

**Autosports Group Limited**

**CORPORATE GOVERNANCE  
STATEMENT**

**2019**

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# Overview

The Board is committed to conducting the business of Autosports Group Limited (**Autosports Group, Group or Company**) in accordance with high standards of corporate governance and with a view to creating and delivering value for Autosports Group's shareholders. To this end, the Board maintains a system of risk management processes and corporate governance policies and practices which are designed to support and promote the responsible management and conduct of Autosports Group.

This Corporate Governance Statement sets out the key features of Autosports Group's governance framework and reports against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council (**ASX Principles and Recommendations**).

In accordance with the ASX Principles and Recommendations, Autosports Group's policies and charters referred to in this statement are available on the corporate governance section of Autosports Group's website: <http://investors.autosportsgroup.com.au/investors/?page=corporate-governance>.

This Corporate Governance Statement is current as at 29 August 2019 and has been approved by the Board of Autosports Group.

# 1. The Board and management

## 1.1 The role of the Board and management

The Board is responsible for overseeing the governance of Autosports Group. Its role is to:

- represent and serve the interests of shareholders by overseeing and appraising the Company's strategies, policies and operational performance;
- protect and optimise Company performance and build sustainable value for shareholders in accordance with any duties and obligations imposed on the Board by law and the Company's Constitution;
- set and monitor compliance with the Company's governance framework;
- ensure shareholders and other stakeholders are kept informed of the Company's performance and major developments;
- select, appoint and evaluate the performance of the Chief Executive Officer (**CEO**);
- review the performance of the CEO, Company Secretary and Key Management Personnel (**KMP**);
- oversee capital management including dividend and distribution payments; and
- consider Board succession planning and monitor Board performance.

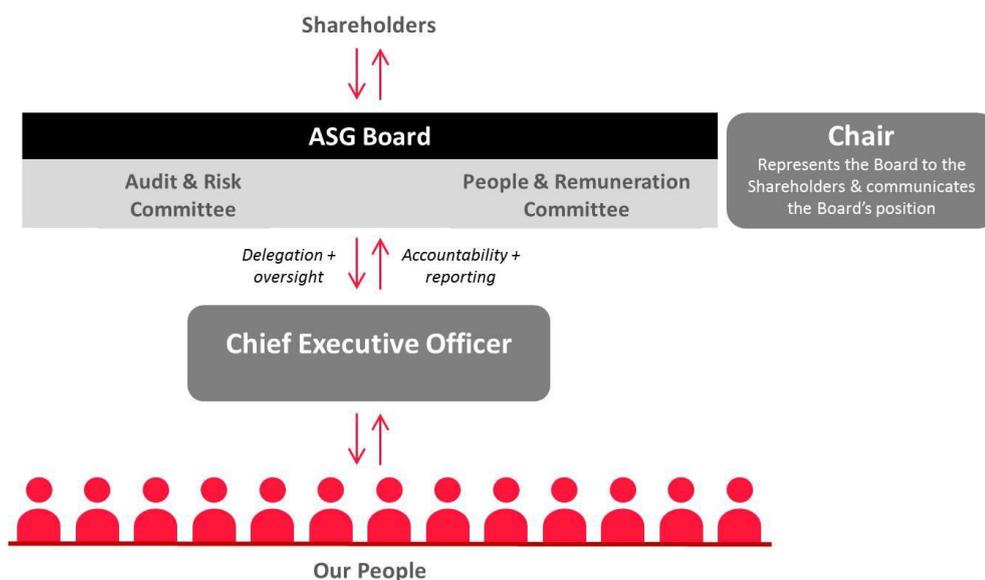
The Company maintains a Delegation of Authority Policy which:

- defines authorities delegated by the Board to the Audit and Risk Committee, the People and Remuneration Committee and to management, in order to make binding decisions on behalf of Autosports Group; and
- clarifies the powers that are reserved to the Board.

The Board maintains a Board Charter which provides an overview of:

- the Board's structure, composition and responsibilities, and
- the relationship and interaction between the Board, Board Committees and management.

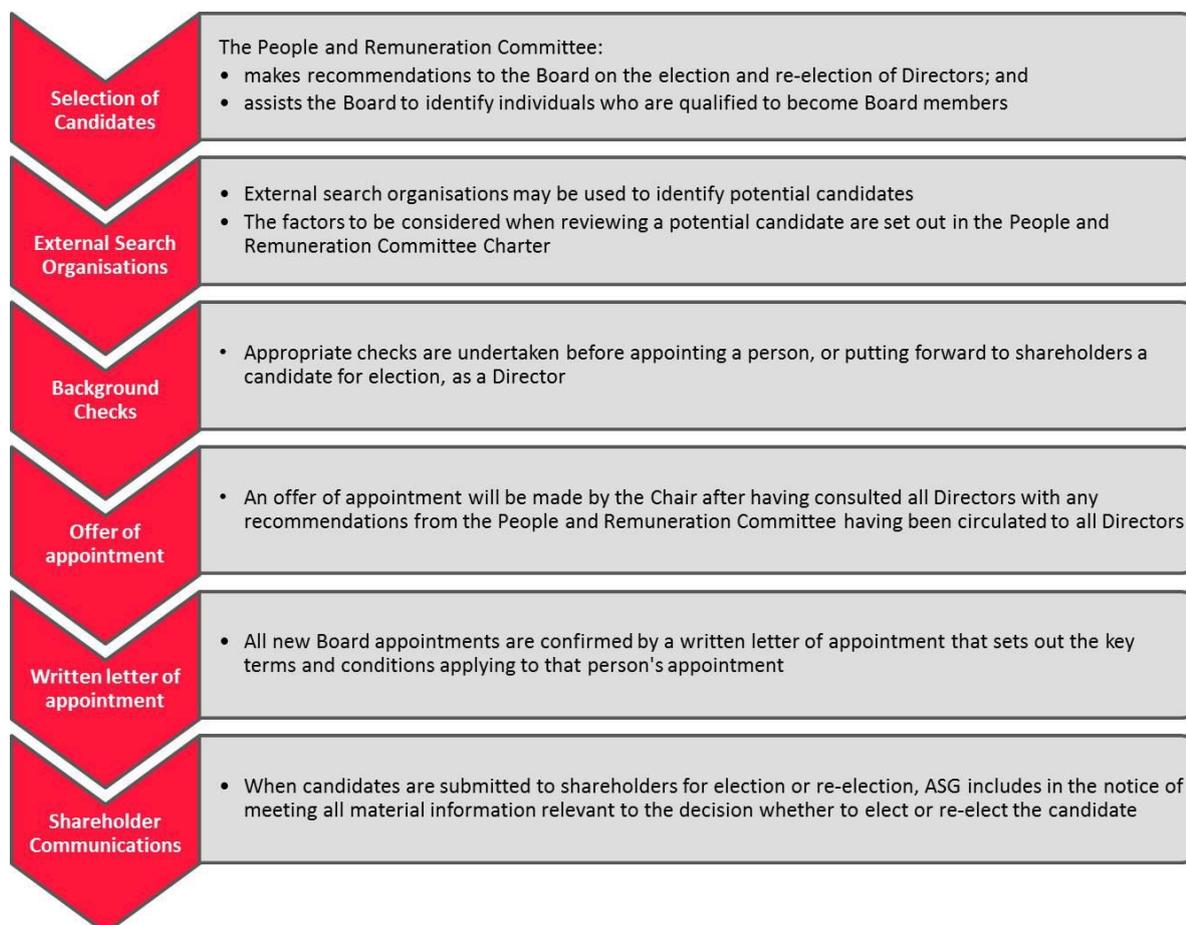
The diagram below summarises Autosports Group's governance framework.



## 1.2 Director selection and succession planning

The Board seeks to ensure that it is comprised of directors with a broad range of skills, expertise, experience and backgrounds. The Board, with the assistance of the People and Remuneration Committee, regularly reviews its membership.

A brief overview of the process for the selection and appointment of directors is set out below.



## 1.3 Agreements with Board and senior executives

Each non-executive director has signed a letter of appointment in relation their appointment to the Board. The Company has entered into employment agreements with Nick Pagent and Ian Pagent who are employed in an executive capacity. The Company also has written employment agreements with each of its senior executives.

## 1.4 Director independence

The Board maintains guidelines set out in the Board Charter which are used to guide independence assessments. These guidelines are based on the definition of independence listed in the ASX Principles and Recommendations.

Director	Position	Appointed	Independent
Tom Pockett	Chairman and Independent Non-Executive Director	29 August 2016	Yes
Nick Pagent	Managing Director and Chief Executive Officer	29 August 2016	No. Nick Pagent is employed in an executive capacity and is a substantial shareholder.
Ian Pagent	Executive Director	29 August 2016	No. Ian Pagent is employed in an executive capacity and is a substantial shareholder.
Robert Quant	Independent Non-Executive Director	29 August 2016	Yes
Marina Go	Independent Non-Executive Director	28 October 2016	Yes

## 1.5 Induction and professional development

Upon appointment, each Director receives a letter of appointment and is provided with the Company's core corporate governance policies. Directors are also given opportunities to meet with senior executives and managers and tour Company sites and facilities. Management briefs the Board on relevant industry, regulatory and legal developments at each Board meeting and is available for additional support where required. Directors are also able to attend ongoing professional development and training programs to enable them to develop and maintain their skills and knowledge.

## 1.6 Company secretary

The Company Secretary is accountable to the Board on all matters to do with the proper functioning of the Board. All Directors have direct access to the Company Secretary and vice versa. A decision to appoint or remove the Company Secretary requires Board approval.

## 2. People & Remuneration

### 2.1 People and Remuneration Committee

The Board has established a People and Remuneration Committee. The table below sets out the composition and key responsibilities of the People and Remuneration Committee.

Composition	Members	Responsibilities
<ul style="list-style-type: none"> <li>• Only Non-Executive Directors</li> <li>• A majority of independent Directors</li> <li>• An independent Chair</li> <li>• A minimum of 3 members</li> </ul>	<ul style="list-style-type: none"> <li>• Marina Go (Chair)</li> <li>• Tom Pockett</li> <li>• Robert Quant</li> </ul>	<p>The Committee's key responsibilities include overseeing Autosports Group's:</p> <ul style="list-style-type: none"> <li>• remuneration framework;</li> <li>• succession planning for the Board and key management personnel; and</li> <li>• people and culture strategies.</li> </ul>

The Board maintains a People and Remuneration Committee Charter. A copy of the charter is available at <http://investors.autosportsgroup.com.au/investors/?page=corporate-governance>.

The People and Remuneration Committee met seven times during the financial year. All members of the Committee attended each meeting

### 2.2 Diversity

#### Diversity Policy

The Board understands that gender diversity is an essential component of the Company's ability to attract, retain, motivate and develop the best talent, create an engaged workforce, deliver the highest quality service to its customers, and continue to grow the business profitably.

The Board has a Diversity Policy which sets out the Company's commitment to gender diversity by:

- setting measurable objectives to achieve gender diversity;
- broadening the field of potential candidates for senior management and Board appointments;
- increasing the transparency of the Board appointment process; and
- embedding the extent to which the Board has achieved the objective of the Diversity Policy in the evaluation criteria for the annual Board performance evaluation.

The Policy specifically provides that each year the Board will set measurable objectives with a view to achieving gender diversity and the People and Remuneration Committee will assess annually both the objectives and the Company's progress in achieving them. During the Financial Year the Group conducted a gender diversity survey and five think tanks on improving gender diversity at Autosports Group. The Company also delivered training to all line managers on unconscious bias.

#### FY2019 Measurable Objectives

The Group achieved each of the diversity measurable objectives for the FY2019 period, which include:

- set gender composition targets for all roles where the Group is below industry average
- build and implement a sales trainee program with the specific objective of improving the pipeline of female sales consultants and managers
- build and implement an apprentice program to be promoted to female school leavers.
- all employing managers to complete interview training on managing on unconscious bias and its impact on individual and group decision making
- establish a women's network

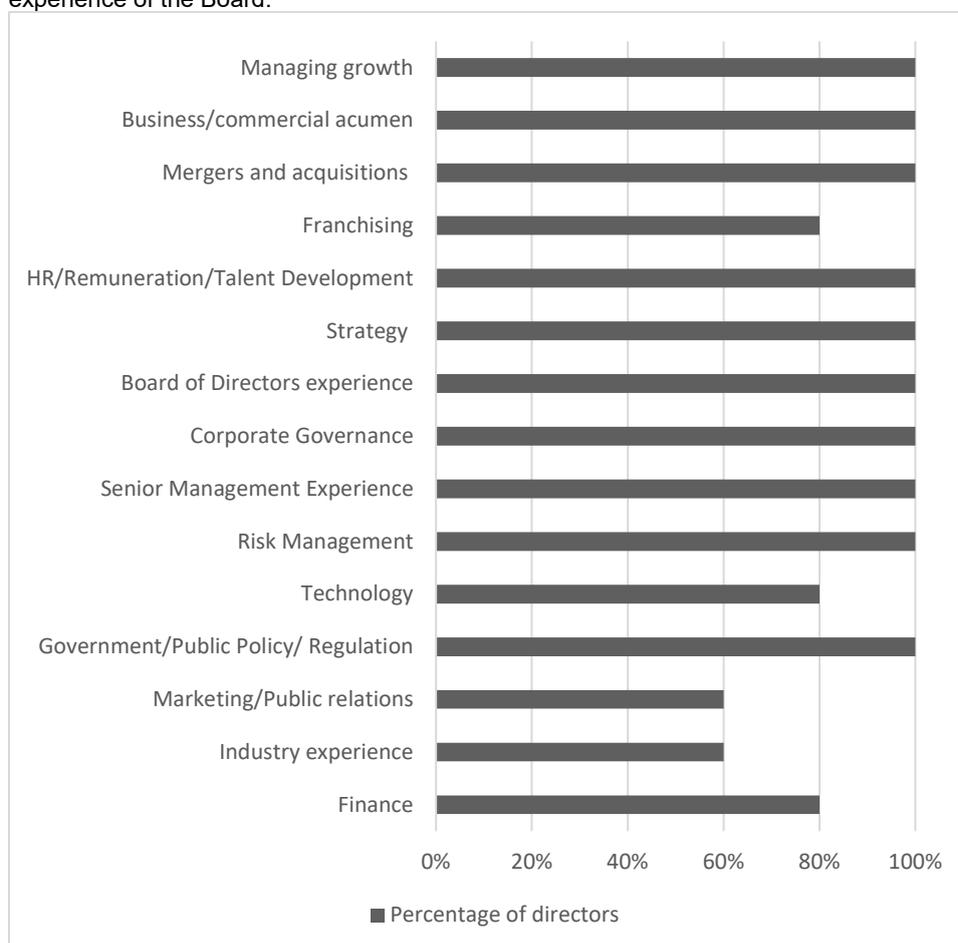
- train hiring managers on the effective use of company policies in relation to Flexible Working Hours, Working from Home Arrangements, Diversity and Parental Leave
- work with industry counterparts and representative groups to push for a united approach to improve gender diversity in non-traditional roles
- deliver sexual harassment training

### Workplace Agenda Equality Agency (WGEA) Report

According to the Workplace Gender Equality Agency (WGEA) Report prepared for the financial year (for car retailing businesses, categorised as ANZSIC Code 3911 only), Autosports Group's gender composition was 20% women. 21% of employees awarded promotions were women and 23.7% of employees who resigned were women.

### 2.3 Board skills matrix

The People and Remuneration Committee developed a board skills matrix setting out the mix of skills, expertise, experience and diversity that the Board currently has and to identify any potential gaps in the skills and experience of the Board.



### 2.4 Remuneration of non-executive directors

Autosports Group's remuneration policy for non-executive directors aims to ensure that Autosports Group can attract and retain suitably qualified and experienced Directors having regard to:

- the level of fees paid to non-executive directors of other major Australian companies;
- the size and complexity of Autosports Group's operations; and
- the responsibilities and work requirements of Board members.

Non-executive directors receive a fixed amount of fees for their services.

## 2.5 Remuneration of executive directors

The Board maintains a remuneration framework for the Company appropriate for the listed environment that aligns with the Company's strategy. The Company's remuneration framework for the executive team comprises the following three key components:

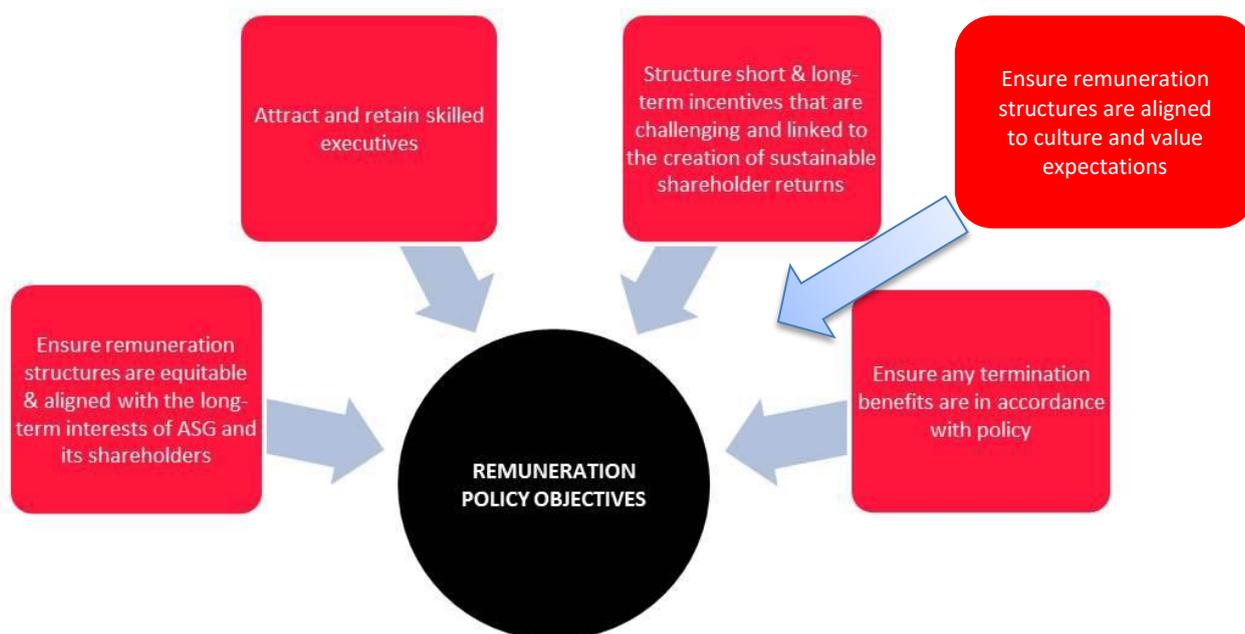
- **fixed remuneration** - comprising base salary, superannuation contributions and other benefits;
- **short term incentive (STI)** – an 'at risk' component of remuneration where, if individual and Group performance measures are met, senior executives are awarded performance rights which are deferred for one year and are subject to performance hurdles; and
- **long term incentive (LTI)** - an 'at risk' component of remuneration where senior executives are awarded performance rights which are subject to an earnings per share (EPS) performance condition and a service condition.

Further information about the Company's remuneration framework is included in the Remuneration Report the 2019 Financial Report.

In accordance with section 206J of the Corporations Act, the key management personnel are not permitted to enter into transactions designed to limit the economic risk of participating in the Group's equity incentive scheme.

## 2.6 Remuneration of senior executives

In considering executive remuneration, the Board and the People and Remuneration Committee are guided by the following policy objectives:



These objectives ensure that the level and composition of remuneration is appropriate, and also that there is a clear link between pay and performance. The remuneration structure includes both cash and equity components to align the interests of senior executives with those of shareholders.

## 2.7 Minimum shareholding policy

The Group maintains a Minimum Shareholding Policy which is designed to align the interests of non-executive directors, executive directors and senior management with the interests of the Company's shareholders. The policy requires the non-executive directors, executive directors and the executive team to build a minimum shareholding in the Company and maintain that shareholding during their tenure.

## 2.8 Board performance evaluation process

Under the Board Charter, the Directors undertake performance evaluations of the Board, its Committees and individual Directors. The Company has established the following performance evaluation processes for the Board, Committees and individual Directors:

- the Chairman undertakes a continuous review of the performance and contribution of individual Directors;
- on an annual basis, Directors provide feedback in relation to the performance of the Board, its Committees and individual Directors;
- all attendees of Committee and Board meetings (including senior executives) are required to review the performance of the Committee/Board and the performance of the Chair through a survey process; and
- the results of the surveys are presented to each Committee/Board with recommendations to improve Committee/Board process in subsequent years.

During the financial year the Board conducted an evaluation of board performance in accordance with the process.

## 2.9 Senior executive performance evaluation process

The CEO's key performance indicators (**KPIs**) are reviewed and set annually by the Board at the commencement of the financial year. The Board then carefully evaluates the CEO's performance against those KPIs.

The performance of the senior executive team is done in a similar manner with KPIs recommended by the CEO and endorsed by the Board. At the end of each financial year, the CEO conducts performance reviews with each senior executive and measures performance against KPIs and makes recommendations to the Board in relation to each executive's performance accordingly.

A performance evaluation for all senior executives, including the CEO, took place during the financial year in accordance with this process.

## 3. Audit & Risk

### 3.1 Audit & Risk Committee

The Board has established an Audit and Risk Committee. The table below sets out the composition and key responsibilities of the Audit and Risk Committee.

Composition	Members	Responsibilities
<ul style="list-style-type: none"> <li>• Only non-executive directors</li> <li>• A majority of independent directors</li> <li>• An independent Chair who is not Chair of the Board</li> <li>• A minimum of 3 members</li> </ul>	<ul style="list-style-type: none"> <li>• Robert Quant (Chair)</li> <li>• Marina Go</li> <li>• Tom Pockett</li> </ul>	<p>The Committee's key responsibilities include overseeing Autosports Group's:</p> <ul style="list-style-type: none"> <li>• financial reporting process;</li> <li>• relationship with the external auditor and the external audit function generally;</li> <li>• relationship with the internal audit function (if any, recognising that the internal audit function may be provided by an internal or external provider);</li> <li>• financial controls and systems;</li> <li>• processes for monitoring compliance with laws and regulations; and</li> <li>• processes for identifying and managing risk.</li> </ul>

Non-Committee members, including members of management and the external auditor, may attend meetings of the Committee by invitation of the Committee Chair. The Committee has rights of access to management and auditors (external and internal) without management present, and rights to seek explanations and additional information from both management and auditors.

The qualifications and experience of each member of the Audit & Risk Committee are set out in the 2019 Financial Report. The Audit and Risk Committee met nine times during the financial year, and all committee members were present at those meetings.

The Audit & Risk Committee maintains an Audit and Risk Charter, a copy of which is available at <http://investors.autosportsgroup.com.au/investors/?page=corporate-governance>.

### 3.2 Risk Management Framework

Autosports Group recognises that risk management is an essential element in the framework of good corporate governance. The Group has a risk appetite statement setting the Group's attitude towards risk taking in different areas of the business.

The risks relevant to the Group were recorded on a risk register with the corresponding internal control strategies to mitigate each risk. These controls will be implemented through a series of actionable tasks carried out periodically throughout the year.

Senior management and the Board regularly review the Group's risk profile.

### 3.3 Internal audit

The Group has an internal audit function that undertakes an audit process of key risks identified by the Audit & Risk Committee. The internal audit function works to a Board approved internal audit plan and presents its findings and recommendations to the Audit & Risk Committee at the conclusion of the audit. Management is required to respond to and develop a plan in response to the findings and recommendations proposed by internal audit.

### 3.4 Economic, environmental and social sustainability

The Group does not have any material exposure to environmental or social sustainability risks. The Group has some exposure to the carbon emission regulations affecting European manufacturers which is likely to affect the supply of diesel vehicles in some brands. This decrease in supply is expected to be overcome by an increase in demand for petrol, hybrid and electric vehicles.

The Group's key risk areas and controls to mitigate the risks are set out below:

- **Consumer demand** – The Group has taken steps to protect itself from the poor trading conditions experienced nationally by Australia automotive retailers including reducing stock levels and managing variable expenses. The Group will continue to adapt to market conditions as they change.
- **OEM risk** – The Group's supportive and collaborative approach to its relationships with OEMs has cultivated the Group's excellent reputation amongst OEMs.
- **Work, Health and Safety ('WHS')** – The Group has a zero-risk tolerance for serious safety incidents. During the year the Group revised its Work Health and safety policies and procedures and worked with each business to improve safety reporting and incident management.
- **Reliance on key personnel** – The Group engaged in activities during the year to develop the skills and experience of potential successors as part of its succession planning initiatives.
- **Credit risk** – The Group will continue to ensure it adheres to the terms of financier floorplan terms, meets the requirements of financier floorplan audits as well monitor interest rate fluctuations.
- **Regulatory compliance** – The Group was prepared for the flex commission reforms that were enacted during the year. The Group continued to monitor and review its Takata airbag recall procedures and worked closely with OEMs.
- **Changes to market trends** – The Group continues to monitor market trends to prepare itself for changes to consumer preferences and new technologies.
- **Cybersecurity** – The Group reviewed its cybersecurity risk profile during the year to protect to business against external and internal cyber threats.

### 3.5 Chief Executive Officer and Chief Financial Officer declaration

The CEO and CFO have provided a written certificate to the Board in respect of the half year and full year statutory accounts of the Company that:

- in their opinion, the financial records of the Company have been properly maintained and the statutory accounts comply with the relevant accounting standards and other mandatory reporting requirements and give a true and fair view of the financial position and performance of the Company; and
- their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Since 30 June 2019, nothing has come to the attention of the CEO or CFO that would indicate any material change to any of the statements made above.

Whilst these statements are comprehensive in nature, they provide a reasonable but not absolute level of assurance about risk management, internal compliance and control systems.

### 3.6 Corporate Reporting

The Group's annual directors' reporting and annual or half year financial statements are subject to audit or review by the Company's external auditor.

## 4. Governance policies

### 4.1 Disclosure Policy

Autosports Group is committed to complying with its disclosure obligations under the Corporations Act and the ASX Listing Rules to keep the market fully informed of information which may have a material effect on the price or value of Autosports Group's securities.

The Group maintains a Disclosure Policy which establishes procedures to ensure that the Company fulfils its obligations in relation to the timely disclosure of material price-sensitive information. A copy of the Disclosure Policy is available at <http://investors.autosportsgroup.com.au/investors/?page=corporate-governance>.

Under the Disclosure Policy, the Company has established a Disclosure Committee consisting of the CEO, CFO and Company Secretary. All potentially material information must be reported to the Disclosure Committee, even if management is of the view that it is not 'material'. The Disclosure Committee will determine whether information is material and requires disclosure.

Board approval and input will only be required in respect of matters that are clearly within the reserved powers of the Board (and responsibility for which has not been delegated to management) or matters that are otherwise of fundamental significance to the Company. The Company maintains a rapid response process to ensure the timely disclosure of price sensitive announcement that would ordinarily require board approval.

### 4.2 Privacy Policy and Data Breach Response Plan

The Group maintains a Privacy Policy and has a Data Breach Response Plan in response to the *Privacy Amendment (Notifiable Data Breaches) Act 2017*(Cth).

### 4.3 Code of Conduct

The Group is committed to a high level of integrity and ethical standards in all business practices. Employees must conduct themselves in a manner consistent with current community and Company standards and in compliance with all relevant legislation.

The Code of Conduct is designed to:

- provide a benchmark for professional behaviour throughout the Company;
- support the Company's business reputation and corporate image within the community; and
- make Directors and employees aware of the consequences if they breach the Policy.

A copy of the Code of Conduct is available at <http://investors.autosportsgroup.com.au/investors/?page=corporate-governance>.

### 4.4 Anti-Bribery and Corruption

The Group maintains an Anti-Bribery and Corruption Policy within the Code of Conduct to establish controls to ensure compliance with all applicable anti-bribery and corruption regulations, and to ensure that business is conducted in a socially responsible manner. All employees, officers and non-executive directors must not engage in any bribes, facilitation payments, inducements or commissions (this includes any item intended to improperly obtain favourable treatment or avoid unfavourable circumstances).

### 4.5 Whistleblower Policy

During the year the Group updated its Whistleblower Policy in line with the recent changes to national whistleblowing laws. The Group is committed to ensuring that there is no disadvantage or discrimination against any person for reporting unacceptable behaviour. Generally, and when specifically requested by an eligible whistleblower, the Group will ensure communications are dealt with confidentially and the whistleblower's identity is protected. The purpose of this is to:

- uphold the commitment of the Group to a culture of corporate compliance and high ethical behaviour;
- encourage eligible whistleblowers including officers, employees and suppliers of Autosports Group and their relatives, dependants and spouses to raise concerns over any alleged improper conduct they encounter;

- provide the statutory protections available to eligible whistleblowers who report allegations or concerns; and
- provide a secure means by which allegations or concerns can be thoroughly investigated and acted up where necessary.

A copy of the Whistleblower Policy is available at:

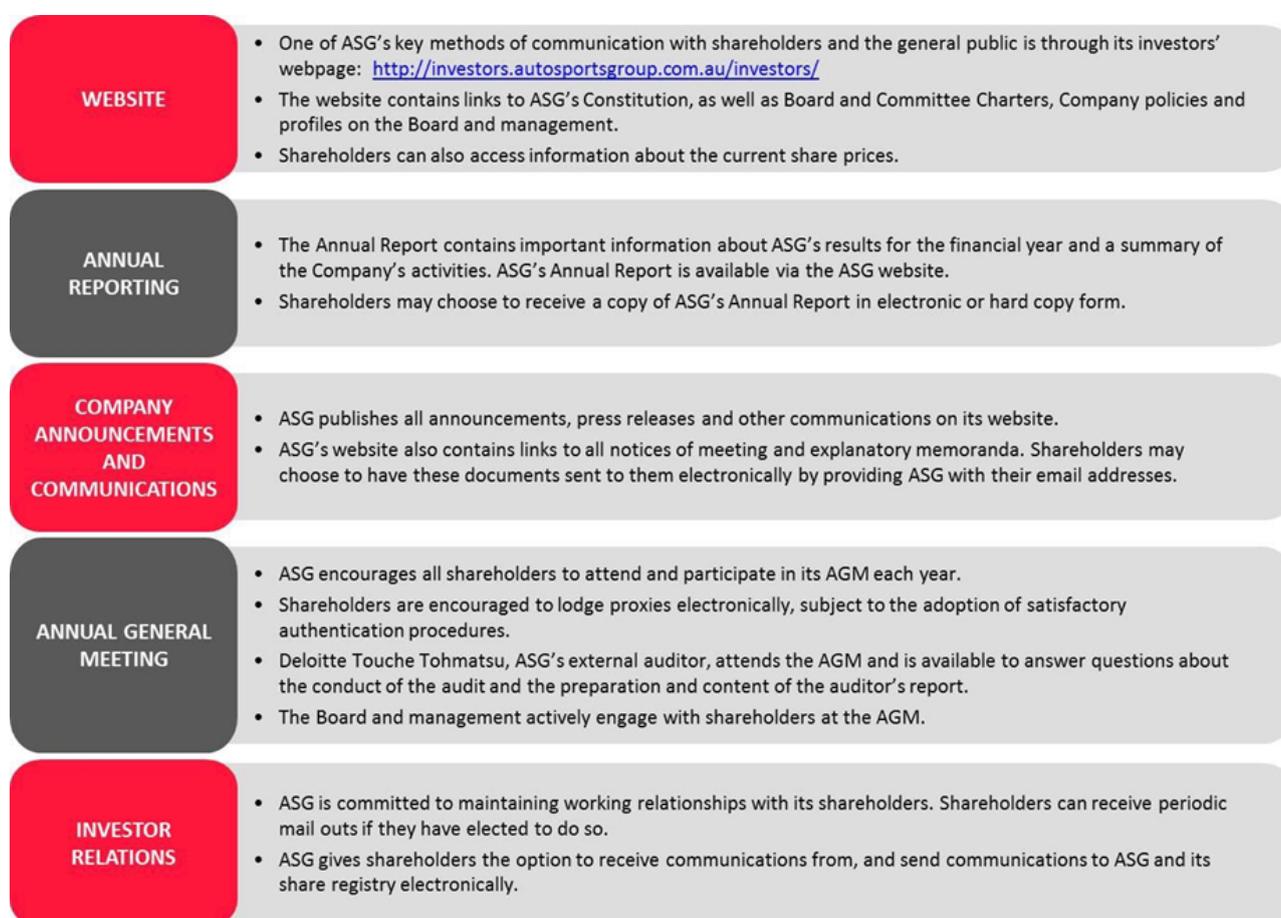
<http://investors.autosportsgroup.com.au/investors/?page=corporate-governance>.

## 5. Communication with shareholders

The Company communicates information regularly to shareholders and other stakeholders through a range of forums and publications. One of the Company's key communication tools is its website. Communications Standards

Autosports Group upholds Communication Standards which set out a commitment to:

- communicating openly and in a timely manner with its shareholders;
- keeping shareholders informed of all major developments affecting the state of affairs of the Company; and
- providing the market and other interested stakeholders with access to information about the Company from time to time.



The Company communicates information regularly through a range of platforms and publications. The diagram above contains more detailed information regarding some of the key platforms and publications. A copy of Autosports Group's Communication Standards is available at:

<http://investors.autosportsgroup.com.au/investors/?page=corporate-governance>