

Corporate Governance Statement

Kelsian Group Limited (**Kelsian**)

ACN 109 078 257

23 September 2022

Introduction

Kelsian Group Limited (“Kelsian” or the “Company”) recognises that effective corporate governance is a foundational element contributing to the preservation of shareholder value and longer term company success. The Board of Kelsian Group Limited is committed to maintaining and enhancing its corporate governance framework and reviews its framework and practices regularly so as to ensure it consistently reflects market practices and shareholder expectations

The Board believes that the governance policies and practices adopted by Kelsian during the reporting period for the year ended 30 June 2022 are consistent with good corporate governance practices in Australia appropriate for the circumstances of the Company, including the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations (4th Edition) (“ASX Principles”).

During the reporting period, Kelsian followed all of the recommendations in the ASX Principles other than in relation to the Chair of the Board being an independent director (recommendation 2.5). Following a comprehensive process in FY21, the Board appointed Mr Ellison as Chair of the Board in February 2021 as it considered Mr Ellison to have the skill-set, expertise and personal traits to lead the Kelsian Board for the future.

This Corporate Governance Statement is current as at 22 September 2022 and has been approved by the Board of Directors of the Company.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1 – Board Charter and Responsibilities

The Board of Directors is accountable to shareholders for the performance and governance of the Company. Accordingly, it is responsible for overseeing the overall operational and financial performance of the Company and its subsidiaries (the “Group”), reviewing and approving its business strategy and its strategic direction.

Day to day management of the Company’s affairs, and the implementation of the corporate strategy and policy initiatives, is formally delegated by the Board to the Chief Executive Officer of the Group.

The Board operates in accordance with the general principles set out in its charter which is available from the corporate governance section of the Kelsian website at www.kelsian.com/our-governance.

The Board charter clearly sets out its role and responsibilities and describes those matters expressly reserved for the Board’s determination and those matters delegated to senior management.

Key responsibilities of the Board include, among other things:

- Setting and overseeing the Company’s purpose, strategic direction and achievement of related objectives;
- Approving the Company’s statement of values and code of conduct;
- Review and approval of budgets; overseeing and monitoring of financial performance, accounting and corporate reporting systems and external audit;
- Appointing and reviewing the performance of the Group Chief Executive Officer;
- Monitoring and reviewing effectiveness of management processes, and governance practices and policies;
- Ensuring all significant business risks are identified and effectively managed; and
- Ensuring that the Company meets its legal and statutory obligations including compliance with ASX Listing Rules disclosure requirements.

For purposes of the proper performance of their duties, the Directors are entitled to seek independent professional advice at the Company’s expense, unless the Board determines otherwise. The Board schedules meetings on a regular basis and other meetings as and when required.

Management are responsible for providing the Board with accurate, timely and clear information to enable the Board to perform its responsibilities. Information provided to the Board includes all material information on the Group’s operations, budgets, cash flows, funding requirements, shareholder movements and share pricing, assets and liabilities, disposals, financial accounts, external audits, internal controls, material risks, safety and environmental management and new venture proposals.

Recommendation 1.2 – Director and Senior Executive Appointments

Once the Board decides that a new Director is to be appointed, candidates are considered including using the services of external consultants to locate candidates and conduct searches, if considered appropriate. Proposed candidates

are considered by the Board, and appropriate interviews, reviews and checks are conducted prior to an appointment being made.

Directors' details, including their relevant qualifications and experience, the skills they bring to the Board, details of any other material directorships, and any potential conflicts of interest or other associations with the Company are disclosed in the Annual Report, and presented to shareholders at the Annual General Meeting or any other meeting where the election or re-election of Directors is proposed.

Upon appointment, Directors are given detailed background information on the Company and its operations, and the commitment required to meet the expectations of their role.

Similarly, should a new senior executive appointment be proposed, a thorough recruitment process and appropriate checks are undertaken prior to appointment of a potential candidate as part of our processes.

Recommendation 1.3 – Written Agreement with each Director and Senior Executive

Non-Executive Directors are engaged by the Company under letters of appointment and senior executives are engaged under employment contracts setting out the terms of their appointment and addressing the roles and responsibilities of the individuals.

Details of remuneration of directors and senior executives are set out in the Remuneration Report in the Annual Report.

Recommendation 1.4 – Company Secretary Accountability

The Company Secretary is responsible for supporting the effectiveness of the Board and is directly accountable to the Board, through the Chair, on all matters to do with the proper functioning of the Board. Appointment or removal of a company secretary is approved by the Board.

Recommendation 1.5 – Diversity

Kelsian recognises that a talented and diverse workforce is a key competitive advantage and that success is a reflection of the quality and skills of our people. Kelsian benefits by bringing together people of diverse backgrounds.

Kelsian acknowledges Australia's Aboriginal and Torres Strait Islander communities and their cultures, and pays respect to their Elders past, present, and emerging. We acknowledge Aboriginal and Torres Strait Islander people as Australia's first peoples, and as the Traditional Custodians of the land and water on which we rely for our Australian operations.

Kelsian fosters a culture in which all people treat each other with mutual respect and are recruited, developed and promoted on the basis of merit.

To support its commitment, Kelsian has adopted a group Diversity and Equity Policy which is available on the Kelsian website and can be found at www.kelsian.com/our-governance.

Under the Policy, the Board is responsible for establishing measurable diversity objectives and reviewing progress in achieving the objectives on an annual basis.

The key aims of this Policy which support Kelsian's corporate diversity objectives are to:

- Recruit the right people from a diverse pool of candidates. People will be recruited on the basis of competence and performance regardless of age, ethnicity, gender or cultural background.
- Provide equal opportunities based on merit.
- Make more informed and innovative decisions, drawing on a wide range of experience and perspectives that employees from diverse backgrounds and different skill-sets bring to their roles.
- Ensure every employee is treated with respect and fairness whilst performing their work.

The Board undertakes an annual assessment of Company performance against diversity objectives. During the reporting period, the Kelsian Board adopted a measurable objective for the Board of achieving gender diversity of not less than 30% of its directors being of each gender by 2023 or earlier.

As at 30 June 2022, the Kelsian Board comprised of seven directors, two of whom are female (28.5%) and five of whom are male (71.5%).

Our Australian Diversity and Inclusion Strategy was initially a three-year strategy that commenced at the beginning of the reporting period. The framework and initiatives set out in the strategy have been and will be continually reviewed throughout its execution to ensure it reflects the needs and achievements of our business. During the reporting period we have extended the timeframe of the Strategy to be a five-year strategy (2022 – 2026) and updated the relevant

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objectives for each year. Our gender diversity objectives are incorporated into the initiatives and actions described below for FY 2022 (year one in our Strategy). This complements and aligns with the work undertaken in our international divisions.

The below table sets out Kelsian’s achievements against diversity objectives for financial year ended 30 June 2022 embodied in the Strategy.

Diversity Objective for Year one: Increasing Awareness (FY 2022)	Diversity Initiatives	Progress as at 30 June 2022
Investigate our existing workforce composition	<p>Investigate our existing workforce composition via survey</p> <p>Establish a means for new employees to self-identify diversity information during their onboarding journey, and identify the best existing platform to store this information</p>	<p>Workplace Census drafted for implementation in FY23.</p> <p>Self-identification mechanisms included during recruitment and onboarding phases; Aboriginal and/or Torres Strait Islander and Gender.</p>
Promote a workplace culture of inclusivity across the organisation	<p>Promote a culture of inclusivity across the organisation</p> <p>Update careers pages across the business to promote the Group as an inclusive employer</p> <p>Develop a formal internal calendar of diversity and inclusion days & events, and communicate across the business</p> <p>Provide resources to leaders across the business that supports the celebration and recognition of diversity and inclusion days</p> <p>Conduct a review of cultural learning needs across the organisation</p>	<p>Careers Page includes reference to inclusivity. LinkedIn business pages have now been updated and review of ‘careers pages’ to commence.</p> <p>Significant communication campaigns undertaken sharing educational resources, promoting events and recognition of International Women’s Day, Harmony Week, National Reconciliation Week, NAIDOC Week.</p> <p>Review and refinement of significant diversity dates calendar (internal recognition) in line with strategic objectives.</p> <p>Working with Go1 and Cultural Capability Trainer, The Blackcard, to establish foundational cultural awareness for onboarding/refreshers in addition to localised training.</p>
Develop the Capability of leaders	Develop the capabilities of leaders in modelling inclusive behaviours	ELT Cultural Capability training conducted. Capability Training Framework in development.
Promote the use of respectful and inclusive language (Originally a Year Two objective with some work undertaken in FY2022)	<p>Promote the use of respectful and inclusive language</p> <p>Review job advertisement templates and position descriptions to ensure the use of inclusive language</p> <p>Review employment policies and identify areas of improvement with regard to diversity and inclusion values</p>	<p>Unconscious Bias in Recruitment training and language neutrality resources rolled out to the People and Culture (Australia) Team.</p> <p>Increased attendance at career events/ forums focused on Aboriginal and/or Torres Strait Islander job seekers, migrants and refugees and job seekers with a disability.</p> <p>Current policy reviews conducted by Diversity Manager with future changes being planned.</p>

FY2023 is Year Two of our Diversity and Inclusivity Strategy and has a focus of “Building an Inclusive Environment”. The Year Two objectives and initiatives seek to empower leaders and employees in celebrating diversity, strengthening relationships and modelling inclusive behaviour and language.

Diversity Objectives for Year Two: Building an Inclusive Environment (FY 2023)	Diversity Initiatives Year Two (FY2023)
Empower leaders to deliver workplace activities and key development days to foster a greater understanding of diversity and inclusivity amongst teams	<ul style="list-style-type: none"> • Develop a resource for action-based learning activities relative to diversity and inclusion for workplace teams to participate in • Coordinate a minimum of 4 activities amongst teams per year

Diversity Objectives for Year Two: Building an Inclusive Environment (FY 2023)	Diversity Initiatives Year Two (FY2023)
Leadership engagement and accountability for diversity and inclusion outputs	<ul style="list-style-type: none"> Engage with key stakeholders across the business to establish KPI's for Management with regard to diversity & inclusion
Analyse available data through a diversity lens with regard to recruitment, promotion, retention, turnover, and job satisfaction	<ul style="list-style-type: none"> Record and monitor demographics of applicants and new recruits Investigate framework for diversity data metrics to monitor the on-going effectiveness of this Strategy
Increase awareness of diversity and inclusion initiatives throughout the organisation	<ul style="list-style-type: none"> Regularly review and update employee Intranet to share information and resources relating to diversity and inclusion activities
Promote the use of respectful and inclusive language	<ul style="list-style-type: none"> Review job advertisement templates and position descriptions to ensure the use of inclusive language Review employment policies and identify areas of improvement with regard to diversity and inclusion values, i.e., Paid Parental Leave Policy, cultural leave policies

Success of the Diversity and Inclusivity Strategy after year two looks like:

- A greater understanding of who we are currently attracting to the business;
- Enhanced perceptions of diversity and inclusion amongst employees as measured in employee engagement surveys
- Demonstrative and consistent use of inclusive and respectful language across the business
- Increased percentage of diversity data collated across the Group.

Kelsian monitors and reports as a relevant employer under the Workplace Gender Equality Act for Australian based employees and the public reports are published and contain the Group's most recent Gender Equality Indicators. The most recent reports can be viewed on the Kelsian Group website at www.kelsian.com/our-governance.

A WGEA report is not required to be lodged for international based employees.

Recommendation 1.6 – Board Performance Evaluation

The Board has a formal process to assess individual performance and effectiveness of Directors, the Board and its Committees on an annual basis. The process is led by the Board Chair and involves participation by all Directors, with feedback and results considered by the full Board and acted upon as appropriate.

A structured performance evaluation in line with those processes was conducted during December 2021 to January 2022.

Recommendation 1.7 –Performance Evaluation of Senior Executives

The Board regularly evaluates performance of senior executives against a number of criteria and requires senior executives to formally address the Board on execution of strategy and associated issues.

Senior Executive performance is evaluated each year and was undertaken as follows:

- The Group Executive Officer's performance review is undertaken by the Chair of the Board and the People, Culture and Remuneration Committee.
- Senior executives' performance is reviewed by the Group Chief Executive Officer with oversight of their objectives and performance by the People, Culture and Remuneration Committee.

Performance evaluations of senior executives in line with these processes have been conducted in respect of the reporting period.

PRINCIPLE 2 – STRUCTURE THE BOARD TO BE EFFECTIVE AND ADD VALUE

The Kelsian Board is committed to ensuring that the composition of the Board continues to include directors who collectively bring an appropriate mix of skills, commitment, experience, expertise and diversity to Board decision making to ensure that the Board effectively discharges its responsibilities and duties.

The Board has been comprised of seven non-executive directors for all of the reporting period.

As at 22 September 2022 the Board comprises the following directors:

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- Jeffrey Ellison AM (Chair) (appointed director 9 July 2008, appointed Acting Chair 1 July 2020 and Chair on 23 February 2021)
- Christopher Smerdon (appointed 13 May 2004)
- Terry Dodd (appointed 28 March 2011)
- Andrea Staines OAM (appointed 15 February 2016)
- Fiona Hele (appointed 13 September 2016)
- Neil Smith (appointed 16 January 2020)
- Lance Hockridge (appointed 1 July 2020)
- Diane Grady AO (appointed 1 September 2022)

Details of the directors, including their qualifications are set out in our Annual Report for the reporting period.

The Board has established appropriate committees to assist it to effectively and efficiently fulfill its responsibilities. During the reporting period, the Board had an Audit, Risk & Sustainability Committee, (*name change effective May 2022, previously known as the Audit and Risk Committee*) and a People, Culture and Remuneration Committee.

The Board also oversees and monitors special projects/investments through forming special project/ investment committees from time to time as required. During the period, an Investment Working Group of the Board met regularly to oversee potential opportunities. This working group meets as required to assist the Board in reviewing projects and proposals as part of evaluating and guiding investment, divestment and acquisition strategies. Mr Ellison and Mr Smerdon Chaired the meetings of Investment Working Group throughout the reporting period.

The composition of the Audit, Risk and Sustainability Committee and the People, Culture and Remuneration Committee as at 30 June 2022 are set out in the Company's Annual Report. Each of these committees has a Charter approved by the Board, and maintains minutes of its meetings, circulated to all Directors.

Effective from July 2022 the Board has established a separate Nominations Committee to oversee nominations responsibilities which during the reporting period were undertaken as part of Board responsibilities and meetings (see below).

Recommendation 2.1 – Nomination Committee

During the reporting period (FY2022) nominations responsibilities were the oversight of and addressed by all directors as part of overall Board responsibilities and meetings. To ensure that topics and issues related to Board composition and evaluation, as well as Board succession planning were dealt with efficiently and effectively by the Board, the Board used an annual nominations responsibilities calendar and the Board meeting agenda set aside regular time devoted to these items. Where appropriate, a working subgroup of the Board was also formed to further support the Board on particular topics from time to time.

In February 2022 the Board further reviewed its structure and effectiveness and resolved to continue to develop and revise the responsibilities of Board committees given its entry into the ASX200 in September 2021.

From February 2022 responsibilities for ESG were specifically allocated to the Audit, Risk and Sustainability Committee and oversight of health, safety and environment were transferred to the People, Culture and Remuneration Committee, acknowledging the importance of people and culture in achieving our objectives in these areas. The People, Culture and Remuneration Committee also assists the Board with oversight of the Group CEO and Senior Executive succession planning responsibilities (director succession planning is with the full Board).

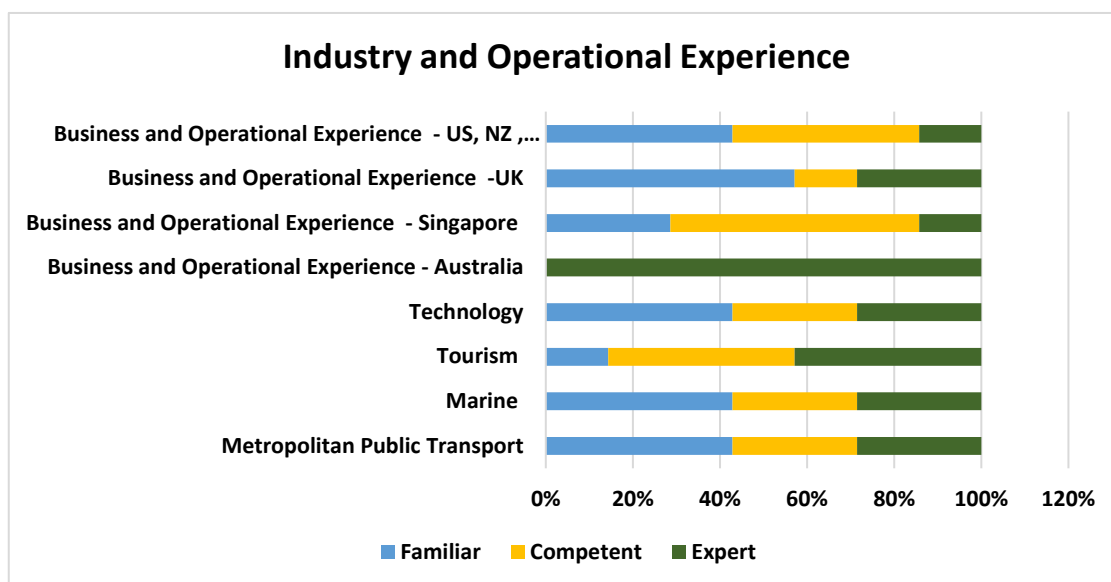
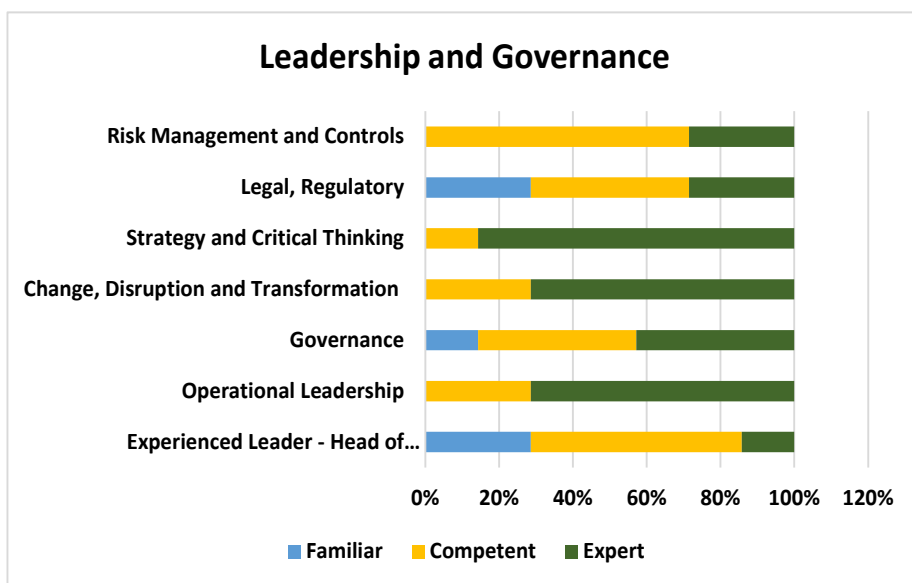
The Board resolved from July 2022 to meet as a dedicated Nominations Committee outside of scheduled Board meeting times, with all directors being members of the Committee. At its August 2022 Board meeting a new Charter for the Nominations Committee was approved and is available on the Kelsian website at www.kelsian.com/our-governance.

Recommendation 2.2 – Board Skills Matrix

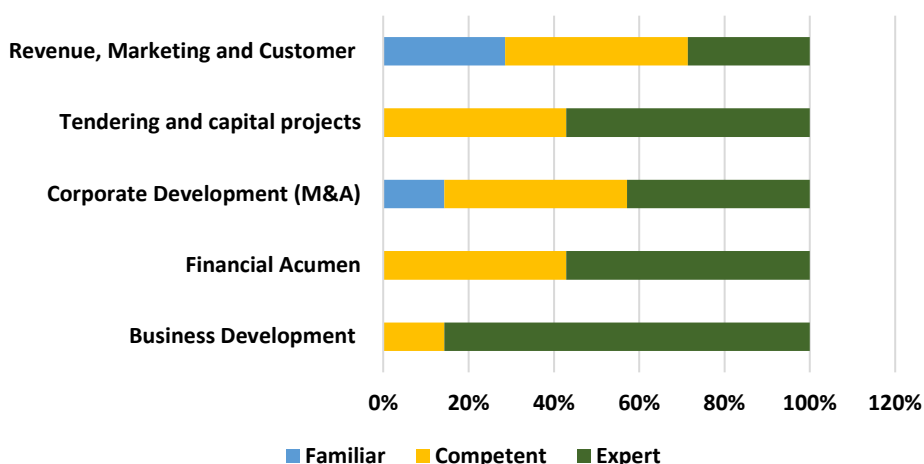
Board composition is reviewed periodically and when a vacancy arises or where the Board considers it would benefit from the services of a new Director. This review considers the existing skills and expertise of the Board, upcoming changes in the business outlook and Board, and the mix needed to meet the strategic objectives of the Company. The Board considers industry experience and specific expertise to be important attributes of its Board members.

During FY2022 the Board undertook its annual review of skills, experience and perspective (diversity). As part of this evaluation in FY2022 each Director was asked to assess the extent of their skills and experiences in specific areas on a scale of 1 - Familiar (limited skills/minimal experience), 3 - Competent (general skills/good or solid understanding) to

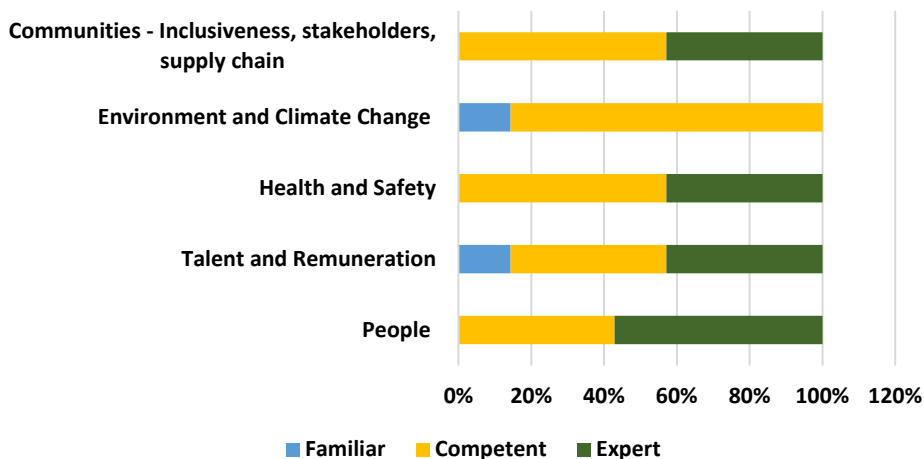
5 - Expert (expert/extensive experience). The charts below show the categories of skills and the assessed level of skill/experience of the Board during the reporting period to 30 June 2022.



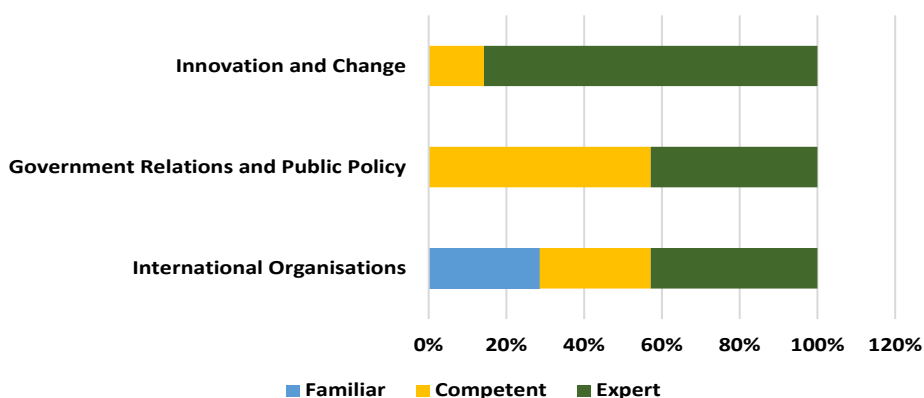
Commercial Capability

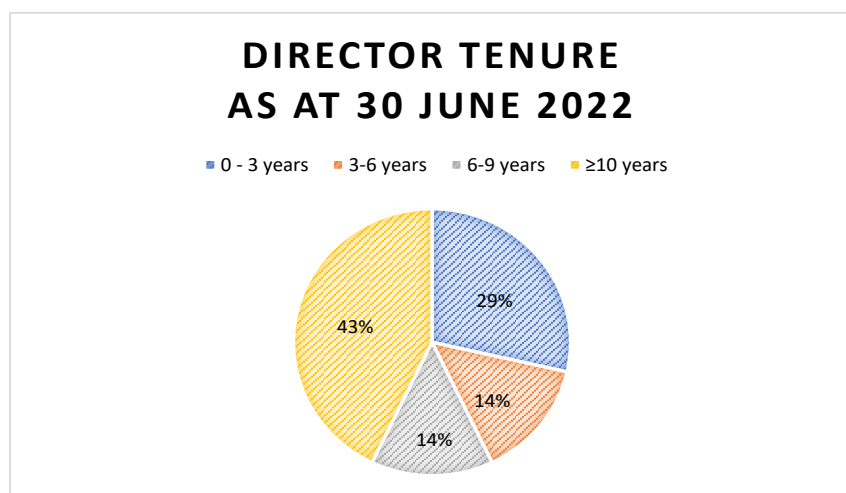


Sustainability



External Market





In accordance with the Company’s Constitution at least one third of the non-executive Directors must retire at each Annual General Meeting. No non-executive Director may serve more than three years without offering themselves for re-election.

Recommendation 2.3 and 2.4 – Director and Board independence

Throughout the 2022 financial year the Board was comprised of a majority of independent Directors.

Directors are required to bring their independent judgement to bear on all Board decisions. The Board regularly assesses the independence of each Director to ensure that each Director has the capacity to bring independent judgement to bear on issues before the Board and to act in the best interests of Kelsian as a whole.

Kelsian’s governance framework requires each Director to promptly disclose actual and possible conflicts of interest, any interests in contracts, other directorships or offices held, related party transactions and any dealing in the Company’s securities. Should a potential or actual conflict of interest arise, the Directors who do not have an interest in the item consider the nature of the interest identified and the relevant Director(s) leave the meeting to ensure a full and frank discussion of the matter(s) under consideration by the rest of the Board. Unless determined otherwise by appropriate resolution of non-interested Directors, those Directors who have interests in specific transactions or potential transactions do not receive Board papers related to those transactions or potential transactions, do not participate in any part of a Directors’ meeting which considers those transactions or potential transactions, are not involved in the decision making process in respect of those transactions or potential transactions, and are asked not to discuss those transactions or potential transactions with other Directors.

Having regard to the guidance provided by the ASX Principles, the Board considers that Ms Fiona Hele, Ms Andrea Staines OAM, Mr Lance Hockridge, Mr Terry Dodd, Mr Christopher Smerdon and Ms Diane Grady AO are independent directors.

Director	Date First Appointed as Director	
Mr Jeffrey Ellison AM (Chair)	9 July 2008	Non-independent, NED
Mr Neil Smith	16 January 2020	Non-independent, NED
Mr Terry Dodd	28 March 2011	Independent, NED
Ms Fiona Hele	13 September 2016	Independent, NED
Mr Lance Hockridge	1 July 2020	Independent, NED
Mr Christopher Smerdon	13 May 2004	Independent, NED
Ms Andrea Staines OAM	15 February 2016	Independent, NED
Ms Diane Grady AO	1 September 2022*	Independent NED

* Ms Grady was appointed to the Board subsequent to the reporting period

Mr Dodd is associated with a potential vendor of marine services to the Company and Mr Smerdon is associated with a former vendor of technology backup and cyber security services to the Company. The Board has reviewed the

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nature and magnitude of those supplier relationships and does not consider them to be material business relationships that might interfere with, or might reasonably be seen to interfere with, Mr Dodd's or Mr Smerdon's capacity to bring an independent judgement to bear on issues before the Board and act in the best interests of the Company as a whole. Details of related party transactions are set out in note 35 to the Financial Statements in our Annual Report.

In October 2019, Mr Ellison and Mr Smerdon ceased to have interests as substantial shareholders in the Company. Mr Dodd ceased to be a substantial shareholder of the Company in August 2018. Details of their shareholdings in the Company are reported as required via the ASX market platform.

The Board acknowledges that whilst Mr Smerdon and Mr Dodd have previously been substantial shareholders of the Company, the Board do not consider that their interests interfere with their capacity to bring an independent judgement to bear on issues before the Board, and to act in the best interests of the Company and its shareholders generally.

The Board does not currently consider that it should establish a limit on tenure. The length of service of each Director is one of the many factors that the Board takes into account when assessing the independence and ongoing contribution of a Director. Consistent with the ASX Principles, the Board considers that the interests of shareholders are served by having a mix of Directors on the Board, some with shorter and some with longer tenures. The Board acknowledges that Mr Smerdon has been on the Board for more than 10 years however the Board does not consider that his independence has been compromised by his tenure. Mr Smerdon continues to bring independent judgement to bear on issues before the Board.

Mr Ellison is not considered to be independent due to his previous role as Managing Director and Executive Director of the Company until February 2020 and his uninterrupted tenure as a director since 2008.

Mr Smith is not considered to be independent due to his substantial shareholding interests in the Company, his close family ties with the Group Chief Executive Officer and executive employment with Tower Transit during the previous 3-year period. During the period Mr Smith also had associated interests with entities owning depot properties leased to the Company, details of which are outlined in our financial statements (note 35).

The Board considers that the processes outlined above ensure that collectively the Board acts as an independent decision-making body in the best interests of all shareholders and that conflicts of interest, or potential conflicts of interest of all Directors including those not considered independent Directors are managed appropriately.

Recommendation 2.5 – Chair of the Board and Chief Executive Officer

Throughout the 2022 financial year, Mr Jeffrey Ellison AM whom the Board does not consider to be an Independent Director was Chair of the Board. The Chair and Chief Executive Officer were separate persons.

The Board has established conflict of interests processes in place and if any perceived or potential conflict of interest arises in relation to any matter these are raised and addressed with appropriate actions. If the Board Chair is conflicted at any time, then the Chair of Audit, Risk and Sustainability Committee fulfils the role of Board Chair in relation to that item or topic.

Subsequent to the reporting period, Ms Fiona Hele was appointed Deputy Chair of the Board with effect from 24 August 2022.

Meeting agendas provide regular opportunities for non-executive director discussions without management present, and board performance and evaluation processes occur formally each year supported by post meeting evaluations.

Recommendation 2.6 – Company induction and professional development of Directors

The Company has an established program for the induction of new Directors. This induction covers all aspects of the business including the provision of information, past meeting details, business plans, access to Senior Management and site visits to ensure that the new Director can fulfil their responsibilities.

The Board and its Committees are provided with updates and information from both management and external experts on various topics relevant to the Company's circumstances. The Board and individual Directors attend at operational sites, meet staff in operations and receive presentations from management across the Company's operations.

The Directors, the Board and any Board Committee may seek external professional advice, as considered necessary, at the Company's expense, with the consent of the Chair and assistance from the Company Secretary. If appropriate, any advice received will be made available to all Directors.

PRINCIPLE 3 – INSTIL A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY

Kelsian is committed to setting standards of conduct expected of its directors, officers and employees. It has in place governance policies and practices adopted at group, divisional and local business unit levels. The summary of policies and their publication below is current as at the date of this statement and the associated Appendix 4G lodged via the ASX.

We follow all recommendations in Principle 3 and were compliant with all recommendations for the whole of the reporting period.

Recommendation 3.1 – Values

The Board has approved a statement of values for the Kelsian Group and charged the Senior Executive team with responsibility for communicating, implementing and reporting in relation to these values. With the acquisition of the Transit Systems Group in January 2020 the company went through a process of consultation and engagement with the new divisions in relation to its values that were in place at the time of the acquisition, and we call our ‘COMPASS’ values. As part of our consultation and integration processes our Singapore teams will continue to use aligned but different branding of our values which they refer to as “CITIES”.

A copy of our values statement can be found on the Company’s website at www.kelsian.com/our-governance.

Recommendation 3.2 – Code of Conduct

Kelsian recognises the importance of acting ethically and responsibly in conducting its business and acting with honesty, integrity and in a manner that is consistent with the reasonable expectations of investors and the community. The Company’s officers and employees are required to not only act in accordance with the law, but also to act ethically and responsibly.

Each of the Company’s divisions have set ethical behaviour standards and established processes applicable to their operations that reflect the relevant jurisdictions in which they operate. Following the acquisition of the Transit Systems Group in January 2020, Kelsian’s group wide Code of Conduct was reviewed and updated to ensure Kelsian’s expectations of conduct in the code were expressed in common language that reflected and supported communication across the wider group.

A copy of our latest Code of Conduct statement can be found on the Company’s website www.kelsian.com/our-governance.

Material breaches of our Code of Conduct and supporting policies are reported to the relevant Committee and Board as appropriate.

Recommendation 3.3 – Whistleblower Policy

Kelsian’s Whistleblower Protection Policy supports Kelsian’s commitment to acting with fairness, honesty and integrity. The policy aims to promote a “safe to speak up” culture where all people who work for or with Kelsian are encouraged to speak up if they become aware of any wrongdoing. The current policy can be found on the Company’s website www.kelsian.com/our-governance.

The Company has established a 24-hour whistleblower hotline operated by an independent provider to support disclosures and reporting under this policy.

Recommendation 3.4 – Anti-Bribery and Corruption Policy

Kelsian has an Anti-Bribery and Corruption Policy that expands on and supports our expectations of ethical standards of conduct set out in our Code of Conduct. It prohibits engagement in corrupt practices, outlines requirements in relation to giving and receiving of gifts and hospitality, political donations, and reporting of suspicious behaviour or incidents.

This policy can be found on the Company’s website at www.kelsian.com/our-governance.

PRINCIPLE 4 – SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS

Recommendation 4.1 – Audit Committee

The Board Audit, Risk and Sustainability Committee provides assistance to the Board in fulfilling its corporate governance and oversight responsibilities in relation to financial and non-financial (Sustainability) reporting, risk management, and internal control environment.

The overriding objective of the Committee is to provide an independent and objective review of information prepared by management and overseeing the Company’s discharge of its responsibilities with respect to:

- Management of the Company’s financial, legal (including Taxation laws) and compliance responsibilities related to financial reporting;
- The annual financial budget;
- Engagement of and relationship with external auditors including the independence of the external auditors;

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- The effectiveness of the Company’s financial and non-financial risk management systems and internal controls;
- Monitoring risk appetite, risk policy and the effectiveness of the Company’s risk management framework;
- Management of and adequacy of processes for external reporting on the Company’s financial and non-financial risks;
- The governance, legal and regulatory compliance systems and processes of the Company including delegations of authority;
- Overseeing the systems, policies and processes to achieve the Company’s Sustainability objectives and monitor Sustainability risks.

Throughout the reporting period the Audit, Risk and Sustainability Committee was comprised of three members, all of whom were independent directors and was chaired by an independent director with appropriate expertise and qualifications. The qualifications of our directors are set out in our Annual Report.

The members of the Audit, Risk and Sustainability Committee changed following the 22 February 2022 Board meeting and membership is below. The number of Committee meetings and individual attendances of the members at those meetings during the period are as follows:

Committee Members	Committee Meeting Attendance (Total of 4 meetings during the period)
Fiona Hele (Committee Chair)	4/4
Lance Hockridge	4/4
Christopher Smerdon (Member from 1 July 2021 to 22 February 2022)	3/3
Andrea Staines OAM (Member from 22 February 2022)	1/1

A copy of the Audit, Risk and Sustainability Committee Charter is available on the Company’s website at www.kelsian.com/our-governance.

Recommendation 4.2 – Financial Declarations from the Chief Executive Officer and Chief Financial Officer

Before financial statements are approved for a financial period, the Group Chief Executive Officer and Chief Financial Officer are required to make a declaration for the relevant financial period that:

- the Company’s financial records have been properly maintained,
- that the financial statements represent a true and fair view in all material respects of the Company’s financial condition and operational results, and are in accordance with relevant accounting standards, and
- provides assurance that the declaration is founded on a safe system of risk management and internal controls, and that the system is operating efficiently in all material respects.

Recommendation 4.3 – Integrity of Periodic Corporate Reports

Kelsian has in place a process for preparing, verifying and approving the full and half year financial statements and the policy of the Company and the Audit, Risk and Sustainability Committee is to appoint an external auditor who clearly demonstrates quality and independence who provides a report in accordance with auditing standards ahead of release to the market.

In relation to additional unaudited information published by the Company throughout the year, Kelsian has processes in place to verify material statements in these documents before they are released to market including

- content is prepared by, or under the oversight of, the relevant subject matter expert for the area being reported on;
- relevant group executives review material statements of fact for accuracy and material statements of opinion are identified and reviewed to determine a sound basis for the statement; and
- the Board or relevant Committee reviews and approves the annual Corporate Governance Statement, Modern Slavery Statement, and Tax Transparency Report prior to release in addition to the processes surrounding financial statement and annual financial reporting described above.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1 – Continuous Disclosure Policy

Kelsian has and discloses its written policy for complying with its continuous disclosure obligations under ASX Listing Rule 3.1. The Company complies with the continuous disclosure obligations of the Corporations Act and ASX Listing Rule requirements to disclose immediately to the ASX and the market any information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's shares. This helps ensure that all shareholders and investors have equal and timely access to material information about the Company.

A copy of the Company's Continuous Disclosure Policy is available on the Company's website at www.kelsian.com/our-governance.

Recommendation 5.2 – Market Announcements

The Board promptly receives by email copies of all material ASX announcements made by the Company.

Recommendation 5.3 – Presentations

Kelsian has in place processes to ensure that material information is not selectively disclosed prior to being announced via the ASX. Our processes include requirements to release a copy of presentation materials via ASX first of any new and substantive investor or analyst presentation.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

Recommendation 6.1 – Investor information on the website

Kelsian provides information about itself and governance to investors via its website which includes the Company's Corporate Governance Statement.

The website also includes links to copies of its annual reports and financial statements, ASX announcements, Notices of Meetings as well as an overview of the Group's business activities.

Kelsian's Corporate website can be located at <https://www.kelsian.com>.

Shareholders are able to access information relevant to their holding via Kelsian's appointed share registry services company, Boardroom Limited. Their website is at www.boardroomlimited.com.au.

Recommendation 6.2 – Investor relations program

Kelsian facilitates effective communication with its Shareholders, including:

- Annual and half-yearly financial reports;
- Annual and other general meetings convened for Shareholder review and approval of Board proposals;
- Reports and Presentations associated with Annual General Meetings, half and full year's results;
- Continuous disclosure of material changes to ASX for open access to the public;
- The Group's websites, which include information about the Group's businesses and operations.

Shareholders are also welcome to raise any queries or provide feedback through the Company Secretary or Chief Financial Officer at any time. Investor and community feedback is welcomed by Kelsian and is summarised for the Board as a standing item of business at Board meetings.

Recommendation 6.3 – Participation at shareholder meetings

The Chair permits Shareholders to ask questions about Kelsian's business operations, the remuneration report, the conduct of the audit and the preparation and content of the audit report and other items of business at the Annual General Meeting.

Kelsian requests the company's Auditor to attend the Annual General Meeting to be able to answer any shareholder questions about the conduct of the audit and the preparation and the content of the audit report.

Recommendation 6.4 – Resolutions

Since December 2019, all substantive resolutions at the Company's meetings of shareholders are decided by poll rather than a show of hands.

Recommendation 6.5 – Electronic Communication

Shareholders are given the option to send and receive communications electronically including the Company's Annual Report. The Company has the capability to communicate with Shareholders electronically through its website, email communications and via the share registry. Electronic contact details are provided on the Company's website.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Kelsian is committed to the management of risks throughout its operations to protect its employees, interests of shareholders, environment, assets and to achieve our objectives within our risk appetite. Kelsian has a group-wide Risk Management Framework for the identification, analysis, evaluation and management of risk and uncertainty throughout the Group. It enables risks, and their treatment, to be considered where such risks manifest themselves. The consideration of risks forms part of key areas such as strategic planning, decision-making, financial/market risk, contract tender risk, transition risk, operational risks such as safety and environmental impacts, and cyber risk.

Further information about our material business risks are outlined below and in our Annual Report.

Recommendation 7.1 – Risk Committee

Throughout the period, Kelsian had an Audit, Risk and Sustainability Committee of the Board to oversee risk as well as undertake audit and sustainability responsibilities. The Audit, Risk and Sustainability Committee is responsible for overseeing and approving risk management strategy and policies, compliance and internal controls amongst other things.

Refer to recommendation 4.1 above for a list of key responsibilities of the Committee, its members, numbers of meeting and individual attendance at Committee meetings. A copy of the Charter of the Audit, Risk and Sustainability Committee Charter is available on the Company's website at www.kelsian.com/our-governance.

The Audit, Risk and Sustainability Committee members are all required to possess sufficient technical expertise and industry knowledge to fulfil the functions of the Committee. It is composed of at least three Directors, all of whom were independent throughout the reporting period, and it is chaired by an independent Director. Details of the relevant qualifications and experience of the members of the Committee are set out in the Annual Report.

Recommendation 7.2 – Annual Review of Risk Management Framework

The Kelsian Group Risk Management Framework supports the proactive management of the material business risks summarised below and other risks facing Kelsian. The Kelsian Group Risk Management Policy sets out the approach, principles and roles and responsibilities for managing risk across the Group. The Framework is aligned to the International Standard on Risk Management (ISO 31000:2018).

The Group's Risk Management Framework was reviewed during the reporting period by the Audit, Risk and Sustainability Committee and the Committee is satisfied that the framework continues to be appropriate and sound for the company. The risk management framework is reviewed at least annually by the Audit, Risk and Sustainability Committee and the Board through the Audit, Risk and Sustainability Committee formally reviews the Group's risk profile twice each year and considers other risk matters, such as business resilience, cyber risk, tender review processes, risk appetite, and specific risk areas, on a regular basis. Management report to the Board on the Company's material business risks and effectiveness of risk management and mitigation strategies.

Business risks are analysed and evaluated using an agreed framework. The Board is regularly briefed by Management and involved in discussions in relation to all material risks facing the Company. More information about our material business risks and our management of these risks is set out below.

Recommendation 7.3 – Internal Audit

Internal audit is performed by the Group's Risk and Assurance Department, providing independent and objective assurance on the Group's system of risk management and internal control through:

- performing internal audits in line with the Group's risk-based internal audit plan; and
- reporting to the Audit, Risk and Sustainability Committee.

The Group's risk-based internal audit programme is designed to align audit activities to key risks across the Group. The internal audit plan is approved by the Audit, Risk and Sustainability Committee annually.

The internal audit function is independent of the External Auditor and the head of the Internal Audit function reports to and has direct access to the Audit, Risk and Sustainability Committee.

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In addition to Group Risk and Assurance activities, external and internal ISO/AS audits and other external regulatory/contract compliance audits provide assurance on the effectiveness of operational risk management and controls. The findings from all audit activities are reported to the Audit, Risk and Sustainability Committee.

Recommendation 7.4 – Sustainability: Material Exposure to Environmental or Social Risks

The achievement of Kelsian's strategic objectives and future financial performance is subject to various risks including the material business risks summarised below. Those risks include exposure to material social and environmental risks which are managed through our Risk Management Framework and controls in place throughout the business.

Material risks are reported to and reviewed by the Board, Audit, Risk and Sustainability Committees and Group Executive Risk Committee as part of the risk reporting process. Risk management is also integrated into key business decision-making and activities, including strategic planning, investment decisions, financial risk management and project/change management. Internal audits and risk reviews are undertaken to confirm that risks are being effectively managed and reported to the Board through the Audit, Risk and Sustainability Committee.

The summary below is not an exhaustive list of all risks that may affect the Group, nor have they been listed in any particular order of materiality.

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Risk	Description	Mitigation
External Risks		
Economic Conditions	Like all organisations, the Group is exposed to economic fluctuations which can impact on customer needs, supply chain costs and growth opportunities. The global economic outlook is looking uncertain specifically in respect of supply chain costs, labour and fuel prices all of which increase uncertainty around financial resources.	In addition to hedging through financial instruments, the Group have natural hedging within many of its contracts to significantly manage this risk. This is further supported by innovative and efficient business operating models that support our clients in delivering safe, reliable, sustainable and economical solutions.
Climate change	<p>Businesses globally continue to come under increasing pressure from all stakeholders to demonstrate strong progress on their climate related progress and performance. Failure to manage the risks, and expectations, in respect of climate-change could negatively impact the Group's reputation, performance and growth opportunities.</p> <p>Kelsian believes that the transition to a lower carbon economy presents opportunities as well as risks for our business.</p> <p>The transition to decarbonisation presents opportunities to embrace new technologies that are more efficient and innovate our services. Increased use of public transport services can be a positive contributor to lowering carbon emissions in metropolitan cities where we operate.</p> <p>The risks include Transition risks; extensive policy, legal, technology and market changes as well as Physical risks which result from climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to the Group.</p>	<p>During 2022, Kelsian partnered with KPMG to assess our position in respect of the TCFD recommendations around Governance, Strategy, Risk Management and Metrics and Targets.</p> <p>Through this exercise we have undertaken a comprehensive review of the climate related transitional and physical risks, and opportunities, relevant to the Group. The risks and opportunities identified in this exercise have been analysed and evaluated using the Group's risk methodology and targeted plans developed to mitigate risk and progress opportunities.</p> <p>Our understanding of risk will continue to evolve through climate-related scenario analysis to help assess how the future, and our business, might look like if certain trends continue.</p> <p>Kelsian, who are seen as a market leader in sustainable technology and solutions in the markets in which we currently operate, actively engage with all key stakeholders in respect of decarbonization policies, plans and targets.</p>
Geopolitical/ Government Policy	<p>Kelsian is exposed to risks of changes in government policies and regulations which may impact financially on the Group's cost base or future prospects and opportunities for new or renewed contracts. The Group's operations depend heavily on government policy, funding regimes and infrastructure plans initiatives continuing to support private company operators in public transport.</p> <p>Such changes have the potential to impact (both positively and adversely) on Kelsian's profitability and future growth prospects.</p>	<p>Kelsian manages these risks by putting in place dedicated resources to manage and monitor government policies and implement appropriate systems and processes to ensure compliance with changing regulatory environments.</p> <p>Kelsian, as far as possible, incorporates consideration of changes in regulatory requirements and government policies into its corporate and financial plans and forecasts.</p>

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Risk	Description	Mitigation
Strategic Risks		
Competition/ Growth	<p>Kelsian provides its services and products to individuals, companies and government agencies across a range of economic sectors. This is carried out in competitive markets where we compete in areas of price, quality and service options.</p> <p>Failure to effectively compete in the market and/or develop new and innovative solutions could lead to non-renewal of contracts and failure to win new tenders. Should these crystallise these risks can impact on the financial performance of the group.</p>	<p>Kelsian’s focus is on being a world leader in delivering essential travels through safe and intelligent transport solutions and create brilliant customer experiences. This purpose is built on core strategic strengths within the Group – Customer Experience, Operational Excellence, Safety and Innovation and Sustainability.</p> <p>Kelsian has a dedicated Business Development Function who oversee the Group’s competitive tendering process as well as monitoring and assessing market conditions in areas where we bid/operate. This team also work with our operational divisions to identify and evaluate new business opportunities.</p> <p>Our continued focus in these areas will ensure Kelsian will continue to remain competitive and attractive to customers and clients who value these values in their business partner.</p>
Contracted Services	<p>Over 80% of the Group's revenue is secured through long-term government/commercial contracts. Such contracts attract inherent risks around achieving operational and financial performance. Unmanaged, these risks can impact on the Group's financial performance as well as our reputation and ability to renew and secure new contracts.</p>	<p>As an experienced and established operator, Kelsian and its Operating Division have extensive expertise to ensure we meet the requirements and standards on all our contracts. This is backed up with excellent customer/client relations to ensure expectations are understood and managed.</p> <p>Kelsian’s financial and operational excellence models provide for effective financial monitoring of all business activities and efficient business operations.</p>
Operational Risks		
Financial Risks	<p>Kelsian’s continued ability to operate its business and effectively implement its business plans is exposed to a variety of financial risks including credit risk, interest and currency risk, liquidity risk as well as Balance Sheet risk.</p>	<p>Information on how Kelsian manages financial risks is included in the Notes to the Financial Statements.</p>

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Risk	Description	Mitigation
Operational risks continued		
Health & Safety	<p>Transport, tourism and hospitality inherently include safety risks many of which are outside our control. Significant safety incidents, or failings in our safety management systems, could result in reputational, legal and financial damage.</p>	<p>Kelsian has a strong safety culture and is committed to continuous improvement and maintaining safety standards for all our operations.</p> <p>Kelsian has robust Safety Management Systems across all its operations which ensure that safety hazards and risks are identified and managed. Many of our operations are certified to AS 4801 / ISO 45001 and those that are not, are either working towards certification or have safety systems that meet the equivalent of these standards.</p> <p>As an experienced transport and tourism operator, Kelsian understand the safety risks inherent in our business and have an extensive range of controls to protect our people and customers.</p> <p>The Group employs dedicated professionals to manage health and safety outcomes and to provide support, education and training to the Group’s employees with respect to health and safety matters in the workplace.</p>
Environmental	<p>The nature of our activities which occur in some environmentally sensitive areas such as marine waters in Australia have the potential to cause harm to the environment if not managed appropriately.</p> <p>Failure to operate in accordance with environmental standards not only has the potential to result in environmental harm but also increases compliance costs, jeopardises our community relations and causes reputational damage with our stakeholder and investors.</p>	<p>Kelsian undertakes comprehensive risk assessments to ensure the environmental risks and hazards we face are identified and risks managed to acceptable standards.</p>
Cyber and Information Security	<p>Kelsian like any business faces an ever-changing cyber security threat and needs to have adequate arrangements in place to prevent, detect and respond to such threats ensuring no loss of or disruption to our systems and data.</p>	<p>The Group aligns with ISO 27001 (Information Security Management) and the ACSC (Australian Cyber Security Centre) Essential 8 Maturity Model.</p> <p>We have an established suite of technical and procedural solutions, as well as routine activities, such as cyber awareness training, to ensure levels of security and resilience are at the optimum level.</p> <p>Our security arrangements are routinely reviewed, through external and internal reviews, and upgraded or reinforced as necessary to ensure their adequacy.</p>

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Risk	Description	Mitigation
Operational risks continued		
People	<p>Employee costs represent the largest operating cost of the Group. In addition to the management of the various financial aspects of employee costs, the Group also face challenges around talent management - recruitment, retention and training, regulatory compliance and Industrial Relations management. Failing to manage these appropriately could have adverse financial, reputational and operational impacts.</p>	<p>Kelsian have a team of dedicated People & Culture professionals to support the business on all P&C related matters. We have HR strategies, policies and remuneration packages to attract, retain and motivate our people, whilst ensuring succession planning is in place for key staff. We are also experienced at industrial relations management and take into consideration changes in the labour market in our financial planning and contractual arrangements.</p>
Business Resilience	<p>As a key element of a location's infrastructure, prolonged and unplanned interruption to Kelsian's operations could significantly impact the financial performance of the Group and its reputation.</p> <p>Whilst a number of these risks are outside our control, we need to ensure that we manage those within our control and our response to their occurrence in order to provide high levels of availability and reliability of our services and products.</p>	<p>Kelsian has an extensive range of controls and strategies in place to manage such risks, including crisis management plans, business continuity plans, inspection and maintenance procedures, customer service training, compliance programs as well as appropriate insurances.</p>

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1 – Remuneration Committee

The Board has a remuneration committee called the People, Culture and Remuneration Committee. The purpose and role of the Committee is to support and advise the Board on:

- the implementation and effectiveness of fair, responsible remuneration practices for Kelsian Group to attract and retain Directors and senior executives who will create value for the Company and are aligned to the Company’s strategic direction;
- the implementation and effectiveness of the practices of Kelsian Group concerning work health and safety, and the impact of the Group’s operations on the environment; and
- organisational culture and people related strategies for positive long term organisational health.

Throughout the reporting period the People, Culture and Remuneration Committee was comprised of three members, the majority of whom were independent directors and was chaired by an independent director with appropriate expertise and qualifications. The qualifications of our directors are set out in our Annual Report.

The members of the People, Culture and Remuneration Committee changed following the 22 February 2022 Board meeting and membership is as below. The number of Committee meetings and individual attendances of the members at those meetings during the period are as follows:

Committee Members	Committee Meeting Attendance (Total of 5 meetings during the period)
Andrea Staines OAM (Member and Committee Chair from 1 July 2021 to 22 February 2022)	4/4
Lance Hockridge (Committee Chair from 22 February 2022)	5/5
Terry Dodd	5/5
Jeffrey Ellison AM (Member from 22 February 2022)	1/1

A copy of the People, Culture and Remuneration Committee Charter is available on the Company’s website at www.kelsian.com/our-governance.

During FY2022 nominations responsibilities were conducted by the whole Board as part of scheduled Board meetings. The Board resolved from July 2022 to meet as a dedicated Nominations Committee outside of scheduled Board meeting times, with all directors being members of the Committee. Refer item 2.1 above for further information.

Recommendation 8.2 – Disclosure of Remuneration Policies and Practices

Kelsian’s remuneration policies and practices ensure that remuneration packages properly reflect the person’s duties and responsibilities, and the remuneration is competitive in attracting, retaining and motivating people of suitable quality.

The People, Culture and Remuneration Committee reviews and makes recommendations on Director and Senior Executive remuneration and overall staff remuneration and incentive policies. When making recommendations, the Committee aims to design policies that attract and retain the Executives needed to run the Company successfully and to motivate Executives to pursue appropriate growth strategies whilst aligning shareholder return with remuneration.

Remuneration for executives typically comprises a package of fixed and performance-based components as described in our Remuneration Report. The Committee may, from time to time, seek advice from specialist remuneration consultants so as to ensure that the Board remains informed of benchmarks, market trends and practices.

There is no requirement for either the Group Chief Executive Officer or Key Management Personnel to hold shares in the Company. Further information about the Company’s remuneration practices and policies and details about remuneration of Key Management Personnel and senior executives are set out in the Remuneration Report for the period.

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All remuneration paid to Directors and Executives is measured at the cost to the Company and expensed.

The maximum annual aggregate remuneration amount approved by shareholders that can be paid to non-executive Directors is currently \$1.25 million per annum. This cap was approved by shareholders on 18 December 2019. Further details about remuneration paid to Directors are set out in the Remuneration Report for the period.

Recommendation 8.3 – Policy on Equity based Remuneration Schemes

The Company had an equity-based remuneration scheme for its employees in 2021-2022, and a summary of that scheme is set out our Remuneration Report.

The Company's policies prohibit Directors, officers and employees from entering into transactions or arrangements which limit the economic risk of unvested entitlements under any employee incentive or employee share scheme. Non-Executive Directors are not eligible and have not been awarded any incentive rights under the Kelsian Group Rights Plan (formerly called the SeaLink Travel Group Limited Rights Plan). All directors are currently Non-Executive Directors. A summary of the plan is set out in the notices to shareholders considered at the 2019 Annual General Meeting and also in our Remuneration Report in the Annual Report.

A copy of the Company's Share Trading Policy can be found at www.kelsian.com/our-governance.