



AUTOMOTIVE HOLDINGS GROUP

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014

INTRODUCTION AND THE COMPANY'S CORPORATE GOVERNANCE FRAMEWORK

The corporate governance practices of Automotive Holdings Group Limited ABN 35 111 470 038 ("**AHG**" or the "**Company**") and its controlled entities (together, the "**Group**") are based on the belief that the creation of value is intrinsically linked with good governance. Strong corporate governance aids effective management and decision making. The Company is committed to sustaining and improving its corporate governance systems, and now reports in accordance with the 3rd edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("**ASX Recommendations**").

While AHG is not required to report against the 3rd edition of the ASX Recommendations (which were published on 27 March 2014) until the reporting period ending 30 June 2015, AHG has elected to "early adopt" the 3rd edition and is reporting against those recommendations in the current year. This is consistent with AHG's commitment to corporate governance.

Except as disclosed below, the Company's corporate governance practices were consistent with the ASX Recommendations throughout the financial year ended 30 June 2014.

The Company maintains an investor relations website (www.ahgir.com.au) which contains further information on the Company's corporate governance practices and policies. In particular, the website contains copies of each of the following Charters and Policies:

- Charter of the Board
- Charter of the Audit and Risk Management Committee
- Charter of the Remuneration and Nomination Committee
- Charter of the Strategy Committee
- Charter of the Refrigerated Logistics Committee
- Securities Trading - Directors
- Securities Trading - Executives
- Continuous Disclosure
- Code of Conduct for Directors and Key Officers
- Code of Conduct- Company's Obligations to Stakeholders
- External Auditors
- Risk Assessment and Management
- Effective Shareholder Communication
- Workplace Diversity Policy
- Energy Efficiency Policy.

The Charters and Policies listed above, and the processes by which they are adopted in the operation of the board of directors of the Company (the "**Board**") and management, provide a comprehensive corporate governance framework ("**CGF**") and form the core of the Company's corporate governance system. We have not summarised all of the Charters and Policies in this report, but rather have commented on the relevance of each to the ASX Recommendations and the Company's corporate governance system. To view these documents please visit the "Corporate Governance" page of the Company's investor relations website, www.ahgir.com.au.

This statement is current as at 25 September 2014, and has been approved by the Board.

THE BOARD AND SENIOR MANAGEMENT

Responsibilities of the Board and senior management

The relationship between the Board and senior management is critical to the Company's long term success.

The Board is responsible for the performance of the Company in both the short and the longer term and seeks to balance competing objectives in the best interests of the Group as a whole. The Board's focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Company is properly managed. To fulfil this role, the Board is structured according to the following mandate:

- the Chairman shall be a non-executive director;
- at least half of the directors shall be non-executive directors; and
- the Board shall comprise directors with a broad mix of business expertise and experience.

Under the Company's Board Charter, the Board is responsible for all matters relating to the strategic direction, policies, practices, the establishment of goals for management and the operation of the Company, including:

- approving the strategic objectives of the Group and establishing goals to promote their achievement and comparing actual results ensuring the planning process is efficient;
- establishing investment criteria for acquisitions and divestments, approving investments, and implementing ongoing evaluation of investments against such criteria;
- providing oversight of the Company, including its control and accountability systems;
- considering and approving the Group's annual budgets;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- appointing and removing the Managing Director, monitoring performance and approving the remuneration of the Managing Director, and the remuneration policy and succession plans for the Managing Director;
- ratifying the appointment and, where appropriate, the removal of the Chief Financial Officer and the Company Secretary;
- monitoring senior management's performance and implementation of strategy and ensuring appropriate resources are available;
- ensuring that business risks facing the Group are, where possible, identified and that appropriate monitoring and reporting internal controls are in place to manage such risks;
- approving and monitoring financial and other reporting criteria;
- ensuring the Company complies with its responsibilities under the Corporations Act, the ASX Listing Rules, the Company's Constitution and other relevant laws;
- adopting clearly defined delegations of authority from the Board to the Managing Director; and
- reviewing its own processes and effectiveness and the balance of competency of the Board.

The Managing Director, appointed by the Board, is formally delegated the responsibility for the day-to-day management of the Company, and may appoint the senior management team to assist with this purpose.

The Company Secretary is accountable to the Board, through the Chairman, on all matters to do with the proper function of the Board. This is provided for in the Company Secretary's service contract.

The responsibilities of the Board as a whole, the Chairman and individual directors, and the functions delegated to the senior executives are set out in more detail in the Company's Board Charter, which is available on the "Corporate Governance" page of the Company's investor relations website, www.ahgir.com.au. More specific details as to the roles and responsibilities of senior management (in relation to the day-to-day management of the Company) are also set out in their individual service contracts.

Board Structure

Current composition

AHG considers a majority of the Board to be independent. In determining the criteria for the independence of directors, AHG follows the guidance set out in the ASX Recommendations and follows the criteria set out in the Company's Board Charter. The Board currently comprises the following:

Name	Position	Independent?
Bronte Howson	Managing Director	No
David Griffiths	Non-executive Chairman	Yes
Howard Critchley	Non-executive director	Yes
Giovanni (John) Groppoli	Non-executive director	Yes
Tracey Horton	Non-executive director	Yes
Robert McEniry	Non-executive director	Yes
Michael Smith	Non-executive director	Yes
Peter Stancliffe	Non-executive director	Yes

Also consistent with the ASX Recommendations:

- David Griffiths, Chairman, is independent; and
- the role of Chairman is separate to that of the Managing Director, which is currently performed by Bronte Howson.

Further details of each director's skills, experience, expertise, qualifications, term of office, independence status, together with the members of each committee and their attendance at each committee meeting, are set out in the Directors' Report within the Company's Annual Report.

Procedures around nominating Board members, election and re-election

The Company's Remuneration and Nomination Committee is responsible for reviewing the Board's composition annually to seek to ensure it consists of members with appropriate qualifications and a broad range of experience that support the Company's wider objectives and strategies, and to ensure that there is a succession plan to maintain an appropriate balance of skills, diversity, experience and expertise in senior executives and the Board. Prior to appointing a person (or putting a person forward to shareholders for election) as director, AHG conducts appropriate due diligence checks, and where necessary, external consultants are engaged to assist with the selection process.

AHG also has measures in place to ensure that all material information in its possession that is relevant to a decision on whether or not to elect, or re-elect (as the case may be) that person as a director is provided to shareholders.

Induction, training and documenting arrangements with the Board and senior executives

To ensure that non-executive directors clearly understand the corporate expectations of them, formal letters of appointment are signed with all non-executive directors (as provided for in clause 5.4 of the Charter of the Board). All directors are also provided with a directors' manual which contains relevant Company policies. To ensure that senior executives (including the executive directors) clearly understand the Company's expectations of them, service contracts (including formal job descriptions) are signed with all senior executives.

An induction process and ongoing education exists to promote early, active and relevant involvement of new members of the Board. During the course of the year members of the Board receive accounting policy updates, especially around the time when the Board considers the Half Year and Full Year accounts. Further, the board papers provided to the Board throughout the year also regularly include material regarding legal, accounting, regulatory change, developments in communication including social media, and human resource management, particularly in relation to AHG's operations. Specialist advisors also provide presentations to the Board on relevant matters relating to accounting, finance and regulatory change from time to time.

Skills and experience

A summary of the breadth and depth of the Board's experience and skills is set out below. Further details of each director's skills, experience, expertise, qualifications are set out in the Directors' Report within the Company's Annual Report.

Experience and skills	Number of directors
Automotive retailing	2
Refrigerated logistics	2
Mergers and acquisitions / equity capital markets	6
Finance, accounting, audit and banking	4
Legal	1
Regulatory compliance	6
Business development	6
Human resources management	3
Occupational health and safety and risk management	7
Former director experience	All
Former executive management (eg CEO, CFO) experience	All

Evaluating performance

Board Performance

The Board undertakes an annual self-assessment of its collective performance, the performance of the Chairman and the performance of its committees by way of a series of questionnaires. The results are collated and considered by the Board and any action plans are documented together with specific performance goals which are agreed for the coming year. Further, the Chairman undertakes an annual assessment of the performance of individual directors and meets privately with each director to discuss this assessment. During the financial year ended 30 June 2014, annual performance evaluation assessments were conducted in accordance with this process. Further details regarding the performance evaluation of the Board is set out in AHG's 2014 Remuneration Report.

Senior Executive Performance

Senior executives participate in an annual review process which assesses individual performance against predetermined objectives aligned with the Group's executive reward framework. Annual incentives awarded are based on the outcome of this review process, as conducted by the Remuneration and Nomination Committee ("REMC"), and approved by the Board. The annual performance reviews for the 2014 financial year have been undertaken in accordance with the process described above. Further details regarding the performance evaluation of senior executives is set out in AHG's 2014 Remuneration Report.

ACTING ETHICALLY AND RESPONSIBLY

Code of Conduct

The Company has a Code of Conduct that promotes ethical and responsible practices and standards for directors, key officers and senior executives of the Company. This Code of Conduct reflects the directors' and key officers' intention to ensure that their duties and responsibilities to the Company are performed with the utmost integrity. A copy of this Code of Conduct is available on the "Corporate Governance" page of the Company's investor relations website, www.ahgir.com.au.

Independent Decision Making

The non-executive directors meet, without management or the executive directors, to discuss various matters. These meetings of the independent directors are informal and ad hoc as required. To facilitate independent judgement in decision making, each director has the right to seek independent professional advice at the Company's expense (prior approval from the Chair is required, which may not be unreasonably withheld).

Conflicts of Interest

Where the Board considers appropriate, a director with a conflict of interest does not receive any papers relating to the Group pertaining to those dealings and that director excuses himself/herself from any discussion on those conflict matters.

One of the Company's independent directors is also a non-executive director of a private group of companies operating in the automotive industry in Victoria. To address any potential conflicts, conflict management arrangements were agreed as part of that director's service agreement with AHG.

Employee Policies

The Company has various policies in place, including policies covering recruitment and selection, induction, relocation, conflicts of interest, harassment, discrimination and equal employment opportunities, performance management, grievance, fitness for work, leave, travel and training. These policies are subject to ongoing review and improvement.

Whistleblower Protection

The Company's Whistleblower Protection Policy seeks to protect individuals who, in good faith, report conduct which they reasonably believe to be improper. The policy applies to all employees. The purpose of this policy is to provide a framework for associates, officers, contractors and agents to independently bring to the attention of the Board and management conduct which may be corrupt, illegal or unethical. An independent external whistleblower service operates to facilitate such reporting by employees.

COMPANY STRATEGY AND DIRECTION

Strategy Committee

A Strategy Committee has been established. The primary function of the Strategy Committee is to assist the Board in fulfilling its duties by providing independent and objective review and advice to the Board and Managing Director (as appropriate) with respect to the development and implementation of AHG's strategy. It operates under the Charter of the Strategy Committee, a copy of which is available on the "Corporate Governance" page of the Company's investor relations website, www.ahgir.com.au.

Specifically, the Strategy Committee advises the Board on major strategic issues, advises the Managing Director on major strategy development issues and acts as a sounding board for the Managing Director on strategic issues generally.

The Strategy Committee consists of at least two independent non-executive directors, the Managing Director and the Head of Business Development. Currently, the Strategy Committee members are as follows:

Name	Role
Michael Smith (Chairman)	Non-executive director of AHG
Tracey Horton	Non-executive director of AHG
Robert McEniry	Non-executive director of AHG
Bronte Howson	Managing director of AHG
Hamish Williams	Head of Business Development

Refrigerated Logistics Committee

A Refrigerated Logistics Committee has been established. The primary function of the Refrigerated Logistics Committee is to assist the Board by making recommendations, where necessary on a number of key areas across the refrigerated logistics aspect of AHG's business. It operates under the Charter of the Refrigerated Logistics Committee, a copy of which is available on the "Corporate Governance" page of the Company's investor relations website, www.ahgir.com.au.

Specifically, the Refrigerated Logistics Committee is mandated to facilitate a deeper involvement by the Board in the strategic direction of the refrigerated logistics business and in the successful implementation of that strategy.

The Refrigerated Logistics Committee consists of at least two independent non-executive directors, the Managing Director and at least two senior managers from the refrigerated logistics business. Currently, the Refrigerated Logistics Committee members are as follows:

Name	Role
David Griffiths (Chairman)	Non-executive chairman of AHG
Howard Critchley	Non-executive director of AHG
Peter Stancliffe	Non-executive director of AHG
Bronte Howson	Managing director of AHG
Paul Ebsworth	COO Logistics – East Coast
David Cole	GM of Rand
Bruce Scott	GM of Scott's Refrigerated Freightways

DIVERSITY

The Company's Workplace Diversity Policy is published on its website at www.ahgir.com.au. This Workplace Diversity Policy allows the Board to set measurable objectives for achieving gender diversity within the Group.

AHG is a significant employer of women with its April 2014 Workforce Gender Profile report to the Workplace Gender Equity Agency (WEGA) showing 1,435 female employees, representing approximately 23% of the Group's Australian and New Zealand workforce. There were 442 women in supervisory, middle management and senior management roles, representing approximately 21% of the category total.

The Company believes that the current ratios are broadly commensurate with similar automotive retailing and logistics enterprises in Australia. There are 23 women in senior management roles across the Group including senior financial controllers and one female dealer principal. AHG believes female representation at senior management levels will improve as existing female employees choose career pathways that include "promotion on merit" opportunities. More opportunities will become available as a consequence of the organisation's growth by acquisition strategy.

During the 2015 financial year, a diversity charter will be developed and agreed by the executive leadership group and plans developed to raise the importance of diversity at senior levels across the organisation. Work will be undertaken to identify barriers to entry of female staff at more senior ranks and, where possible, changes made to support equality of access for women.

As a company that has been continuing to grow, it has not been viable for AHG to set any further defined measurable objectives as the acquired businesses have had established workforces. Accordingly, because of this period of rapid growth, AHG does not comply in full with Recommendation 1.5 of the ASX Recommendations. However, the Company is seeking to increase the number of women in middle management and senior management roles and to that end is actively seeking to recruit female employees at all levels and has specific programs in place to attract female apprentices and tradespeople. Further, with the anticipated development of the diversity charter in the coming financial year, AHG expects that it will be in a better position to comply with Recommendation 1.5 of the ASX Recommendations in the future.

SAFEGUARDING THE INTEGRITY OF CORPORATE FINANCIAL REPORTING AND RISK MANAGEMENT

Audit and Risk Management Committee

An Audit and Risk Management Committee ("ARMC") has been established and operates under the Charter of the Audit and Risk Management Committee. A copy of the charter is available on the "Corporate Governance" page of the Company's investor relations website, www.ahgir.com.au, and includes details of, amongst other things, the role and responsibilities, composition, structure and membership requirements of the ARMC.

The ARMC currently consists of the following members, as appointed by the Board:

Name	Independent?
Michael Smith (Chairman)	Yes
David Griffiths	Yes
Tracey Horton	Yes
Peter Stancliffe	Yes

Details regarding the members of the ARMC, their qualifications and attendance at ARMC meetings (as well as the number of ARMC meetings held during the financial year) are set out in the Directors' Report within the Company's Annual Report.

The ARMC is chaired by Mr Michael Smith, an independent director, who is not the chair of the Board. Information on the Company's procedures for the selection and appointment of the external auditor and the rotation of external audit engagement partners is set out in the External Auditors Policy, which is available on the "Corporate Governance" page of the Company's investor relations website, www.ahgir.com.au. This External Auditors Policy also provides that an external auditor will attend AHG's annual general meetings, and be available to answer shareholder questions relevant to the conduct of the audit.

Risk Assessment and Management

The ARMC is responsible for providing the Board with advice and recommendations regarding risk assessment and management. This includes ongoing development, and review, of risk oversight and management policies that set out the roles and respective accountabilities of the ARMC along with those of management and the internal audit function. A review of AHG's risk management framework occurs at least annually, and such a review was undertaken in financial year 2014. Considerable importance is placed on maintaining a strong financial control environment. The Group has an organisational structure with clearly drawn lines of accountability and delegation of authority. The Company's practices are outlined in the Risk Assessment and Management Policy which is available on the "Corporate Governance" page of the Company's investor relations website, www.ahgir.com.au.

As mentioned, the ARMC is responsible for the establishment and oversight of the Company's internal audit function. The purpose of the internal audit function is to analyse the effectiveness and implementation of the Company's risk management and internal compliance and control systems. The internal audit function is independent of the external auditor. The responsibilities of the ARMC as regards the internal audit function are set out in the Charter of the Audit and Risk Management Committee.

Approving financial statements

Before adoption by the Board of the Company's financial statements for the year ended 30 June 2014, the Board received written declarations from the Managing Director and Chief Financial Officer that the financial records of the Company have been properly maintained in accordance with section 286 of the Corporations Act, and that the Company's financial statements and notes comply with the accounting standards and present a true and fair view of the consolidated entity's financial position and performance for the financial period. The Managing Director and the Chief Financial Officer have also stated in writing to the Board that the above declaration is founded on a sound system of risk management and internal controls, and that the system is operating effectively in all material respects in relation to financial reporting risks. In addition, the Managing Director and the Chief Financial Officer have reported to the Board in writing as to the effectiveness of the Company's management of its material business risks.

Sustainability risks

AHG identifies and manages material exposures to economic, environmental and social sustainability risks in a manner consistent with its Risk Assessment and Management Policy, a copy of which is available on the "Corporate Governance" page of the Company's investor relations website, www.ahgir.com.au.

AHG, as it continues to grow, is becoming a more complex business and accordingly, is exposed to a range of strategic, operational and sustainability related risks that are inherent in the motor vehicle retail, transport and logistics industries. Key sustainability risks which have the potential to materially impact the Group's ability to execute and achieve its business strategies, and the broad approach AHG takes to mitigate these risks, include the following:

Risk	Description	Mitigation strategy
Industry downturn or disruption	AHG's revenue and growth are susceptible to downturns in the domestic economy or any of the industries in which it operates, including those resulting from economic and regulatory changes. Automotive retailing is exposed to potential technology disruption to the model for selling and financing motor vehicles.	AHG is a diversified group – its automotive retail operations have multiple revenue streams, and are geographically diversified. While general economic and regulatory changes remain outside the control of AHG, its size, scale and diversified business offer opportunities to mitigate the potential impacts.
Delivering on growth opportunities	AHG has completed several acquisitions over the past three financial years. If some of these acquisitions fail to achieve targeted performance, or do so at a slower rate than anticipated due to factors beyond or within AHG's control, this may adversely affect performance.	AHG has acquisition and integration strategies to harmonise newly acquired businesses to the Group's policies, procedures and systems. These seek to maximise their opportunity to achieve targeted performance.
Key relationships	AHG's business involves key relationships with manufacturers, as well as other contracts with various counterparties. The financial performance of the Group is susceptible to adverse changes in any of these key relationships combined with the inability to secure appropriate replacement or alternative relationships.	AHG proactively engages in maximising its key relationships to mitigate such risks. Strong performance history (automotive retail) and superior service delivery quality (refrigerated logistics) have historically seen low levels of breakdowns in these key relationships. However, poor performance or changes in control could put such relationships at risk.
Reliance on key personnel	There is no assurance that AHG will be able to retain key personnel, and the departure of any such key personnel may adversely impact the Group's profitability until suitable replacements are employed.	AHG is committed to succession planning and remaining competitive in its remuneration and other incentive arrangements, its training programs to develop current and potential business leaders, and the alignment of the interests of key personnel with those of its shareholders. Such incentives are designed to also retain AHG's key personnel.
Health and safety	The Group has a potential risk arising from occupational health and safety incidents involving employees, contractors, customers or the community.	AHG has implemented systems and processes to act positively with due diligence in administering and monitoring the OHS management of the business. This includes the development and implementation of positive OHS metrics and an across-business reporting

Risk	Description	Mitigation strategy
		standard to provide reporting that is relevant, valid, comparable and reliable.
IT	AHG's various operations have a substantial reliance on extensive and complex IT systems, including those supporting customer accounts and financial reporting. Any loss of that capacity for a sustained length of time could adversely impact the Group's profitability.	AHG has a dedicated information services team who maintain high standards of IT operations, disaster recovery capability and information security. Major IT upgrades (hardware and software) are professionally project managed. AHG is currently undertaking a large modernisation of the IT systems that support its Logistics businesses. This program is under a high degree of governance and general project management.

More generally, AHG's risk management process assist in analysing and managing business risks, and identifying business process improvement opportunities. The risk assessment process focuses on two key metrics – estimation of the likelihood of risk occurrence and potential impact on the Company's financial results. Risk assessments are performed on a state-by-state basis within the automotive retail segment, and on a business-by-business basis within the logistics segment, from which a consolidated risk assessment is derived for AHG. These risk assessments are then presented to the ARMC.

REMUNERATING FAIRLY AND RESPONSIBLY – THE REMUNERATION AND NOMINATION COMMITTEE

The REMC has been established and operates under the Charter of the Remuneration and Nomination Committee. A copy of the charter is available on the "Corporate Governance" page of the Company's investor relations website, www.ahgir.com.au, and includes details of, amongst other things, the role and responsibilities, composition and structure of the REMC.

The REMC currently consists of the following members, as appointed by the Board:

Name	Independent?
David Griffiths (Chairman)	Yes
Giovanni (John) Groppoli	Yes
Michael Smith	Yes

Details regarding the members of the REMC, their qualifications and their attendance at REMC meetings are set out in the Directors' Report within the Company's Annual Report.

The REMC is chaired by Mr David Griffiths, an independent director. Details of the Company's remuneration policies and procedures, the remuneration of the directors and executives, the components of the remuneration packages and share plan details are set out in the Remuneration Report which forms part of the Directors' Report within the Company's Annual Report.

No schemes for the provision of retirement benefits, other than the provision of superannuation, are provided by the Company for the benefit of non-executive Directors. Further, as regards equity based remuneration schemes, AHG does not allow for participants to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in those schemes.

RIGHTS OF SHAREHOLDERS AND EFFECTIVE COMMUNICATION

The Company places considerable importance on effective communication with shareholders.

AHG keeps investors informed of its corporate governance and financial performance through its investor relations website, www.ahgir.com.au. Investors may access copies of all announcements to the ASX, including notices of meetings, annual reports and financial statements and investor presentations under the "News & ASX Releases" and "Reports" tabs, and can access general information regarding the Company and the structure of its business under the "Corporate Profile" and "Dealerships & Businesses" tabs.

The Board has an established Code of Conduct in relation to its obligations to stakeholders to guide compliance with legal and other obligations to stakeholders, and a policy on Effective Shareholder Communication which are both available on the "Corporate Governance" page of the Company's investor relations website, www.ahgir.com.au. The policy on Effective Shareholder Communication encourages full participation by shareholders at the Company's meetings, allowing for a high level of accountability and identification with the Company's strategy and goals. In addition to this, two-way communication is further facilitated by AHG on a number of fronts through its investor relations program, including the conduct of briefings and interim and full year results roadshows.

AHG provides its investors the option to receive communications from, and send communications to, the Company and the share registry electronically.

MAKING TIMELY DISCLOSURE

The Company has a written policy on information disclosure that focuses on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price or value of the Company's securities. A copy of the Continuous Disclosure Policy is available on the "Corporate Governance" page of the Company's investor relations website, www.ahgir.com.au.

.....