skills and experience required by the Board; and
- may engage the services of an independent consultant to perform an advisory role in relation to its review considerations and the required Director competencies.

The Committee seeks to achieve a balance between long serving directors with an extensive understanding of Navitas' businesses and corporate history, and new directors who bring fresh perspectives to the role. The Board values diversity, including gender and differences in background and life experience, education, communication styles, and problem-solving skills.

The relevant Board policy, entitled "Procedures governing the Selection and Appointment of Directors" is publicly available on the Company's website: [www.navitas.com/corporate/investors](http://www.navitas.com/corporate/investors)

### Retirement and Re-election of Directors

The term in office held by each Director in office at the date of this statement is as follows:

Name	Term in office
Harvey Collins	10 years
Tony Cipa	1 year
Diana Eilert*	1 year
Rod Jones	11 years
Tracey Horton	3 years
James King	10 years

\* Appointed on 28 July 2014

Rule 5.1 of the Constitution requires that at each annual general meeting of the Company, one third (or the number nearest to but not exceeding one third) of the Directors and any Director who has held office for 3 years or more must retire from office and no Director may retain office for more than 3 years without submitting himself or herself for re-election. Rule 5.4 of the Constitution provides that a retiring director is eligible for re-election without the necessity of giving any previous notice of his or her intention to submit him or herself for re-election. The Managing Director is not subject to retirement by rotation. The resolution for re-election of a Director is included in the Company's notice of annual general meeting and voted upon by Shareholders at that meeting.

As previously announced to the ASX, both Dr Peter Larsen and Ted Evans retired as non-executive Directors of the Board on 4 November 2014.

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

#### **Codes of Conduct**

Navitas has established codes of conduct as to the:



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- practices necessary to maintain confidence in the Company's integrity;
- practices necessary to take into account its legal obligations and the reasonable expectations of its stakeholders; and
- responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

These codes of conduct, entitled "Code of Conduct for Directors and Key Officers" and "Code of Conduct - The Company's Obligations to Stakeholders" are publicly available on the Company's website: [www.navitas.com/corporate/investors](http://www.navitas.com/corporate/investors)

### **Securities Trading Policies**

The Company has established policies concerning trading in its securities by Directors, senior executives and employees.

These policies, entitled "Directors and Senior Executives Dealing In Securities Policy" and "Employees Dealing In Securities Policy" are publicly available on the Company's website: [www.navitas.com/corporate/investors](http://www.navitas.com/corporate/investors)

A summary of the Company's policy on prohibiting transactions in associated products which limit risk of participating in unvested entitlement under any equity based remuneration schemes is set out in these securities trading policies.

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

#### **Audit and Risk Committee**

##### Role of the Audit and Risk Committee

The Board has established an Audit and Risk Committee that operates under a charter approved by the Board. The purpose of the Audit and Risk Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities by:

- monitoring and reviewing the:
  - integrity of the financial statements;
  - effectiveness of internal financial controls;
  - independence, objectivity and competency of internal and external auditors;
  - policies on risk oversight and management;
  - execution of the treasury and insurance functions; and
- making recommendations to the Board in relation to the appointment of external auditors and approving their remuneration and terms of engagement.

The Audit and Risk Committee is responsible for providing the Board with advice and recommendations regarding the ongoing development of risk oversight and management policies that set out the roles and respective accountabilities of the Board, the Audit and Risk Committee and the internal audit function.

The Audit and Risk Committee comprised the following members:

##### Name

Tony Cipa (Chairman)\*  
Harvey Collins  
James King

\* Appointed as the Chairman of the Audit and Risk Committee on 29 July 2014

Tony Cipa, BBus, Grad Dip Accounting, has extensive international business and finance experience including his roles as CFO and Executive Finance Director for CSL, the ASX listed international biopharmaceutical company. Mr Cipa is currently the Chairman of the Audit and Risk Committee and a Non-Executive Director of ASX listed Skilled Group. He is also the Chairman of the Audit and Risk Committee and a Non-Executive Director of Healthscope Limited. He is the Chairman of the Audit and Risk Committee.

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Harvey Collins BBus, FCPA, SFFin, FAICD, has extensive executive and board experience in a range of industries including financial services, health insurance, telecommunications, equipment hire, mining services, franchising and electricity. He is a member of the Audit and Risk Committee.

James King BComm, FAICD, has over 30 years of board and management experience with major multi-national companies in Australia and internationally. He has past experience as Chairman of the Navitas Audit and Risk Committee (2006-2014) and Chairman of the JB Hi Fi Audit Committee. He is a member of the Audit and Risk Committee.

For details on the number of meetings of the Audit and Risk Committee held during the year and the attendees at those meetings, please refer to page 72 of the Annual Report.

The Charter of the Audit and Risk Committee is publicly available on the Company's website: [www.navitas.com/corporate/investors](http://www.navitas.com/corporate/investors)

Please refer to "Principle 7" below for details in relation to the Group CEO and CFO declarations.

### Selection, Appointment and Rotation of External Auditor

The procedures for the selection, appointment and rotation of external audit engagement partners are as follows.

The Audit and Risk Committee re-evaluates the appointment of its external auditors on a periodic basis, and considers whether it is appropriate to tender the audit as it deems necessary. Such re-evaluations are performed no less than once every five years, and may be considered annually post the completion of the audit process (as part of the audit debrief process). As a minimum, the re-evaluations and decisions to put the audit to tender (if any) will take into account such factors as:

- service delivery;
- quality of service;
- independence of the external auditor and whether the independence of the audit function has been maintained having regard to the provision of non-audit services;
- effectiveness of the audit/client relationship; and
- fees/value.

In tender situations the Audit and Risk Committee will nominate an Audit Tender Evaluation Committee to undertake the task of selecting a new auditor. The Audit Tender Evaluation Committee will be comprised of the Chairman of the Audit and Risk Committee, the Group CEO, the CFO and other representatives of the Audit and Risk Committee and management as deemed appropriate. Auditor selection will be based on the satisfactory demonstration of the factors listed above. Removal of the auditor may result if the auditor fails to demonstrate satisfactory outcomes in relation to the above factors.

Auditor appointment will be made by the Board at the Audit and Risk Committee's recommendation after the successful completion of the selection process, and in conjunction with statutory guidelines.

In respect of the rotation of external audit engagement partners, it is the Company's policy that a partner should not serve the Company in the position of audit client service partner for more than five successive years. A partner should not be re-assigned to the Company in the role of audit partner for at least two years after reaching the maximum period of continuous service. Further, a partner should not be re-assigned to the Company in the role of audit client service partner if this would equate to the partner serving in this role for more than five out of seven successive years. As part of the audit plan presented to the Audit and Risk Committee, the audit partner considers the need for rotation in accordance with these policies.

The external auditor is required to attend the Company's annual general meeting to answer questions from Shareholders relevant to the audit.

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The relevant policies, entitled "Selection and Appointment of External Auditor Policy" and "Rotation of External Audit Engagement Partners" are available on the Company's website: [www.navitas.com/corporate/investors](http://www.navitas.com/corporate/investors)

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

Navitas has established written continuous disclosure policies designed to ensure:

- compliance with ASX Listing Rule disclosure; and
- accountability at a senior executive level for that compliance.

The relevant policy, entitled "Corporate Governance Policy - Continuous Disclosure" is publicly available on the Company's website: [www.navitas.com/corporate/investors](http://www.navitas.com/corporate/investors)

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

Information about the Company and its governance is available on the Navitas website: [www.navitas.com](http://www.navitas.com)

The Company has designed a Shareholders communications policy:

- for promoting effective communication with Shareholders; and
- encouraging Shareholder participation at AGMs.

The Company has a platform by which senior managers who are authorised to speak to analysts (the Group CEO, the CFO and in some circumstances the Group Manager Corporate Affairs) are able to record details of the meeting including time and place, attendees and file notes of what was discussed.

The policy, entitled "Shareholders Communications Strategy", is publicly available on the Company's website: [www.navitas.com/corporate/investors](http://www.navitas.com/corporate/investors)

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

Please refer to "Principle 4" above for details in relation to the Audit and Risk Committee.

#### **Risk Management**

Navitas recognises the importance of risk management and has a formal risk management framework, including policies for the oversight and management of material business risks.

The Board is ultimately responsible for risk management in Navitas and must satisfy itself that significant risks faced by the Navitas Group are being managed appropriately and that the system of risk management within the Navitas Group is robust enough to respond to changes in Navitas' business environment.

The Audit and Risk Committee has the following responsibilities in regard to risk management:

- assessing the internal process for determining and managing key risk areas;
- confirming management's risk appetite and tolerance;
- ensuring that the Navitas Group has an effective risk management system and that macro risks to the Navitas Group are reported at least twice a year to the Board;
- evaluating the process Navitas has in place for assessing and continuously improving internal controls, particularly those related to areas of significant risk;
- assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that may carry more than an acceptable degree of risk; and
- ensuring the continuous development of risk management in the Navitas Group and for supervising the implementation of risk management in compliance with the risk management policy and guidelines.

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The Board has required management to design and implement a risk management and internal control system to manage Navitas' material business risks, and to report to it on whether those risks are being managed effectively.

In summary, the Navitas risk management and internal control system comprises:

- a Group Risk Management Policy Statement and methodology based on the International Standard for Risk Management ISO 31000. This policy has been placed on the Navitas website and is therefore accessible by all Navitas staff. The policy outlines Navitas' approach to managing risk including a description of responsibilities;
- the Audit and Risk Committee has endorsed the risk management methodology which includes an integrated risk management, control self-assessment and internal audit process managed by Group Internal Audit and Risk Management;
- the risk management system includes a Group-wide risk register of all key material inherent risks, an assessment of control effectiveness, comparison of residual risks to target risks and a data base of actions to reduce any residual risks to the desired level;
- this information underpins senior management's control self-assessment certificates, which are used to provide assurance to the Board that they are managing risks appropriately, and enables Group Internal Audit to concentrate its activities on material risks and adapt its approach accordingly. The Audit and Risk Committee approves the annual audit plan, as amended from time to time to reflect the dynamic nature of the business, and receives all audit reports;
- senior management and the Audit and Risk Committee review the risk register to ensure that material risks are correctly identified, that the target risks are acceptable and any remedial action is in progress. The Audit and Risk Committee reports every six months to the Board on the management of the risks contained in the risk register;
- management understanding and acceptance of its responsibility to implement appropriate systems of internal control to effectively manage potential risks;
- ongoing management oversight of strategic matters by management and of operational matters by business unit management;
- various policies and procedures covering areas such as Share Dealing, Human Resources, Information Technology, Critical Incidents and Delegations of Authority, such policies are centrally located via an intranet;
- monthly reporting and review of financial and budgetary information;
- external auditors independently evaluating Navitas' compliance with the International Financial Reporting Standards on an annual basis;
- an internal audit function, which is designed to provide assurance to the Audit and Risk Committee on the effectiveness of the risk management and internal control procedures and mechanisms in place to mitigate risks across the Navitas Group, that risks are being adequately and appropriately identified and that the principles and requirements of managing risk are consistently adopted throughout the Navitas Group. Internal audit also recommends improvements to the system of risk management; and
- the effectiveness of the risk management and internal control procedures and mechanisms are tested by the execution of control based audits, review by Group Internal Audit and Risk Management of the control self-assessments carried out by the business on a bi-annual basis and external benchmarking of the risk framework.

Each business unit is responsible for the identification, assessment, control, reporting and on-going monitoring of risks within its own responsibility. Business units are responsible for embedding the requirements of this policy and for providing assurance to the Board of Directors that it has done so. The business unit, where deemed appropriate, may enhance its own organisational structure provided that such enhancements further assist the achievement of the objectives of this policy.

Management is responsible for identifying and evaluating risks within their area of responsibility, implementing agreed actions to manage risk and for reporting as well as monitoring any activity or circumstance that may give rise to new or changed risks. At a minimum, Divisional and business unit risks are moderated by the NLT before presentation to the Board.

### **Internal Audit**

Internal audit is responsible for managing the risk management system and collating the business units' risk assessments and tolerance for periodic reports to the Audit and Risk Committee. Internal audit also facilitates twice-yearly assessments by senior management of strategic risks. Internal audit is structured within Group Legal and Risk and is headed by the Acting Group Internal Audit and Risk Manager who reports to the Company Secretary and the ARC.

## **Corporate Governance Statement**

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### **Material Exposure to Economic and Social Sustainability Risks**

The Company has identified a series of economic and social sustainability risks which the Company believes it may have material exposure to which are inherent in the industry in which the Company operates. In 2015, these were:

Economic sustainability risks:

- a) Competitor actions and innovation adversely affecting profitability.
- b) Government actions lead to a decline in revenue.
- c) Recruitment agents do not comply with regulatory requirements.

Social sustainability risks:

- d) Damage to the Navitas brand or reputation.
- e) Break down of relationships with universities and key partners.

Navitas does not consider it has material exposure to environmental sustainability risk.

Navitas manages each of these economic and social sustainability risks as follows:

- Competitor actions and innovation adversely affecting profitability – Navitas conducts internal reviews of existing service offerings and potential growth markets to maintain competitive advantage and has a dedicated business intelligence function which provides:
  - global insights into higher education trends;
  - monitoring service of mergers and acquisition activity in the higher education space;
  - competitor analysis across Divisions; and
  - use of data analytics to enhance service offerings.
- Government actions lead to a decline in revenue – Navitas has a dedicated function to liaise with government and industry. Navitas has also developed a government relations strategy and engages with governments and bureaucrats to manage any changes to policy.
- Agents do not comply with regulatory requirements – Navitas has established policies and procedures in place based on the relevant legislation to manage the regulatory requirements of the recruitment agents. In addition Navitas has a risk management system and internal audit program which provides further oversight of compliance with regulatory requirements.
- Damage to Navitas brand or reputation - Various policies regarding media and social media as well as multiple systems and processes to manage reputational issues have been embedded into the Navitas business in addition to a robust risk management system.
- Break down of relationships with universities and key partners – Systems and processes to manage reputational issues are being embedded into the Navitas business. Balanced scorecard metrics to measure relationships with key stakeholders such as students, recruitment agents and university partners are being developed to enable management to monitor the ongoing health of such relationships. In addition Navitas has a risk management system and internal audit program which provides further oversight of relationship management risk. In terms of social sustainability Navitas is positioned as a “trusted provider of education” with the strategic objective of creating a long term enduring relationship with students and therefore a socially sustainable business.

The Board has received a formal report from management under Recommendations 7.2 and 7.4 as to the effectiveness of Navitas' management of its material business risks with respect to the reporting period. Upon due consideration of Navitas' risk management and internal control system, management formally reported that, with respect to the financial year ending 30 June 2015, Navitas is, in its assessment, effectively managing its material business risks through its risk management and internal control system.

### **Group CEO and CFO Declarations**

The Board has received declarations from the Group CEO and the CFO that, to the best of their knowledge and belief, the opinion provided by them in accordance with section 295A of the Corporations Act and Recommendation 4.2 (as applicable) has been formed on the basis of a sound system of risk management and internal control which is operating effectively. The Board understands that these opinions regarding the risk management and internal control systems provide a reasonable level of assurance only and do not imply a guarantee against adverse events, or losses, or more volatile outcomes arising in the future and that the design and operation of the internal

## **Corporate Governance Statement**

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control systems relating to financial reporting has been assessed primarily through the use of declarations by process owners who are responsible for those systems. Internal audit activity has also assisted with this assessment.

The Group Risk Management Policy is publicly available on the Company's website: [www.navitas.com/corporate/investors](http://www.navitas.com/corporate/investors)

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

Please refer to "Principle 2" above for details in relation to the People and Remuneration Committee.

It is Navitas' objective to provide maximum stakeholder benefit from the retention of a high quality Board by remunerating Directors fairly and appropriately with reference to relevant market conditions.

For a full discussion of Navitas' remuneration philosophy and framework and the remuneration received by Directors and the NLT members in the current period please refer to the remuneration report, which is contained at pages 74 to 83 of the Annual Report.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive Directors. There are also no equity-based remuneration schemes for Directors, senior executives or other employees.

### **Summary**

In summary, Navitas concludes that has complied with all of the applicable Principles and Recommendations.