



4 October 2023

**PUBLIC CENSURE OF 2 CHEAP CARS GROUP LIMITED  
BY THE NZ MARKETS DISCIPLINARY TRIBUNAL FOR BREACHES OF  
NZX LISTING RULES (*RULES*) 2.1.1(c) AND 2.13.2(c)**

In a determination of the NZ Markets Disciplinary Tribunal (*the Tribunal*) dated 6 September 2023, the Tribunal found that 2 Cheap Cars Group Limited (2CC) breached Rule 2.1.1(c) - the requirement to have at least two Independent Directors at all times - and Rule 2.13.2(c) - the requirement for an Audit Committee to have a majority of Independent Directors.

2CC had only one Independent Director and did not have a majority of Independent Directors on its Audit Committee for approximately 8 weeks, from 17 March 2023 until the week ended 19 May 2023. The breach arose because 2CC Director, Mr Shaw, was not an Independent Director during the 8 week-period he undertook a contractual role with 2CC Subsidiary, NZ Motor Finance Limited (*NZMF*).

Under the Rules, an Independent Director is a Director who (1) is not an Employee of the Issuer; and (2) has no Disqualifying Relationship<sup>1</sup>. An Employee under the Rules includes a person who contracts with the Issuer or any of its Subsidiaries.

Given the importance of the Independent Director requirements, the Tribunal considered that 2CC's breach was a serious compliance breach. While a breach of this nature has the potential to cause a significant impact on investors and the market, the potential impact in this case was reduced because:

- a. 2CC's Board was Chaired by an Independent Director, who was also a member of its Audit Committee;
- b. Mr Shaw did not have a Disqualifying Relationship, as submitted by 2CC; and
- c. while an Employee, Mr Shaw had a limited contractual role overseeing the run-down of NZMF's loan book, reducing the likelihood of management influence.

NZ RegCo did not identify any actual loss or harm to investors as a result of the breach.

While the breach appeared unintentional, the Tribunal was concerned that (1) 2CC had not adequately considered the implications of Mr Shaw's contractual role with NZMF on his status as an Independent Director; and (2) statements made in 2CC's Annual Report 2023 gave the impression 2CC had complied with the Independent Director requirements, when for a time they had not. 2CC acknowledged that the matter should have been approached differently, co-operated with NZ RegCo's investigation and has subsequently taken further steps to improve its compliance practices.

The Tribunal ordered 2CC to pay a financial penalty of \$40,000, pay the costs of NZX and the Tribunal, and be publicly censured in the form of this announcement.

The full determination of the Tribunal in this matter is attached to this announcement.

---

<sup>1</sup> The Rules use a "disqualifying relationship" test, see Part A of the Rules, to evaluate a Director's independence, having regard to the relevant factors described in the NZX Corporate Governance Code.