

MCF GOVERNANCE FRAMEWORK 2023

(Original approved by the Board on 14 January 2020)

(2021 Update approved by the Board on 11 March 2021)

(2023 Update approved by the Board on 24 November 2022)

INTRODUCTION

The Board of the Montessori Children's Foundation (MCF) has adopted a governance framework to ensure it maintains a high standard of corporate governance and operational oversight, which collectively instill a high degree of stakeholder engagement and confidence.

This framework is guided by the Australian Institute of Company Directors (AICD) *Good Governance Principles and Guidance for Not-for-Profit Organisations 2019*, and the MCF Governance, Leadership & Operating Model (GLOM). The GLOM, at Appendix A, is a Board approved integrated governance system, the core of which is a readily identifiable set of key governance documents. These documents comprise the company's constitution, this MCF Governance Framework and select high level MCF policies, plans and procedures.

The key components of the framework incorporate:

- Framework purpose, ongoing application and MCF corporate background
- Strategic planning and direction, risk management and legal compliance
- Board and key management composition, roles, processes, and powers
- Stakeholder relations and reporting, and
- Ethical and responsible decision making

PURPOSE

The purpose of the framework is to:

- Provide the Board and management of MCF the ability to develop, implement and maintain a robust system of governance that guides MCF operations, and
- Provide the mechanism for MCF to establish and maintain an ethical culture through a committed self-regulatory approach.

ONGOING APPLICATION OF THE FRAMEWORK

The framework will be required to be adopted by resolution of the Board, as will any update or significant changes to the document. The Chief Executive Officer (CEO) will initiate regular reviews of the framework to ensure it remains best practice and applicable to the foundation's environment.

BACKGROUND

Established in 2005, MCF is a charitable organisation that aims to make the benefits of Montessori philosophy available to indigenous children and communities that would otherwise be unavailable to access it due to remoteness, poverty or disadvantage.

MCF is a Public Benevolent Institution with Deductible Gift Recipient (DGR) status, a registered not for profit entity under the Australian Charities and Not-for-profits Commission Act 2012 (ACNC Act) and a

public company limited by guarantee. For the purposes of the ACNC Act, MCF's charitable purpose is advancing education.

MCF is also a trustee for the following Trusts:

- Masterman Montessori Indigenous Children's Trust (MMICT). The MMICT was established in 2006 following a bequest from the estate of Lesley Charles (Bob) Masterman to enact his vision to further the education of indigenous children across Cape York and Torres Strait through the application of the Montessori educational philosophy and method. The MMICT is a Public Benevolent Institution with a purpose under the ACNC Act of advancing social or public welfare.
- Montessori Indigenous Children's Trust (MICT). Established in 2005, the MICT is a Public Benevolent Institution with a charitable purpose under the ACNC Act of advancing social/public welfare. The objects of the Trust are to establish, maintain, operate and support centres that provide education in indigenous communities, which are in poor circumstances and where children experience disadvantage in their education.
- Montessori Children's Foundation Scholarship Fund (MCFSF). Established in 2006, the MCFSF is a charitable Public Fund with a purpose under the ACNC Act of advancing social/welfare. The objects of the Trust include furthering the education of children and adults by providing Montessori scholarships.

Where applicable, MCF, MMICT, MICT and the MCFSF are subject to the ACNC Act, the Corporations Act 2001 and their respective Constitution or Trust Deed. If there is any conflict between this framework and the MCF Constitution or Trust Deeds, then the Constitution or Trust Deed prevails.

The MCF Constitution is a fundamental component of the company's governance system. Comprehensively reviewed in 2021, the Constitution embraces a contemporary approach in setting out the rights, roles and responsibilities of MCF Directors and Members, and the rules that govern various internal management activities.

During 2021, and in accordance with a re-purposed investment strategy, the company purchased several sharehouse investment properties (located in Cairns, Queensland) to secure a financial future for the organisation, and to provide a primary revenue stream for MCF operations. Additional sharehouse investment purchases were made during 2022 to further cement a sustainable financial footing for MCF to successfully deliver on the objects of the MMICT and Bob Masterman's wonderful vision.

STRATEGIC DIRECTION, FINANCIAL STRATEGY, RISK MANAGEMENT AND LEGAL COMPLIANCE

MCF's strategic direction will be articulated in a rolling 3-year strategic plan. The MCF Strategic Plan outlines the vision, mission, core values, strategic objectives (goals) and key performance indicators aligned to the strategic pillars of the organisation. MCF strategic pillars include Governance, Finance, Education, Fund Raising and Operations. To assist with effective Board oversight, each pillar will have a supporting plan that typically includes a set of initiatives and necessary detail to achieve MCF strategic objectives.

The MCF Strategic Plan will be reviewed annually (during a face-to-face meeting) with a public version to be made available to stakeholders via the MCF website.

MCF's financial strategy will be guided by a rolling 5-year business plan. The MCF Consolidated 5 Year Business Plan outlines the company's investment philosophy and guidelines of which the Cairns sharehouse properties are the strategic financial centre. The MCF Business Plan will be reviewed annually (during a face-to-face meeting).

Risk management and legal compliance are two of the Board's key responsibilities. MCF's Risk Management framework is to include a Risk Management policy statement, and a comprehensive Risk Overview and Action Plan subject to no less than quarterly review. The MCF Risk Management Policy Statement is at Appendix B. MCF's Legal Compliance framework is to include a list of compliance documents applicable to relevant Federal, State and Local Government Acts and other mandatory legislation and/or regulations. The MCF Risk Management and Legal Compliance frameworks will be reviewed annually.

BOARD AND KEY MANAGEMENT GOVERNANCE, COMPOSITION, ROLES AND POWERS

Ultimate responsibility for the governance of MCF rests with the Board. The Board is responsible for the oversight of the organisation, including input into, and approval of, strategies, policies and practices, relevant to the effective and lawful operations of MCF and subsidiary entities.

The Board has delegated the responsibility of day to day operations, including financial operations and administration, to MCF management, represented by the Chief Executive Officer (CEO), with whom it has open access to discuss current and future business issues, risks and strategies. The CEO is supported by a remunerated Chief Financial Officer (CFO).

The Board oversees the activities of management to ensure delegated duties are carried out as directed. The Board is accountable to MCF stakeholders for protecting and enhancing the overall interests of the organisation.

The responsibilities of the Board are to:

- Make and/or amend from time-to-time any laws, policies, plans or procedures that regulate the Board and MCF and, where applicable, our key stakeholders
- Review and approve strategic goals and objectives, annual budgets, and financial plans
- Oversee and monitor organisational performance and the achievement of strategic goals and objectives
- Establish and determine the powers and functions of Board committees established by the Board
- Monitor financial performance against forecast and prior periods, including approval of the annual financial report and the liaison with external auditors
- Select, appoint, approve the remuneration, and annually assess the performance, of the CEO and CFO, coinciding with the first face-to face meeting in the new Financial Year
- Determine the desired culture for the MCF organisation and act as a role model of the desired culture
- Enhance and protect MCF's reputation
- Set the Board's risk appetite, ensure risks are identified and appropriate control, monitoring mechanisms are in place, and
- Professionally engage with MCF stakeholders and affiliates

Board Skills and Diversity

All Directors should bring specific skills and experience that add value to MCF Board. Regular reviews of the diversity of skills, experience, qualifications, gender, geographic representation, relationships and personal attributes on the Board are to ensure an appropriate balance is maintained to increase the Board's effectiveness.

Meeting Frequency and Means

Unless otherwise agreed, the Board shall meet at least five (5) times per year. At least two (2) meetings should be held on location in Cairns. Meetings may be held using any technology consented to by all Directors.

Voting at Meetings

Each member of the Board has one vote for the purposes of determinations by the Board. In the case of a tied vote, the Chair will have a second or casting vote.

Quorum

A quorum is five (5) or more Directors present in person or by proxy.

Agenda and Board Papers

A detailed agenda, approved by the Chair, together with Board papers must be circulated to Board members at least five (5) days prior to each meeting. No papers requiring decision can be tabled at the Board meeting, except with unanimous approval of the Board.

Minutes

The Company Secretary will take the minutes of the proceedings of all Board meetings. If she/he is unable to take the minutes, then the CEO will perform that function.

Draft minutes are to be circulated to all Directors no later than ten (10) days after the meeting.

The minutes may be approved out of session in preparation for the following meeting.

The role of individual Directors

Directors have ultimate responsibility for the overall successful operations of MCF and must act in its best interests. Directors are expected to be forthright in Board meetings and have a duty to question, request information, raise any issue, fully canvass all aspects of any issue confronting MCF and cast their vote on any resolution according to their own judgement. Outside the boardroom, however, Directors must support the letter and spirit of Board decisions to all stakeholders.

The responsibilities of individual Directors are to:

- Act in good faith and in the best interests of MCF
- Not improperly use their positions or misuse MCF information
- Declare any conflict of interest
- Act with care and diligence, and
- Not allow MCF to operate while it is insolvent

The role of the Chair

The Chair is responsible for leading the MCF Board, ensuring Directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with management.

The Chair must be an independent, non-executive Director who is selected on the basis of his or her achievements and record as a leader.

Inside the Boardroom

Inside the boardroom the role of the Chair is to:

- establish the agenda for Board meetings in consultation with the CEO ensuring the right matters are considered
- be clear on what the Board must achieve, both in the short and long term
- provide guidance to other Board members and promote the on-going development of the Board and individual Directors
- determine the degree of formality required at each meeting while maintaining the decorum of meetings and ensuring that the authority of the Chair is recognised
- ensure all members are given the opportunity to contribute effectively and that decisions and debates are completed with a clear, formal resolution recorded
- articulates the resolution and/or action during a meeting for the Board minutes, and
- ensure that the Board behaves in accordance with the Code of Conduct

If the Chair is absent from a Board meeting, then the Board will select one of the members present to act as the Chair for that meeting.

Outside the Boardroom

Outside the boardroom the role of the Chair is to:

- undertake appropriate public relations activities in conjunction with the CEO
- be the spokesperson for the Company at the AGM and in reporting performance and outcomes
- be the major point of contact between the Board and the CEO
- be kept fully informed of current events by the CEO on all matters of interest to Directors
- regularly review progress on important initiatives and significant issues with the CEO, and
- provide mentoring for the CEO

The role of the CEO

The CEO reports directly to the Board and is responsible for achieving MCF's objectives and vision for the future, in accordance with the strategies and policies approved by the Board.

The CEO's key responsibilities include:

- developing and implementing the strategic objectives as agreed with the Board
- leading the organisation to achieve budget results and other performance targets within agreed financial parameters
- recruiting, developing and retaining talented people to work at MCF, providing mentoring and guidance to direct reports and establishing a strong management team, and
- monitoring organisational performance and the performance of direct reports against agreed goals
- overseeing the establishment of effective compliance, risk management and internal control systems, policies, processes and procedures
- establishing a strong working relationship with the Board and reporting regularly with appropriate, timely and quality information so the Board can discharge its responsibilities effectively
- recommending to the Board significant operational changes and major capital expenditures where these are beyond the delegated authority
- communicating throughout MCF the strategic objectives, mission, vision and values, ensuring these are achieved in practice and creating a positive working environment, and
- representing, communicating and advocating on MCF's behalf to external stakeholders and the community
- maintaining regular and purposeful contact with the Chair, specifically to ensure the Chair is fully aware of all matters that may impact the reputation of the MCF organisation

The CEO is delegated by the Board to authorise all expenditures as approved in the budget, subject to:

- All CEO compensation, outside of normal remuneration, must be authorised by the Chair
- The CEO is responsible for the appointment of management roles and with ensuring an appropriate succession plan is in place. Management roles shall include the appointment of a qualified CFO.

The role of the CFO

The CFO is responsible to the CEO for the financial administration of MCF and subsidiary entities. It is expected the CFO will have significant involvement in routine financial and associated operational aspects of the Cairns sharehouse property investments.

The CFO is to further support the CEO in such matters as are delegated by the Board.

Company Secretary

Unless otherwise determined, the CFO is the appointed Company Secretary for MCF and subsidiary entities.

Board Committees and Domain Leads

Owing to the size, nature and unique makeup of the MCF organisation, the Board, unless otherwise determined, has adopted a combination of standing committees and domain leads, to assist it in fulfilling its duties and responsibilities which include bringing recommendations to the Board for consideration.

A standing committee consists of 2 or more Directors whereas a domain lead is an individual Director with skills and experience in an area of specific organisational learning or MCF interest. Domains may include, but not limited to, governance (including risk), finance, legal, regional cultures and fundraising. Committee chairs and Domain leads are nominated by the Board Chair.

The Board as a whole is responsible for determining the extent of powers delegated to each committee or domain lead, and is ultimately responsible for accepting, modifying, or rejecting their recommendations. Decisions of a committee or domain lead are not binding unless ratified by the Board.

Unless otherwise determined, the Board has established the following standing committee:

- Education Committee

Unless otherwise determined, the following domains are recognised to assist the Board with its duties and responsibilities:

- Governance domain
- Finance domain
- Regional Cultures domain, and
- Fundraising domain

Each committee and domain lead shall adhere to policy and strategy direction and delegate operational matters through the CEO.

Committees are chaired by an Independent Director, who is not the Chair of the Board, and has at least two (2) members. The chair of the Education Committee shall have a Board endorsed Montessori educational standing.

Domain leads can be any Director, including the Chair of the Board. The Regional Cultures domain lead shall have a direct leaning with indigenous culture.

Committee meetings are to be held and domain lead determinations are to occur and be reported, as required, in a manner to provide proper and effective input for MCF Board meetings and decision making.

Education Committee

The Education Committee is responsible to the Board for overseeing for the design, quality, effectiveness and integrity of MCF's professional education services, programs and projects, and engagement with relevant stakeholders.

Specific responsibilities include:

- Ensure MCF pursues and operates educational learning models that are contemporary, sustainable and consistent with achieving the objectives in the MCF Strategic Plan, and
- Ensure MCF partner organisations are aligned with Montessori values and planned objectives in the MCF Strategic Plan

Governance domain

The Governance domain lead is responsible to the Board for the design, quality, effectiveness and integrity of MCF's overarching governance framework including risk management, audit and compliance strategies.

Specific responsibilities include:

- Develop an appropriate risk management framework for MCF, establish a risk appetite for the Board, and assess corporate risk in line with this
- In consultation with the Finance domain lead, ensure MCF has an effective audit and compliance system, that conforms with all relevant statutes, regulations and other requirements placed on it by external bodies
- Ensure effective internal controls exist, and
- Ensure best practice Not-For Profit governance principles are adopted for the conduct of MCF operations

Finance domain

The Finance domain lead is responsible to the Board for the oversight of all MCF financial operations and for safeguarding assets.

Specific responsibilities include:

- Ensure MCF operates a financial model that is consistent with achieving the objectives of the MCF Strategic Plan
- Ensure MCF operates a financial investment strategy, articulated in the MCF Business Plan, that is consistent with the interests and sustainability of the MMITC
- Ensure forward budget estimates of capital and significant operational expenditures for the subsequent two years are in line with the MCF Strategic Plan
- Recommend annual operating, capital and cash budgets for approval by the Board
- Oversee the preparation of the year-end financial statements and the appointment of the external auditors

Regional Cultures domain

The Regional Cultures domain lead is responsible to the Board for the oversight of indigenous learnings applicable to all MCF activities including engagement with relevant stakeholders.

Fundraising domain

The Fundraising domain lead is responsible to the Board for overseeing for the design, quality, effectiveness and integrity of MCF's fundraising activities, and engagement with relevant stakeholders.

Specific responsibilities include:

- Ensure MCF pursues and operates a fundraising model which is sustainable and consistent with achieving the objectives in the MCF Strategic Plan, and
- Ensure MCF donor organisations are aligned with Montessori values and the planned objectives in the MCF Strategic Plan

Delegations of Authority

MCF's Board has reserved all powers for itself and delegated authorities to management as set out in the Delegation of Authority Policy. Where a delegation is not specified in this policy, the Board retains the authority and approval to act must be sought from the full Board. The powers to direct and govern MCF lie with the full Board. Individual Directors have no individual authority to participate in the day-to-day management of MCF, including making any representations or agreements with member companies, suppliers, customers, employees or other parties or organisations. The exception to this rule is where the Board passes a resolution explicitly delegating authority to a Director individually, however, the full Board retains responsibility for the delegated power.

Director Protection

Access to independent professional advice

Directors of MCF are expected to exercise considered and independent judgement on the matters before them. To discharge this expectation, a Director may from time to time need to seek independent, professional advice on matters before them. MCF will pay for reasonable professional fees subject to the Director obtaining Chair authority prior to engaging an external expert.

Directors' and Officers' (D&O) insurance

The Company arranges for the benefit of each Director a policy of Directors' and Officers' insurance in such reasonable accepted form approved by the Board after advice taken from the Company's insurance brokers. The Company maintains each Director's D&O insurance coverage for seven years from the date at which they cease to be a Director.

STAKEHOLDER RELATIONSHIP AND REPORTING

The Board and individual Directors exercise leadership, integrity and good judgement, always acting in the best interests of MCF, demonstrating transparency, accountability and responsibility to its stakeholders. The Board will strive to ascertain the interests, aspirations and requirements of stakeholders in the creation of a strategic plan, and all Directors should embrace the strategic plan and MCF objectives.

The Board will provide key stakeholders with a comprehensive annual report outlining how they fulfilled the governance roles, achieved strategic objectives, and sufficient financial information so that stakeholders can make judgement as to how effectively the Board is fulfilling its role.

ETHICAL AND RESPONSIBLE DECISION MAKING

Board Culture, Code of Conduct and Understanding of Duties

The Board actively seeks to have an 'engaged culture' which is characterised by candour and a willingness to challenge.

In carrying out their duties, each Director must always remember that they act for and on behalf of stakeholders.

Board Behaviour Norms:

- Board members are honest yet constructive
- Board members are ready to ask questions and willing to challenge leadership
- Board members actively seek out other members' views and contributions
- Members spend appropriate time on important issues, and
- Make valuable contributions and take responsibility

Board Member Values:

- The Board serves MCF by actively participating in governance
- The Board is responsible for maintaining MCF's stature in the Montessori education sector, and
- Board members must respect each other

Each Director recognises and agrees to uphold the following standards of behaviour:

- To take personal responsibility for contributing impartially to the decisions of the Board, with no thought given to personal gain
- To actively seek knowledge about the business of MCF
- To provide strong support for the long-term strategies of MCF
- To accept the need to sufficiently prepare for Board meetings and decisions, and insist on sufficient information being made available to enable informed debate and decision making
- To perform the assignments delegated by the Board

- To uphold high ethical standards at the Board level
- To openly and promptly disclose any conflict of interest, actual or possible, and
- To tender a resignation if unable to uphold any of the above standards of behaviour

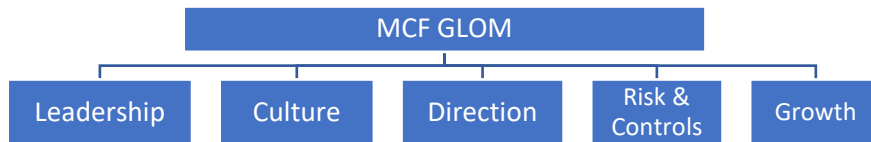
REVIEW OF THE MCF GOVERNANCE FRAMEWORK

This MCF Governance Framework will be reviewed annually or more frequently by the Board as required.

MCF Governance, Leadership & Operating Model

BOARD GOVERNANCE (Our Model)

The *MCF Governance, Leadership & Operating Model (GLOM)* is an integrated governance system, the core of which is a set of key guidance documents. Documents include an overarching *MCF Governance Framework* and supporting plans, policies and procedures.



Leadership – focused, authentic, courageous, empathetic and timely
 Culture – informed by adopted MCF values and behaviours

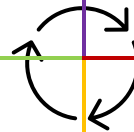
DIRECTION (Our Plans)

MCF Strategic Direction (enduring horizon, external messaging of key elements via the MCF website, annual reporting and promotional material)

MCF Strategic Plan (rolling 3-year horizon, external and internal versions):

- Vision & Mission statements
- Core Values & Behaviours
- Strategic Pillars
 - Education
 - Finance
 - Governance
 - Fundraising
 - Operations
- Goals/Initiatives/KPIs aligned to pillars

Strategic Plan to be reviewed annually



SUSTAINABILITY & GROWTH (Our Future)

The business end of MCF informed primarily through our promise to the late LC (Bob) Masterman, our educational /engagement offerings, investment strategies, and adoption of necessary tools to make it all happen.

Metrics to focus on:

- Education performance (including number of programs available, communities served, facilitators trained, and family members assisted)
- Fundraising targets (funds raised)
- Preservation of MMICT funds (through astute investing)
- Revenue targets (primarily through income from Cairns sharehouses investments)
- Good governance (strong adherence to AICD endorsed best practice governance standards)

RISKS & CONTROLS (Our Checks & Balances)

Those fundamental elements that collectively keep MCF on track, accountable to our stakeholders, and focussed on growth.

A principal governing instrument is an all-encompassing *Risks Overview and Action Plan (ROAP)* that details MCF risks, their mitigants and monitoring mechanisms. Key risk areas are to include:

- Strategic Performance, Enterprise Governance and Reputation
- Financial Accountability/Performance and Legal Compliance
- Education Programs/Projects and Stakeholder Engagement
- People and Talent Management
- Grants and Fundraising
- General Operations, WHS, Communications and Record Keeping
- Sharehouses and Classrooms

ROAP to be reviewed no less than quarterly

MCF RISK MANAGEMENT

Risk management requires an awareness of MCF's legal obligations and a commitment to quality and safety. Risk management is one of the Board's key responsibilities.

We recognise it is not possible, or necessarily desirable, to eliminate all the risks inherent in our work. Accepting some degree of risk in our business practices promotes efficiency and innovation. The Board and management is willing to accept higher levels of risk when the potential benefits outweigh the negative consequence of risks. In doing so, we must be able to demonstrate we have made informed, evidence and risk-based decisions.

MCF's Risk Management framework consists of a Risk Management Policy Statement and a Risk Overview & Action Plan (Identification of Risks, Analysis and Evaluation of Risks, and the Management Plan for the Treatment of Risks).

This Appendix provides visibility of MCF's Risk Management Policy Statement. The MCF Risk Overview & Action Plan is detailed in a separate MCF internal working document.

Risk Management Policy Statement

Reference:

- a. *Risk Management Principles and Guidelines; International Organisation for Standardisation (AS/NZS ISO 31000:2009)*

MCF recognises that risk management is a key element of corporate governance that should be incorporated in all relevant aspects of MCF management, administration and operations, including all decision making processes.

The Board, the CEO and all employees and volunteers will work to ensure that as far as possible any risks faced by the MCF do not result in significant loss or harm to the company.

Specific objectives for the MCF's risk management processes are to:

- Assist MCF meet its legal obligations under all applicable Federal and State legislation;
- Enhance MCF levels of accountability and integrity in both decision making and in providing services to its stakeholders;
- Protect the assets, people, property, finances, information and reputation of MCF;
- Ensure that risks facing MCF are understood and managed in the interests of its Members and the wider community;
- Ensure that risks (significant or otherwise) are monitored through a regular review process and action taken to identify and, where necessary, ameliorate such risks is reported to the Board of MCF; and
- Seek opportunities to turn risk issues to MCF's strategic advantage.

The MCF Governance and Risk domain lead, on behalf of the Board, has the following responsibilities with respect to risk:

- Monitor the whole of environment in which MCF is operating including societal changes, financial position, operational effectiveness, member protection, privacy, fraud, legislation and case law and negative publicity;
- Identify the source of risk, where the risk could happen, the effect of the risk on MCF's objectives and operations, and who might be impacted;
- Analyse the risks, the likelihood and consequences of the risk happening;
- Evaluate the risks and MCF's tolerance level accordingly noting that in some cases it will be appropriate to accept a certain level of risk within MCF's risk appetite and tolerance levels;
- Recommend suggested actions to the Board as required, as to how risks are dealt with; treatment of risk to avoid, accept, remove or reduce the risk to an acceptable level; or change the consequence of a risk to enable strategic advantage; and
- Liaise with the Board, its committees and other domain leads in monitoring the broader risk areas identified in the MCF Risk Overview & Action Plan working document and establish working relationships to ensure risks are monitored by the appropriate committee, domain lead or management.

MCF's Risk Management framework, including this policy statement, will be reviewed at least annually by the Board.