

## CORPORATE GOVERNANCE STATEMENT

The Board and management of Carly Holdings Limited (**Carly** or the **Company**) recognise their duties and obligations to shareholders and other stakeholders to implement and maintain a robust system of corporate governance. The Company believes that the adoption of good corporate governance adds value to stakeholders and enhances investor confidence. Therefore, the Company's Board of Directors (**Board**) has adopted a number of charters and policies which aim to ensure that value is created whilst accountability and controls are commensurate with the risks involved.

The Company acknowledges the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (4<sup>th</sup> Edition) (the **Recommendations**). This Corporate Governance Statement provides details of the Company's compliance with those Recommendations during the financial year ending 30 June 2023, or where appropriate, indicates a departure from the Recommendations with an explanation.

The Company's Corporate Governance Plan is available on the Company's website: <https://investors.carly.co/investor-relations/corporate-governance/> and should be read in conjunction with the Company's Annual Report. This Corporate Governance Statement is current as of 30 August 2023 and has been approved by the Board of the Company.

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

#### Board Charter

The Board is accountable to shareholders for the performance of the Company. The Board operates under the Board Charter that details its functions, responsibilities and powers and those delegated to management.

The Board Charter (which forms part of the Corporate Governance Plan) is available on the Company's website.

#### Board and senior executive appointments

The Board has implemented a process of undertaking the appropriate checks before appointing a person, or putting forward to shareholders a candidate for election as a director or senior executive. The directors will provide a summary of all material information relevant to the decision to elect a director in the notice of meeting for each annual general meeting.

On appointment, non-executive directors receive formal letters of appointment setting out the terms and conditions of appointment. The formal letter of appointment covers the matters referred to in the guidance and commentary for Recommendation 1.3. Executive directors are employed pursuant to employment agreements.

#### Diversity Policy

The Board has adopted a Diversity Policy which sets out the Company's aims and practices in relation to recognising and respecting diversity in employment. The policy reinforces the Company's commitment to actively managing diversity as a means of enhancing the Company's performance by recognising and utilising the contributions of diverse skills and talent from its employees.

The Diversity Policy reflects the matters set out in the commentary and guidance for Recommendation 1.5.

#### Gender Diversity

The Board is responsible for establishing and monitoring, on an annual basis the achievement against gender diversity objectives and strategies, including the representation of women at all levels of the organisation.

The proportion of women within the whole organisation as at 30 August 2023 was as follows:

Classification	%
Women employees in the whole organisation	21%
Women in senior executive positions	20%
Women on the Board of Directors	20%

The Company is at variance with Recommendation 1.5 in that it has not set or disclosed measurable objectives for achieving gender diversity in accordance with its Diversity Policy. Due to the size of the Company, the Board does not deem it practical to limit the Company to specific targets for gender diversity as it operates in a very competitive labour market where positions are sometimes difficult to fill. However, every candidate suitably qualified for a position has an equal opportunity of appointment regardless of gender, age, ethnicity or cultural background.

The Code of Conduct and Diversity Policy (which form part of the Corporate Governance Plan) are available on the Company's website.



### **Evaluation of the performance of senior executives**

The performance of senior executives is evaluated in accordance with the Performance Evaluation Policy. The annual review of the performance of the CEO and Executive Director for the 2023 financial year will be carried out in accordance with the process disclosed.

### **Evaluation of the performance of the Board, its committees and individual directors**

The performance of the Board, its committees and individual directors are evaluated in accordance with the Performance Evaluation Policy. The annual review of performance of the Board, its committees and individual directors for the 2023 financial year will be carried out in accordance with the disclosed process.

The Board Charter and Performance Evaluation Policy (which form part of the Corporate Governance Plan) are available on the Company's website.

### **Company secretary**

The Board Charter outlines the role, responsibility and accountability of the Company Secretary. The Company Secretary is accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

The appointment of the Company Secretary is a matter for the Board. Information on the skills, experience and qualifications of the Company Secretary can be found in the Directors' Report of the Annual Report.

## **PRINCIPLE 2: STRUCTURE THE BOARD TO BE EFFECTIVE AND ADD VALUE**

### **Composition of the Board**

The Board presently consists of the Chief Executive Officer and Executive Director, Non-Executive Chairman and three non-executive directors, with Mr Todd Hunter having resigned as a non-executive director on 21 July 2023 due to his increasing commitments as CEO of Turners Automotive Group. Details of their skills, experience and expertise and the period of office held by each director have been included in the Directors' Report of the Annual Report. The number of Board meetings and the attendance of the directors are also set out in the Directors' Report.

Mr Adrian Bunter was appointed Non-Executive Chairman of the Board with effect from 29 August 2019. The Board has formed the view that given the in-depth knowledge of Mr Bunter with respect to the operations of the Company, Mr Bunter is currently the most appropriate person to hold the position of Chairman of the Company, despite the fact he is not an independent director.

The Board Charter summarises the roles and responsibilities of the chairman and the Chief Executive Officer and Executive Director.

The Company is at variance with Recommendation 2.5 in that the Board does not consider the chairman to be independent. The Board has formed the view that given the in-depth knowledge of Mr Bunter with respect to the operations of the Company, Mr Bunter is currently the most appropriate person to hold the position of Chairman of the Company, despite the fact he is not an independent director.

The roles of the CEO and the chairman of the Board are not performed by the same person.

### **Independence of non-executive directors**

The Board has assessed the independence of the non-executive directors using defined criteria of independence and materiality consistent with the guidance and commentary for Recommendation 2.4 (including the definition section of the Recommendations).

The Board considers that Ms Michelle Vanzella is free from any interest, position, association or relationship that may influence or reasonably be perceived to influence, the independent exercise of the director's judgement and that she is able to fulfil the role of independent director for the purposes of the Recommendations.

Each of Mr Noone, Mr Bunter, Mr Abolakian and Mr Blau do not satisfy the tests of independence as detailed in the Recommendations.

Mr Noone does not satisfy the tests of independence as detailed in the Recommendations as he is an executive director, which is an indicium of not being independent pursuant to those tests. The Board considers that Mr Bunter may not be regarded as an independent director as he has been a director of the Company since 2014 and was a director and shareholder of DriveMyCar, a business acquired by the Company in 2014. Mr Abolakian is a potential beneficiary of Willoughby Capital Pty Ltd as trustee for Willoughby Capital Trust, a substantial shareholder of the Company. Mr Blau is a director, shareholder and Chief Executive Officer of SG Fleet Group Limited, the parent entity of SG Fleet Management Pty Limited, a substantial shareholder of the Company.

The Company is at variance with Recommendation 2.4 in that the majority of directors are not independent. The Board has determined that the composition of the current Board represents the best mix of directors that have an appropriate range of qualifications and expertise, can understand and competently deal with current and emerging business issues and can effectively review and challenge the performance of management.

Furthermore, each individual member of the Board is satisfied that whilst the Company may not comply with Recommendation 2.4, all Directors bring an independent judgement to bear on Board decisions.

### Nomination and Remuneration Committee

During the 2023 financial year, the Nomination and Remuneration Committee consisted of four members. The Committee is chaired by independent non-executive director, Ms Vanzella.

The Nomination Committee Charter sets out its role, responsibilities and membership requirements. The Charter reflects the matters set out in the commentary and guidance for Recommendation 2.1.

The Company was at variance with Recommendation 2.1 during the 2023 financial year in that the Committee did not consist of a majority of independent directors, although the chair is independent. The Board has determined that the composition of the current Nomination and Remuneration Committee represents the best mix of directors that have an appropriate range of qualifications and expertise for this Committee. Furthermore, each individual member of the Board is satisfied that whilst the Company may not comply with Recommendation 2.1, all directors bring an independent judgement to bear on Committee decisions.

For information on the skills, qualification, experience and expertise of the Nomination and Remuneration Committee members, refer to the Directors' Report of the Annual Report.

Details of the members and their attendance at meetings of the Nomination and Remuneration Committee are also included in the Directors' Report.

### Board skills matrix

The Company has developed a broad-based Board skills matrix setting out the mix of skills that the Board currently has (or is looking to achieve) and this is periodically reviewed against the Company's Board representative's skills to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction.

The skills matrix and the average (using a scale of 1 (developing) to 3 (highly experienced)) for the current Board of directors:

Expertise/ experience	Average
Strategy	3.00
Commercial acumen	3.00
Executive leadership	3.00
Capital markets	2.80
Corporate M&A	2.60
Financial literacy	2.60
Legal, governance and compliance	2.80
Risk management	3.00
Human resources, Health and safety	2.40
Environment and sustainability	2.20
Investor relations	3.00
Public relations	2.60
Government relations	2.40
Diversity	2.40
Emerging issues	2.65
Industry	2.43
Operational	2.60
Australia	3.00
New Zealand	1.80

The Directors have determined that the Board is of a sufficient size that is appropriate and effective for the Company at its current stage and that the composition of the current Board represents the best mix of directors that have an appropriate range of qualifications and expertise, can understand and competently deal with current and emerging business issues and can effectively review and challenge the performance of management.

The Board has regard to the Company's Diversity Policy and Board Charter and will aim to achieve diversity and independence in its membership where possible, whilst having regard to the size and nature of the existing Board, and the magnitude of the Company's operations.

#### **Board renewal and succession planning**

The appointment of directors is governed by the Company's Constitution and the Nomination Committee Charter. In accordance with the Constitution of the Company, no director except a Managing Director, shall hold office for a continuous period in excess of three years or past the third annual general meeting following the director's appointment, whichever is the longer, without submitting for re-election.

The Company has not adopted a policy in relation to the retirement or tenure of directors.

#### **Induction and education**

When appointed to the Board, a new director will receive an induction appropriate to his or her experience. Directors are provided with the appropriate professional development opportunities to develop and maintain their skills and knowledge from time to time, as considered appropriate to perform their role as a director effectively.

#### **Access to information and advice**

Directors are entitled to request and receive such additional information as they consider necessary to support informed decision-making. The Board also has a policy under which individual directors and Board committees may obtain independent professional advice at the Company's expense in relation to the execution of their duties, after receiving approval from the Chairman (or equivalent).

The Company's Constitution, Board Charter and Nomination Committee Charter (which form part of the Corporate Governance Plan) are available on the Company's website.

### **PRINCIPLE 3: INSTIL A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY**

#### **Company Values**

The Company and its subsidiary companies are committed to conducting its business activities fairly, honestly with a high level of integrity, and in compliance with all applicable laws, rules and regulations. The Board, management and employees are dedicated to high ethical standards and recognise and support the Company's commitment to compliance with these standards.

The Company's values are set out in its Code of Conduct (which forms part of the Corporate Governance Plan) and are available on the Company's website. The Board and management continually reference such values.

#### **Code of Conduct**

The Code of Conduct applies to all directors, officers and employees of the Company. It sets out the Company's commitment to successfully conducting the business in accordance with all applicable laws and regulations while demonstrating and promoting the highest ethical standards. The Code of Conduct reflects the matters set out in the commentary and guidance for Recommendations 3.1 and 3.2.

The Code of Conduct (which forms part of the Corporate Governance Plan) is available on the Company's website.

#### **Whistleblower Policy**

The Company's Whistleblower Policy (which forms part of the Corporate Governance Plan) is available on the Company's website. Any material breaches of the Whistleblower Policy are to be reported to the Audit and Risk Committee.

#### **Anti-Bribery and Anti-Corruption Policy**

The Company's Anti-Bribery and Anti-Corruption Policy (which forms part of the Corporate Governance Plan) is available on the Company's website. Any material breaches of the Anti-Bribery and Anti-Corruption Policy are to be reported to the Audit and Risk Committee.

### **PRINCIPLE 4: SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS**

#### **Audit and Risk Committee**

During the 2023 financial year, the Audit and Risk Committee consisted of four members. The Committee is chaired by Non-Executive Chairman, Mr Bunter.

The Audit and Risk Committee Charter sets out its role, responsibilities and membership requirements. The Charter reflects the matters set out in the commentary and guidance for Recommendation 4.1.

For information on the skills, experience and expertise of the Audit and Risk Committee members, refer to the Directors' Report of the Annual Report. Details of the members and their attendance at meetings of the Audit and Risk Committee are included in the Directors' Report.

The Company is at variance with Recommendation 4.1 in that the Audit and Risk Committee does not consist of a majority of independent directors. Furthermore, the chairman of the Audit and Risk Committee is not independent. The Board considers that given the current size of the Company, the Audit and Risk Committee is of a sufficient size and possesses sufficient technical expertise to discharge its mandate effectively.

#### **Financial statement sign-off and declarations**

When considering the Audit and Risk Committee's review of financial reports, the Board receives a written declaration in accordance with section 295A of the Corporations Act, signed by the Chief Executive Officer and Chief Financial Officer (or equivalents), that the Company's financial reports give a true and fair view, in all material respects, of the Company's financial position and comply in all material respects with relevant accounting standards. This statement also confirms that the Company's financial reports are founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

#### **External auditor**

Consistent with its Charter, the Audit and Risk Committee reviews the external auditor's terms of engagement and audit plan, and assesses the independence of the external auditor. The current practice, subject to amendment in the event of legislative change, is for the rotation of the engagement partner to occur every five years.

The Company's independent external auditor is HLB Mann Judd (WA Partnership).

The Audit and Risk Committee Charter is available on the Company's website.

The Company's engagement with the external auditor states that the Board has committed the Company's external auditor to attend its AGM and is available to answer questions from security holders relevant to the audit.

#### **Corporate Reports Verification Policy**

The Company's Corporate Reports Verification Policy sets out the process to verify the integrity of unaudited periodic corporate reports. The Company's Corporate Reports Verification Policy (which forms part of the Corporate Governance Plan) is available on the Company's website.

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

The Continuous Disclosure Policy and Market Communications Policy set out the key obligations of the directors and employees in relation to continuous disclosure as well as the Company's obligations under the Listing Rules and the Corporations Act. The policies also provide procedures for internal notification and external disclosure, as well as procedures for promoting understanding of compliance with the disclosure requirements for monitoring compliance.

Under the policies, all members of the Board receive material market announcements promptly after they have been made. All substantive investor or analyst presentations were released on the ASX Markets Announcement Platform ahead of such presentations.

The policies reflect the matters set out in the commentary and guidance for Recommendation 5.1.

The Continuous Disclosure Policy and Market Communications Policy (which form part of the Corporate Governance Plan) are available on the Company's website.

### **PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS**

Information about the Company and its governance is available under the heading 'Investor Relations' and 'Corporate Governance' which can be found on the Company's website.

Shareholders are encouraged to participate at all general meetings and AGMs of the Company. In any notice of meeting to be despatched to Shareholders, the Company Secretary reminds all Shareholders that they are encouraged to participate at the meeting. All substantive resolutions at securityholder meetings are decided by a poll rather than a show of hands.

The Shareholder Communications Strategy sets out the Company's aims and practices in respect of communicating with both current and prospective shareholders. The strategy reinforces the Company's commitment to promoting investor confidence by requiring:

- compliance with the continuous disclosure obligations;
- compliance with insider trading laws;
- compliance with financial reporting obligations;
- compliance with shareholder meeting requirements, including the provision of an opportunity for shareholders and other stakeholders to hear from and put questions to the Board, management and auditor of the Company;
- communication with shareholders in a clear, regular, timely and transparent manner; and

- response to shareholder queries in a prompt and courteous manner.

The policy reflects the matters set out in the commentary and guidance for Recommendation 6.4 and is designed to promote and facilitate effective two-way communication with investors. The Shareholder Communication Strategy provides that security holders can register with the Company to receive updates by email. Links are made available to the Company's website on which all information provided to the ASX is posted.

Security holders are able to register to receive electronic communications in relation to the Company from the security registry. Contact details for the Company's security registry are available on the Company's website.

The Shareholder Communication Strategy states that the Company is committed to dealing fairly, transparently and openly with both current and prospective shareholders. As part of the Company's policy, it will respond promptly and courteously to shareholder queries and concerns.

The Shareholder Communications Strategy (which forms part of the Corporate Governance Plan) is available on the Company's website.

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

### **Risk Management Policy**

Carly recognises that risk is inherent to any business activity and that managing risk effectively is critical to the immediate and future success of the Company. As a result, the Board has adopted a Risk Management Policy which sets out the Company's system of risk oversight, management of material business risks and internal control.

### **Risk oversight**

Carly's risk management framework is supported by the Board of Directors, management and the Audit and Risk Committee. The Board is responsible for approving and reviewing the Company's risk management strategy and policy. Management is responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk. The Audit and Risk Committee also has delegated responsibilities in relation to risk management and the financial reporting process as set out in the Audit and Risk Committee Charter. Further detail regarding the Audit and Risk Committee can be found above at Principle 4: Safeguard the integrity of corporate reports.

### **Reporting and assurance**

As noted above, when considering the Audit and Risk Committee's review of financial reports, the Board receives a written declaration in accordance with section 295A of the Corporations Act, signed by the Chief Executive Officer and Chief Financial Officer (or equivalents). This statement also confirms that the Company's financial reports are founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

Similarly, in a separate written statement the Chief Executive Officer (or equivalent) and the chairman of the Audit and Risk Committee also confirm to the Board that the Company's risk management and internal control systems are operating effectively in relation to material business risks for the period, and that nothing has occurred since period-end that would materially change the position.

As noted in Principle 4, the Company is at variance with Recommendation 4.1 in that majority of the members of the Audit and Risk Committee are not independent. The Board considers that this composition is appropriate given the current size of the Company.

The number of times the committee met during the financial year and the composition of the committee are disclosed in the Directors' Report in the Annual Report.

The Audit and Risk Committee together with the Board devotes time during its periodic Board meetings to fulfilling their obligations associated with overseeing risk and maintaining the entity's risk management framework and associated internal compliance and control procedures. A formal review of the risk management framework takes place at the completion of the annual audit. The Audit and Risk Committee conducted a review of the Company's risk management framework in the financial year to satisfy itself that it continues to be sound.

Due to the current size and nature of the Company, the Board does not deem it practical to have an internal audit function. This is performed by the Audit and Risk Committee as noted above.

### **Economic, environmental and social sustainability risks**

The Company discloses material business risks in the Directors' Report and Note 23 to the financial statements in the 2023 Annual Report describes the economic risks to which the Company has an exposure and the Company's objectives, policies and processes for measuring and managing those risks. The Board does not believe the Company has any material exposure to environmental and social sustainability risks at the present time. The Risk Management Policy outlines the methodology the Company adopts to mitigate these risks (where possible).

The Risk Management Policy (which forms part of the Corporate Governance Plan) is available on the Company's website.



## **Risk management, internal audit function and internal control**

The Audit and Risk Committee Charter outlines the monitoring, review and assessment of risk framework, internal audit function and internal control procedures.

## **PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY**

### **Nomination and Remuneration Committee**

The Nomination and Remuneration Committee has delegated responsibilities in relation to the Company's remuneration policies as set out in the Remuneration Committee Charter. The Charter reflects the matters set out in the commentary and guidance for Recommendation 8.1. Further detail regarding the Nomination and Remuneration Committee can be found above at Principle 2: Structure the board to be effective and add value.

As noted in Principle 2, the Company is at variance with Recommendation 8.1 in that the majority of members of the Committee are not independent. The Board has determined that the composition of the current Nomination and Remuneration Committee represents the best mix of directors that have an appropriate range of qualifications and expertise for this Committee. Furthermore, each individual member of the Board is satisfied that whilst the Company may not comply with Recommendations 2.1 and 8.1, all directors bring an independent judgement to bear on Board decisions.

The number of times the Committee met during the financial year and the composition of the Committee is disclosed in the Directors' Report in the Annual Report.

### **Non-executive directors' remuneration policy**

The structure of non-executive directors' remuneration is clearly distinguished from that of executives. Remuneration for non-executive directors is fixed. Total remuneration for all non-executive directors, last voted upon by shareholders at the 2019 Annual General Meeting, is not to exceed \$250,000 per annum. Non-executive directors do not receive performance related compensation. Neither the non-executive directors nor the executives of the Company receive any retirement benefits, other than superannuation.

### **Executive directors' remuneration policy**

As noted previously, executive directors are employed pursuant to employment agreements. Details of Mr Noone's agreement are found in the Remuneration Report in the Annual Report.

Policies and practices regarding the remuneration of directors and executives are disclosed in the Remuneration Report contained in the Company's Annual Report.

### **Securities Trading Policy**

The Board has adopted a policy and procedure on dealing in the Company's securities by directors, officers and employees. The policy prohibits trading by all directors, officers and employees of the Company and its related entities at all times where the transaction is intended for short term or speculative gain or where the person is in possession of price sensitive information. All directors and employees (including their immediate family or any entity for which they control investment decisions), must ensure that any trading in securities issued by the Company is undertaken within the framework set out in the Securities Trading Policy.

The Securities Trading Policy does not prevent directors or employees (including their immediate family or any entity for which they control investment decisions) from participating in any share plan or share offers established or made by the Company. However, directors or employees are prevented from trading in the securities once acquired if the individual is in possession of price sensitive information not generally available to all security holders.

In addition to the overriding prohibition against dealing in the Company's securities when a person is in possession of inside information, directors, officers, employees and their associated parties are at all times prohibited from dealing in the Company's securities during prescribed 'Closed Periods'. The Company has nominated closed periods to run from the end of the financial quarter up to the day after the release date of the latest of the quarterly report (Appendix 4C), half yearly results or annual results. Directors, officers and employees must also obtain written consent from the Chairman or Managing Director/Chief Executive Officer (as applicable) prior to trading in the Company's securities.

The Securities Trading Policy also includes a clause prohibiting directors, officers and employees from entering into transactions in associated products which operate to limit the economic risk of security holdings in the Company, including securities issued pursuant to any employee or director option or share plan, over unvested entitlements.