

MotorCycle Holdings Limited (ACN 150 386 995) (“MTO”) Corporate Governance Statement | 27 August 2020

The governance measures adopted by the board of directors of MTO (“**Board**”) reflect the Board’s endorsement of the recommendations contained in the ASX Corporate Governance Council’s Principles and Recommendations, 3rd edition, 2014 (the “**Principles**”). This Corporate Governance Statement discloses the extent to which MTO complies with the Principles and if it does not, why not. The commentary addresses the reasons for any departure from the requirements and the following legend has been used to summarise the status of MTO’s compliance with the Principles:

MTO complies with the Principle	✓
MTO does not comply with the Principle and is either working towards complying with the Principle or has alternative governance arrangements in place	!

Corporate Governance Principle and Supporting Information		
Principle 1 - Lay solid foundations for management and oversight		
1.1	The Board has outlined in the Board Charter, the Board’s roles and responsibilities and has established a clear distinction between its functions and those delegated to management.	✓
1.2	Appropriate checks including criminal record checks have been carried out on all Board members prior to their appointment. MTO will provide shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director at future general meetings.	✓
1.3	All directors and senior executives have a written agreement with MTO setting out the terms of their appointment.	✓
1.4	MTO Secretary is accountable directly to the Board, through the Chairman on all matters to do with the proper functioning of the Board.	✓
1.5	The Board has adopted a Diversity Policy (a copy of which is on MTO’s website). The Diversity Policy requires the Board to set measurable objectives for obtaining gender diversity. During the period, The Board reviewed diversity statistics and used those to formulate measurable objectives, which were adopted in May 2020. The recommendation has now been followed but was not followed for the whole of the period. MTO is a “relevant employer” under the Workplace Gender Equality Act, and the most recent “Gender Equality Indicators”, as defined in and published under that Act are found in our WEGA Report, a copy of which is on MTO’s website.	✓

Corporate Governance Principle and Supporting Information		
1.6	The Board will, with the advice and assistance of the Nomination and Remuneration Committee, review and evaluate the performance of the Board, each Board committee and each individual director against the relevant charters, corporate governance policies, and agreed goals and objectives. The requirement for these evaluations is set out in the Board Charter. A review of the Board, Committees and each director was not undertaken during this year.	✓
1.7	Performance reviews for the Managing Director and senior management take place at least annually. The Nomination and Remuneration Committee has accountability in its Charter to oversee these reviews and report to the Board on their outcomes. Disclosures in the remuneration report are made in relation to each reporting period as to the performance evaluations that were undertaken and the process that was followed.	✓
Principle 2 - Structure the board to add value		
2.1	<p>The Board has formed a Nomination and Remuneration Committee. The charter for the Nomination and Remuneration Committee is available on MTO's website. Membership of the Nomination and Remuneration Committee is:</p> <ul style="list-style-type: none"> - Warren Bee (Chairman, independent, non-executive director); - Rick Dennis (independent non-executive director); - Peter Henley (independent, non-executive director); and - Rob Cassen (non-independent, non-executive director). 	✓

Corporate Governance Principle and Supporting Information

The Board has undertaken a skills analysis aligned to desired skills to drive MTO strategy. The outcomes of that analysis are set out below and assists in guiding future appointments.

Skills Matrix

Skills and Experience	No of Directors		
	Foundational	Competent	Expert
Strategy	-	2	4
Analysis of Financial Statements	-	2	4
Risk Management	-	4	2
Corporate Governance	1	5	-
Senior Executive Leadership	-	-	6
Information Technology and Governance	1	5	-
Organisational Growth and Change	-	2	4
Strategic Human Resource Management	-	4	2
Commercial and Business Experience	-	1	5
Legal Experience	1	4	1
Automotive and/or Engineering	2	-	4
Capital Raising & M&A	2	3	1
Developing and commercialising New Products	-	5	1
Retail Consumer & Customer Experience	-	2	4
Wholesale Experience	1	4	1
Networks in Automotive and Motorcycle Industry	2	1	3

2.2

✓

2.3	<p>The Board Charter sets out the criteria adopted by the Board for considering if a director is independent. A majority of the Board consists of independent directors. The Board is comprised of six members, four of whom are independent (Peter Henley, Rick Dennis, David Foster and Warren Bee). MTO recognises the importance of having a majority of the Board as independent directors and this was instrumental in determining the membership of the Board. David Ahmet and Warren Bee were appointed to the Board on 30 June 2011, David Foster was appointed to the Board on 8 March 2016, Rick Dennis was appointed to the Board on 1 September 2016, Peter Henley was appointed to the Board on 1 March 2017 and Rob Cassen was appointed to the Board on 31 October 2017.</p> <p>Together, the Directors have a broad range of experience, expertise, skills, qualifications and contacts relevant to the business of MTO. David Foster, Rick Dennis, Peter Henley and Warren Bee are considered independent as none of them has a material shareholding in MTO or is an advisor or supplier to MTO or has any other material contractual relationship with MTO other than their position as a director.</p>	✓
2.4	The Board is comprised of six members, four of whom are independent (David Foster, Rick Dennis, Peter Henley and Warren Bee).	✓
2.5	The Chairman is an independent director and facilitates the effective contribution of all directors at Board meetings. The roles of Chair and Managing Director are exercised by different individuals.	✓
2.6	<p>All non-executive directors have had an induction into the business of MTO prior to accepting their appointment and have received continuing information on MTO and its operations since being appointed. The induction process has included site visits and presentations by management.</p> <p>Directors are also given access to continuing education in relation to MTO extending to its business, the industry in which it operates, and other information required by them to discharge the responsibilities of their office.</p>	✓
Principle 3 - Act ethically and responsibly		
3.1	The Board has adopted a code of conduct applicable to all Directors, senior executives and employees, a copy of which is disclosed on MTO's website.	✓

Principle 4 - Safeguard integrity in corporate reporting		
4.1	<p>The Board has established an Audit and Risk Committee. The charter for the Audit and Risk Committee is available on MTO's website. The Audit and Risk Committee is comprised only of independent non-executive directors. Its composition being:</p> <ul style="list-style-type: none"> - Rick Dennis (Chairman, independent, non-executive director); - Peter Henley (independent non-executive director); - Warren Bee (independent, non-executive director); and - Rob Cassen (non-independent, non-executive director). <p>Rick Dennis took over from David Foster as Chairman of the Audit and Risk Committee on 1 September 2017. The relevant qualifications and experience of the members of the Audit and Risk Committee are set out in the Director's biographies under the Board tab on MTO's website.</p>	✓
4.2	The Board of MTO requires declarations and management representations in respect of the financial records and information of the business from the CEO and CFO for both the half-year and full-year results.	✓
4.3	MTO's external auditor will be requested to attend the AGM and make themselves available to answer questions from shareholders relevant to the audit.	✓
Principle 5 - Make timely and balanced disclosure		
5.1	The Board has established a written Disclosure and Communication policy to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability for compliance. Each Board meeting considers whether any continuous disclosure issues arose during the course of the meeting. The Disclosure and communication policy is on MTO's website.	✓
Principle 6 - Respect the rights of Shareholders		
6.1	MTO has a website which provides information about it, the directors and executives, key governance policies and other information relevant to its investors. The website will be a key communication tool between MTO and the shareholders. www.mcholdings.com.au	✓
6.2	MTO has an investor relations program to facilitate effective two-way communication with investors which includes roadshows after the release of the half and full year results.	✓
6.3	The Board has adopted the Disclosure and Communication policy and will provide shareholders with opportunities to have questions addressed at shareholder meetings, irrespective of whether the shareholder is able to attend.	✓
6.4	All shareholders of MTO are able to communicate with MTO and its share registry electronically and in fact this method of communication is encouraged.	✓

Principle 7 - Recognise and manage risk						
7.1	<p>The Board has established an Audit and Risk Committee. The charter for the Audit and Risk Committee is available on MTO's website. The Audit and Risk Committee is comprised only of Independent Non-executive Directors. Its composition being:</p> <ul style="list-style-type: none"> - Rick Dennis (Chairman, independent, non-executive director); - Peter Henley (independent non-executive director); - Warren Bee (independent, non-executive director); and - Rob Cassen (non-independent, non-executive director). 	✓				
7.2	<p>MTO has adopted a risk management framework and has established an Enterprise Risk Register which details strategic, operational, financial and regulatory risks impacting the Group. The Board has appointed the Audit and Risk Committee to assist it with discharging its oversight function in respect of enterprise risks and to determine if the system of risk management is sound, including a review of this framework at least annually. The first annual review of the framework will be performed during the 2020 year.</p>	✓				
7.3	<p>MTO does not have an internal audit function but retained a specialist internal audit and risk advisor to assist the company develop appropriate frameworks and processes during the year. MTO has adopted this risk management framework including a quarterly comprehensive risk reporting back to the audit and risk committee in accordance with AS/NZS ISO 31000:2009. MTO is in the process of developing a compliance management framework that also incorporates comprehensive quarterly compliance reporting.</p>	✓				
7.4	<p>MTO recognises the importance of, and is committed to, the identification, monitoring and management of material risks associated with its activities. The following information sets out the material risks of MTO which are kept under review and actively managed within MTO's risk management framework. These are not in any particular order.</p> <table border="1" data-bbox="205 1084 1661 1271"> <tbody> <tr> <td>People</td> <td> <ul style="list-style-type: none"> • Inability to train replacement staff expediently to replace those who leave, or to provide staffing support for expansion </td> </tr> <tr> <td>Strategic</td> <td> <ul style="list-style-type: none"> • Long term deterioration in the market for new motorcycles generally • Loss of the CEO without a suitable replacement available • Long term deterioration in the market for sales from bricks and mortar stores </td> </tr> </tbody> </table>	People	<ul style="list-style-type: none"> • Inability to train replacement staff expediently to replace those who leave, or to provide staffing support for expansion 	Strategic	<ul style="list-style-type: none"> • Long term deterioration in the market for new motorcycles generally • Loss of the CEO without a suitable replacement available • Long term deterioration in the market for sales from bricks and mortar stores 	✓
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Strategic	<ul style="list-style-type: none"> • Long term deterioration in the market for new motorcycles generally • Loss of the CEO without a suitable replacement available • Long term deterioration in the market for sales from bricks and mortar stores 					

Principle 8 - Remunerate fairly and responsibly		
8.1	<p>The Board has formed a combined Nomination and Remuneration Committee. Membership of the Nomination and Remuneration Committee is:</p> <ul style="list-style-type: none"> - Warren Bee (Chairman, independent, non-executive director); - Rick Dennis (independent non-executive director); - Peter Henley (independent, non-executive director); and - Rob Cassen (non-independent, non-executive director). <p>A copy of the charter for the Nomination and Remuneration Committee is provided on MTO's website.</p>	✓
8.2	The Board has adopted a remuneration policy for non-executive directors, a copy of which appears on the Company's website	✓
8.3	The Share Trading Policy sets out the requirement that participants will be prohibited from entering into transactions which limit the economic risk of their participation in that scheme.	✓