

ASX ANNOUNCEMENT

9 August 2021

Statement regarding employee underpayments

Regis Healthcare Limited (**Regis**) (ASX:REG) announces that it has identified potential underpayments of employee entitlements to certain current and former employees under its enterprise agreements.

These payment shortfalls have arisen because some employee entitlements due under various enterprise agreements were recorded inaccurately in the payroll system. This has led to incorrect payments to a number of employees.

Regis, with the assistance of external advisors, has commenced a review to determine the extent of the underpayments. This requires the review of multiple and complex enterprise agreements and extensive analysis of large volumes of historical employee entitlement and payroll data.

While this review is on-going, based on preliminary analysis, Regis estimates that potential underpayments due to current and former employees (looking back six years) could be in the range of \$30-\$40 million. Regis will not seek to recover any overpayments incorrectly paid to employees.

Regis' Managing Director and Chief Executive Officer, Dr Linda Mellors, said, "While we are deeply disappointed this has occurred, our priority is to identify the amounts owed to our people and paying those amounts as soon as our review is complete. We are also upgrading our payroll system and improving internal processes to mitigate the risk of such issues recurring. Our Board is meeting regularly to monitor progress and ensure remediation occurs in a timely manner. I would like to offer my apologies to our people affected by this issue."

The impact of the expected range of underpayments on profit before income tax for the financial year ended 30 June 2021 is estimated to be in the range of \$6-\$7 million with the remaining amount to be recorded as a prior period restatement in accordance with Australian Accounting Standard AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Given the initiatives underway to upgrade the payroll system and improve internal processes, the on-going financial impact of the employee entitlement underpayments is anticipated to be less in the 2022 financial year. Additionally, there is no impact on the Company's ability to meet debt covenants.

Regis is making a voluntary disclosure of this matter to the Fair Work Ombudsman (FWO) and will engage with employees and the FWO as the review continues. Regis will keep the market updated on any material developments in this matter.

For further information:

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This announcement was authorised for release to the ASX by the Board of Regis Healthcare Limited.