



## 2019 Corporate Governance Statement

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The Board of LatAm Autos Limited (the **Company**) is responsible for the overall corporate governance of the Company. The Board believes that good corporate governance helps ensure the future success of the Company, adds value to stakeholders and enhances investor confidence.

The ASX Listing Rules require listed companies to prepare a statement disclosing the extent to which they have complied with the recommendations of the ASX Corporate Governance Council (**Recommendations**) during the reporting period. The Recommendations are not prescriptive, such that if a company considers a recommendation to be inappropriate having regard to its own circumstances, it has the flexibility not to follow it. Where a company has not followed all the Recommendations, it must identify which Recommendations have not been followed and provide reasons for not following them.

This Corporate Governance Statement (**Statement**) discloses the extent to which the Company has followed the Recommendations, or where appropriate, indicates a departure from the Recommendations with an explanation. This Statement should be read in conjunction with the material on our website [www.latamautos.com](http://www.latamautos.com), including the 2019 Annual Report.

This Statement is current as at 31 March 2020 and has been approved by the Board of Directors of LatAm Autos Limited.

### **PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT**

#### **Recommendation 1.1 - Role of the Board and Management**

The role of the Board is to provide overall strategic guidance and effective oversight of management.

The Board has a formal Board Charter which is available on our website at [www.latamautos.com](http://www.latamautos.com).

The Board Charter sets out the specific responsibilities of the Board, requirements as to the Board's responsibilities, functions and composition, the role of the Company Secretary, the establishment, details of the Board's performance review and details of the Board's disclosure policy.

The Board delegates responsibility for the day-to-day management of the Company and its business to the Chief Executive Officer (**CEO**). The CEO is supported by the senior executive team and delegates authority to appropriate senior executives for specific activities. The Board maintains ultimate responsibility for strategy, control and risk profile of the Group.

#### **Recommendation 1.2: Appointment of Directors**

The Company has guidelines for the appointment and selection of the Board which require the Nomination and Remuneration Committee and the Board to undertake appropriate checks before appointing a person or putting forward to security holders a candidate for election, as a Director.

We provide our shareholders with all material information relevant to a decision on whether or not to elect or re-elect a Director will be provided to security holders in a Notice of Meeting pursuant to which the resolution to elect or re-elect a Director will be voted on.

#### **Recommendation 1.3: Appointment Terms**

Each director and senior executive is party to a written agreement with the Company which sets out the terms

of that Director's or senior executive's appointment. Details of executive contracts in place are detailed in the Company's Annual Remuneration Report in the 2019 Annual Report.

#### **Recommendation 1.4: Company Secretary**

The Board is supported by the Company Secretary, whose role includes supporting the Board on governance matters, assisting the Board with meetings and directors' duties, and acting as an interface between the Board and senior executives across the Group. The Board and individual Directors have access to the Company Secretary.

Under the Company's governance framework, the Company Secretary is accountable to the Board, through the Chair, on all matters regarding the proper functioning of the Board. The Board is responsible for the appointment of the Company Secretary.

Details regarding our Company Secretaries, including experience and qualifications, is set out in the Directors' Report in our 2019 Annual Report.

#### **Recommendation 1.5: Diversity Policy**

The workforce of the Company comprises individuals with diverse skills, backgrounds, perspectives and experiences and this diversity is valued and respected.

The Diversity Policy can be viewed on the Company's website at [www.latamautos.com](http://www.latamautos.com).

The proportion of women on the Board, in senior executive positions and women across the entire organisation as at 31 December 2019 was as follows:

- Women on the Board – 0%
- Women in senior executive positions – 50%
- Women across the entire organisation – 44%

The Board has set the following diversity objectives:

- To cultivate an inclusive workplace of fairness and equality which fosters the unique skills and talents of a diverse range of people.
- To encourage diversity in skill set, experience, qualifications and age of our workforce. With a diverse mix of professionals, we will continue to encourage diversity in the hiring of candidates.

#### **Recommendation 1.6: Board Performance Assessment**

The Board is committed to formally evaluating its performance, the performance of its committees (if applicable) the performance of its individual Directors, as well as the governance processes supporting the Board. The Board does this through an annual assessment process.

The review process involves:

- completion of a questionnaire/survey by each director, facilitated by the Company Secretary;
- the preparation and provision of a report to each director with feedback on the performance of the Board based on the survey results; and
- The Board meeting to discuss any areas and actions for improvement.

A formal performance evaluation was not undertaken during FY19 due to the Company undergoing changes to its Board of Directors during the financial year. The Company intends on completing an annual performance assessment for FY20. Although no formal performance review was undertaken during FY19, the Board meet regularly and informally assess its performance on an ongoing basis.

### **Recommendation 1.7: Senior Executive Performance Assessment**

Senior Executives are appointed by the CEO/Board (where applicable) and their Key Performance Indicators (KPI's) contain specific financial and non-financial objectives.

These KPI's are reviewed annually by the CEO/Board (where applicable). The performance of each Senior Executive against these objectives is evaluated annually.

Performance evaluations were undertaken during the reporting period by the Company in accordance with the process.

## **PRINCIPLE 2 – BOARD STRUCTURE**

### **Recommendation 2.1: Nomination Committee**

The Board has established a Nomination and Remuneration Committee to assist the Board in ensuring it is equipped to discharge its responsibilities. The Committee has guidelines for the nomination and selection of directors and for the operation of the Board. At the date of this report the Committee comprises of three members, two of whom are independent Directors as follows:

- Joe Hanna (Independent Chair)
- Michael Fitzpatrick (Non-Independent Member)
- Donald Cahill (Independent Member)

The Nomination and Remuneration Committee Charter is available on the Company's website at [www.latamautos.com](http://www.latamautos.com)

Details of each Member's qualifications and experience as well as information regarding meetings held by the Committee during the year and including attendances are set out in the 2019 Directors' Report, contained within the 2019 Annual Report.

### **Recommendation 2.2: Board Skills Matrix**

Our objective is to have an appropriate mix of expertise and experience on our Board so that it can effectively discharge its corporate governance and oversight responsibilities. It is the Board's view that the current directors possess an appropriate mix of relevant skills, experience, expertise and diversity to enable the Board to discharge its responsibilities and deliver the Company's strategic objectives. This mix is subject to review on a regular basis as part of the Board's performance review process.

The skills and experience represented in the Board and relevant to the Company's business are set out in the matrix below:

#### ***Skills and experience***

- automotive online classifieds industry experience
- business acquisition and integration skills
- financial literacy and legal and regulatory knowledge
- diversity
- policy and regulatory development and reform
- health, safety and environment and social responsibility
- organisational development and human resources

To the extent that any skills are not directly represented on the Board, they are augmented through management and external advisors.

Full details of each Directors' relevant skills and experience are set out in the Company's 2019 Annual Report.

### **Recommendation 2.3: Independent Directors**

An independent director is a Non-Executive Director who is not a member of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of judgement.

The Board regularly assesses the independence of each Non-Executive Director in light of the information which each Director is required to disclose in relation to any material contract or other relationship with the Company in accordance with the director's terms of appointment, the Corporations Act 2001, and the Board Charter.

When appointing an independent director or reviewing the independence of its Directors, the Board will have regard to the definition of independent director and the factors set out in the Recommendations, in particular the factors relevant to assessing the independence of a director set out in Recommendation 2.3.

The Board has two independent directors, Mr Joe Hanna and Mr Donald Cahill (Non-Executive Directors).

Mr Timothy Handley and Mr Jorge Mejia Ribadeneira are currently considered by the Board to not be independent on the basis that they are or have been engaged in executive management roles with the Company. Mr Timothy Handley is also a substantial shareholder of the Company. Mr Michael Fitzpatrick and Mr Simon Clausen are currently considered by the Board to not be independent on the basis that they are substantial shareholders in the Company.

The Board has considered the holdings of shares in the Company by Mr Joe Hanna and Mr Donald Cahill and is of the opinion that their respective interests in shares would not materially interfere with, or could be reasonably perceived to interfere with, the independent exercise of their judgement in their position as a Director.

The Board's assessment of each current Director is set out below.

<b>Name</b>	<b>Position</b>	<b>Appointment date</b>	<b>Status</b>
Michael Fitzpatrick	Non-Executive Chairman	01/11/2014	Non-Independent
Jorge Mejia Ribadeneira	Chief Executive Officer	16/05/2016	Non-Independent
Simon Clausen	Non-Executive Director	01/11/2014	Non-Independent
Timothy Handley	Non-Executive Director	11/04/2014	Non-Independent
Joe Hanna	Non-Executive Director	26/07/2019	Independent
Donald Cahill	Non-Executive Director	26/07/2019	Independent

### **Recommendation 2.4: Majority Independence**

As at the date of this Statement, two of our six Directors are deemed independent. Although the composition of our Board does not currently comply with Recommendation 2.4, the Board recognises that it is desirable for the majority of the board to be independent Directors. The current Board composition reflects an appropriate balance of skills, expertise and experience to fulfil its obligations to act in the best interests of the Company and all stakeholders. The Board also considers that there are appropriate safeguards in place including policies and protocols to ensure independent thought and decision making.

It is noted that the composition of the Board if regularly assessed and subject to changes in the Group's size and growth will be adjusted as deemed appropriate. The Board will consider the Recommendations in assessing any future changes in board composition.

It is also noted that without the support of Mr Michael Fitzpatrick and Mr Simon Clausen, the Company would not be in the position it is in today.

Further information regarding our Directors, including their experience and qualifications, is set out in the Directors' Report of our 2019 Annual Report.

### **Recommendation 2.5: Board Chair**

The Chair, Michael Fitzpatrick is not currently considered to be an independent director. The Chair provides leadership to the Board in relation to all Board matters and is responsible for ensuring that the Board meets its responsibilities under the Board Charter. His role is set out in more detail in the Board Charter.

The roles of Chairman and CEO are exercised by different individuals, being Mr Michael Fitzpatrick and Mr Jorge Mejia Ribadeneira, respectively.

The Board recognises that the role of Chair should be fulfilled by an independent Director, however the Company's current size dictates that this is the most efficient mode of operation at the current time.

The current Board composition reflects an appropriate balance of skills, expertise and experience to fulfil its obligations to act in the best interests of the Company and all stakeholders. The Board also considers that there are appropriate safeguards in place including policies and protocols to ensure independent thought and decision making.

The Board will consider the Recommendations in assessing any future changes in board composition.

### **Recommendation 2.6: Induction, Education and Training**

In accordance with the Company's Nomination and Remuneration Committee Charter, the Nomination and Remuneration Committee is responsible for establishing the reviewing induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities.

Directors are also encouraged to personally undertake appropriate training and refresher courses as appropriate to maintain the skills required to discharge their obligations to the Company.

## **PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY**

### **Recommendation 3.1: Code of Conduct**

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a Code of Conduct designed to:

- provide a framework for decisions and actions in relation to ethical conduct in employment;
- support the Company's business reputation and corporate image; and
- make Directors' and employees aware of the consequences if they breach the Code of Conduct.

The Code of Conduct can be found on our website at [www.latamautos.com](http://www.latamautos.com), contained within the Company's Policies.

The key aspects of this code are to:

- act fairly with honesty and integrity in the best interests of the Company and in the reasonable expectations of shareholders;
- act in accordance with all applicable laws, regulations, and the Company policies and procedures; and
- act in an appropriate business-like manner when representing the Company in public forums.

The Code of Conduct sets out the Company's policies on various matters including ethical conduct, business conduct, compliance and privacy.

## **PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING**

### **Recommendation 4.1: Audit Committee**

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The Board has established an Audit Committee, which operates under a formal charter approved by the Board, to which it has delegated the responsibility to establish and maintain the framework of internal control and ethical standards for the management of the company. The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. At the date of this report the Committee comprises of three members, two of whom are independent Directors as follows:

- Michael Fitzpatrick (Non-Independent Chair)
- Joe Hanna (Independent Member)
- Donald Cahill (Independent Member)

It is noted that the Company doesn't currently satisfy the recommendation that the Chair of the Committee should be a Director who isn't Chair of the Board and be independent, however the Company's current size and composition dictates that this is the most efficient mode of operation at the current time. The Company will continue to review the composition of the Audit Committee.

The Audit Committee Charter is available on the Company's website at [www.latamautos.com](http://www.latamautos.com).

Details of each Member's qualifications and experience as well as information regarding meetings held by the Committee during the year and including attendances are set out in the 2019 Directors' Report, contained within the 2019 Annual Report.

### **Recommendation 4.2: Assurances**

The CEO and Chief Financial Officer (**CFO**) provide an annual declaration to the Board prior to the Board's approval of the Company's full year financial results. This process was followed for the 2019 full year financial results, where the CEO and CFO provided a declaration to the Board that, in their opinion, the financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Group, and their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. On this basis, the 2019 full year financial results were approved by the Board.

### **Recommendation 4.3: External Auditor**

Our external auditor, Grant Thornton (**GT**) attends our AGM and a representative is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

GT's independence declaration is contained in the Directors' Report in our 2019 Annual Report.

The effectiveness, performance and independence of the external auditor is reviewed annually by the Audit Committee and Board.

## **PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE**

### **Recommendation 5.1: Continuous Disclosure Policy**

We are committed to providing information to shareholders and to the market in a manner that is consistent with the meaning and intention of the ASX Listing Rules and the Corporations Act.

To comply with these obligations, the Board has adopted a Continuous Disclosure Policy (**Policy**), which is available on our website at [www.latamautos.com](http://www.latamautos.com).

The Board has overarching responsibility for compliance with continuous disclosure obligations.

The Board is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market and in compliance with our Securities Trading Policy (as applicable). In accordance with continuous disclosure obligations under the ASX Listing Rules, the Company has procedures in place to ensure that all price sensitive information is identified, reviewed by management and disclosed to the ASX in a timely manner. The Company website includes a link to all information disclosed to the ASX.

## **PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS**

### **Recommendation 6.1: Information and Governance**

Information about the Company and its corporate governance policies is available on our website at [www.latamautos.com](http://www.latamautos.com).

The Company also maintains a separate investor page on our website to provide shareholders with links to annual and interim reports, ASX announcements, presentations and other key information.

### **Recommendation 6.2: Investor Relations**

We endeavour to communicate with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions.

The Company has adopted a Shareholder Communications Policy which aims to promote and facilitate effective two-way communication with investors. The Strategy outlines a range of ways in which information is communicated to shareholders and is available on the Company's website [www.latamautos.com](http://www.latamautos.com).

### **Recommendation 6.3: Shareholder Meeting Participation**

Shareholders are forwarded the Company's Annual Report, if requested (it is otherwise made available on the Company's website), and documents relating to each general meeting, being the notice of meeting, any explanatory memorandum and a proxy form and shareholders are invited to attend these meetings.

The Board regards each general meeting as an important opportunity to communicate with shareholders and it provides a key forum for shareholders to ask questions about the Company, its strategy and performance. At shareholder meetings, the Company will provide an opportunity for shareholders and other stakeholders to hear from and put questions to the Board, management and if applicable our external auditor.

Further information is included in the Company's Shareholder Communications Policy, contained within the Company's policies, which is located on the Company's website at [www.latamautos.com](http://www.latamautos.com).

### **Recommendation 6.4: Electronic Communication with Shareholders**

The Communications Strategy provides that security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX, including the release of the Annual Report, half yearly reports and quarterly reports. Links are made available to the Company's website on which all information provided to the ASX is immediately posted.

Shareholders queries should be referred to the Company Secretary, at first instance.

## **PRINCIPLE 7 – RECOGNISE AND MANAGE RISK**

### **Recommendation 7.1: Risk Committee**

A risk committee has not been established. Due to the size of the Company and its Board, the Board does not consider it necessary to establish a risk committee. The Board carries out the duties that would ordinarily be carried out by the Risk Committee including the Board devoting time at all Board meetings to fulfilling the roles and responsibilities associated with overseeing risk and maintaining the entity's risk management framework and associated internal compliance and control procedures.

The Board did not establish a dedicated Risk Committee for the past financial year and as such did not comply with Recommendation 7.1 in its entirety as the Board did not consider the Company would benefit from its establishment at the current time.

The Board reviews and assesses the Company's risk management framework as part of its ongoing monitoring and review of the Company's operations.

The Company's Board Charter regarding Risk Responsibilities, as set out in Schedule 3 and the Company's Risk Management Policy can be viewed at [www.latamautos.com](http://www.latamautos.com).

### **Recommendation 7.2: Risk Management Framework**

The Group's risk management framework is supported by the Board of directors and the management team. The Board is responsible for approving and reviewing the Company's risk management strategy. Management are responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk.

The Company regularly undertake reviews of its risk management framework to establish an effective and efficient system for:

- (i) identifying, assessing, monitoring and managing risk; and
- (ii) disclosing any material change to the Company's risk profile.

An assessment of the Company's risk management framework is undertaken and reviewed by the Board, covering all aspects of the business from operational level through to strategic level risks. The Chief Executive Officer and Chief Financial Officer have been delegated the task of implementing internal controls to identify and manage risks for which the Board provides oversight. The Company at least annually undertakes a systematic review of its risks, controls and procedures to ensure they are effective and maintain contemporary practice. The Company has undertaken a review during the past year.

The Company's Board Charter regarding Risk Responsibilities, as set out in Schedule 3 and the Company's Risk Management Policy can be viewed at [www.latamautos.com](http://www.latamautos.com).

### **Recommendation 7.3: Internal Audit**

The Company has an internal audit function which comprises senior members of the head office accounting team. The internal audit function currently performs regular financial and operational reviews of the Group's subsidiary operations on site at their various locations.

The internal audit function reports directly to the CFO and their findings are shared and discussed with the CEO.

### **Recommendation 7.4: Economic, Environmental and Social Sustainability Risk**

The Company has no material exposure to economic, environmental and social sustainability risks.



## **PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBILITY**

### **Recommendation 8.1: Remuneration Committee**

The Board has established a Nomination and Remuneration Committee to assist the Board in ensuring it is equipped to discharge its responsibilities. The Committee has guidelines for the nomination and selection of directors and for the operation of the Board. At the date of this report the Committee comprises of three members, two of whom are independent Directors as follows:

- Joe Hanna (Independent Chair)
- Michael Fitzpatrick (Non-Independent Member)
- Donald Cahill (Independent Member)

The Nomination and Remuneration Committee Charter is available on the Company's website at [www.latamautos.com](http://www.latamautos.com).

Details of the meetings held by the Committee during the year and member attendances are set out in the 2019 Directors' Report.

### **Recommendation 8.2: Remuneration Policies and Practices**

Details of the Company's remuneration practices for its Directors and senior executives are disclosed in the Remuneration Report in the Company's Annual Report.

Separate disclosure regarding the remuneration of the Company's directors (executive and non-executive) is disclosed in the Company's Annual report, as lodged with the ASX and issued to shareholders.

### **Recommendation 8.3: Equity Based Remuneration Scheme**

The Company had an equity-based remuneration scheme during the past financial year. The Company's Securities Trading Policy prohibits Key Management Personnel entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.

Executives are prohibited from entering into transactions or arrangements which limit the economic risk of participating in equity-based remuneration or in unvested entitlements.

Further, all employees are prohibited from entering into margin loan arrangements to fund the acquisition of any of the Company's securities or from entering into arrangements where by their securities in the Company are used as collateral.

The Company's Securities Trading Policy can be viewed at [www.latamautos.com](http://www.latamautos.com).