

Auto Trader Group plc

is the UK's largest automotive marketplace

Auto Trader's purpose is Driving Change Together. Responsibly. Auto Trader is committed to creating a diverse and inclusive culture, it aims to build stronger partnerships with its customers and use its voice and influence to drive more environmentally friendly vehicle choices.

With the largest number of car buyers and the largest choice of trusted stock, Auto Trader's marketplace sits at the heart of the UK car buying process. That marketplace is built on an industry-leading technology and data platform, which is increasingly used across the automotive industry. Auto Trader is continuing to bring more of the car buying journey online, creating an improved buying experience, whilst enabling all its retailer partners to sell vehicles online.

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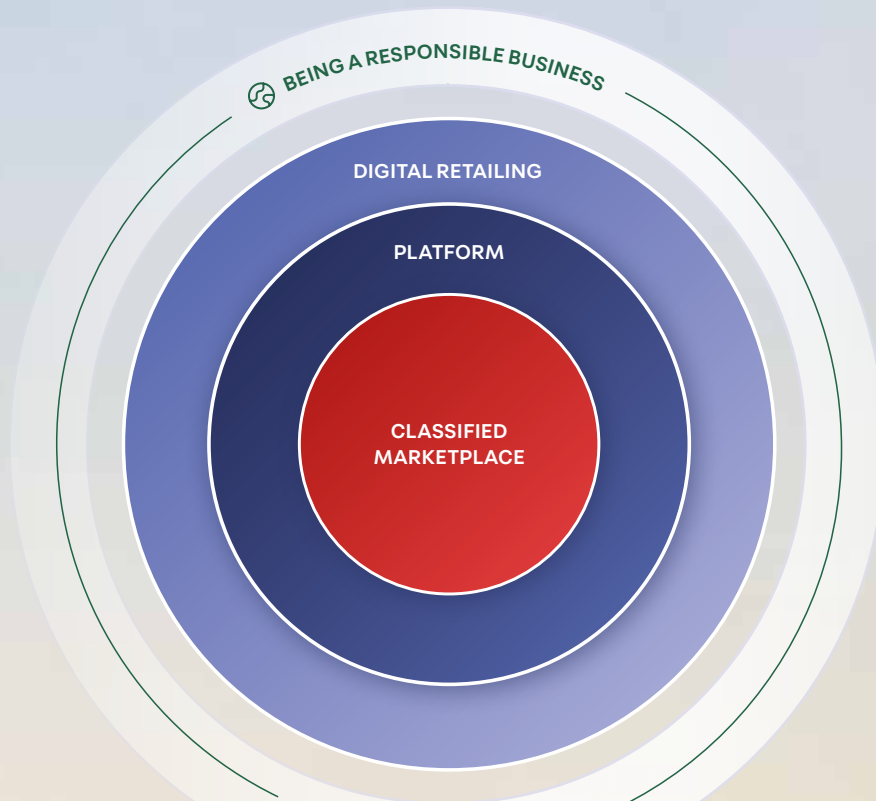
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Our purpose-driven strategy

We have a clear focus on our three strategic priorities, alongside a commitment to always being a responsible business.



CLASSIFIED MARKETPLACE

13,913

average retailer forecourts advertising with Auto Trader (2022: 13,964)

69.6m

average monthly visits to autotrader.co.uk (2022: 68.9m)

PLATFORM

c.90

software partners integrated with our Auto Trader Connect platform (2022: 40)

19

lenders integrated with our finance platform (2022: 9)

DIGITAL RETAILING

c.50

retailers on Deal Builder trial at end of March 2023 (2022: N/A)

c.7k

new vehicle leases delivered in 2023 (2022: N/A)

BEING A RESPONSIBLE BUSINESS

91%

of employees are proud to work for Auto Trader (March 2022: 95%)

Net zero

our targets have been validated by the Science Based Targets initiative

Our purpose-driven strategy P10

Being a responsible business P26



This is my ninth and final statement as Chair of Auto Trader Group plc. As such, rather than focus on the year just gone, I would like to offer a longer perspective regarding Auto Trader's history and future. It has been my privilege to serve as the Auto Trader Chair throughout our eight years as a public company.

A reflection on my tenure as Chair

I first got to know Auto Trader around 15 years ago when I was chief executive of Rightmove Plc. I first attended an Auto Trader Board meeting as a guest. That meeting decided to sell Auto Trader's last remaining print plant, though Auto Trader would continue to publish weekly magazines for a few years after that. Auto Trader had a successful website but it contributed a small amount to our overall revenues. Our online product offering was simple and focused on tools to help car retailers get their adverts online and monitor their success. We had a number of small wholly owned or partly owned businesses in other countries. We operated out of a number of physical offices spread around the UK.

Today, we operate a sophisticated online automotive marketplace, with our car retailers able to select from a range of advertising options and data products that not only help them sell vehicles but manage the effectiveness of their operations including the stock they hold. We operate in a single country with the considerable majority of our office-based staff in a single office in Manchester.

During the previous year we took a number of steps to complete the simplification of our business, including the sale of Webzone Limited (trading as 'Carzone'), our Irish business, reducing and simplifying our property holdings and starting the process

to exit our legacy defined benefit pension scheme. I would particularly like to thank Warren Cray and his team at Carzone in Ireland for their contribution to the Group over many years.

2023 saw the completion of one of the largest product development projects in the Company's history, enabling our car retailer customers to provide a complete transactional service to car buyers on the Auto Trader platform. This includes the ability to reserve a car online with a deposit, arrange finance, obtain a trade-in valuation on an existing car and delivery to a buyer's home or other convenient location.

2023 also saw the purchase of Autorama, which offers new vehicles on leases to the public. This gives us a substantial potential position in the online transactional market for new cars. A current priority is the integration of the Autorama offering into our existing new car proposition and further developments to that combined offering.

So not only have we successfully transitioned from a print to digital, advertising-only to data business, but we have also embarked on the journey from a used car advertising service to a platform for advertising and transacting in both used and new cars. It will take time for all these businesses to realise their potential and if the past is any guide, we will be both pleasantly surprised in the long term and sometimes disappointed at the speed of adoption and the path to full commercial value being realised.

It is unhelpful for outgoing Chairs to seek to tie the hands of their successors. It is the job of future Auto Trader Board members to exercise their judgement in pursuing the course that makes most sense to them at the time in the knowledge of the marketplace as they then see it. I hope, though, that they will come to the view that the current Board has left the business stronger, simpler and with a wider range of opportunities open to them than when they first became involved.

Board succession

As announced on 1 June 2023, the Board has approved the appointment of Matt Davies as Chair Designate with effect from 1 July 2023, to succeed me as Chair at the conclusion of the 2023 Annual General Meeting, prior to me becoming non-independent and in line with good corporate governance. Therefore, I will not be standing for re-election at our September 2023 AGM and expect a smooth transition to the new Chair.

As a result of the Company becoming public in 2015 we put in place a new Board; as such over the next two years, three further Non-Executive Directors will be deemed to have become non-independent under the nine-year rule. We have plans in place to recruit new Non-Executives, staggering renewal dates to mitigate against large changes in the Board and to preserve and build on diversity and experience which will best serve the business moving forward.

This is covered in more detail in the Nomination Committee report.

Dividend and capital return strategy

We are recommending to shareholders a final dividend of 5.6p, bringing the total dividend for the year to 8.4p. The value of dividends paid in respect of the 2023 financial year totals c.£77.7m, with a further £147.3m returned through share buybacks at an average share price of 582.1p.

Annual General Meeting

Our Annual General Meeting ('AGM') will be held at our Manchester office on 14 September 2023 at 10am.

A big thank you

As this is my last statement as Chair, it remains for me to say a big thank you to everyone involved with Auto Trader over the last eight years, including car buyers and sellers, our business customers, past and present employees, the current and previous executive teams, our Board of Directors and our shareholders, many of whom have held our shares continuously since the Company went public in 2015.

In particular, I would like to thank those with whom I have worked closely, including a large number of executives outside the Board. From the start of my involvement with Auto Trader one thing was obvious: an enormous commitment and enthusiasm to simply "get stuff done". I am sure the new Board members, who will replace those of us reaching the end of our Board service, will value this as much as we have. It has allowed us to focus a huge proportion of our time and attention on opportunities and not problems, making it critical to our success and such a pleasure to be part of.

Ed Williams

Chair
1 June 2023

I'm pleased to report that our business is in as strong a position as it has ever been, and we are embarking on a journey where used and new car buyers can not only complete their research on Auto Trader, but complete more of the transaction too.

Summary of Group financial performance

Revenue in the core Auto Trader business increased by 9% to £473.0 million as customers are increasingly using our data, platform and advertising products to support their businesses. At a Group level revenue grew 16% to £500.2 million (2022: £432.7 million), the difference being the inclusion of the Autorama business, acquired in June 2022, with revenue of £27.2 million. Auto Trader growth was ahead of expectations and has been achieved despite both the new and used car markets experiencing low transaction volumes, although this headwind has been somewhat offset by robust levels of retailer profitability. The brilliant work of our people continues to strengthen our position with car buyers, build true partnerships with our customers and support an industry-leading data and technology platform.

Operating profit in the core Auto Trader business was £332.9 million, up 10% on last year, with a continued margin of 70% as a result of careful management of costs despite inflationary pressures. Group operating profit declined by 9% to £277.6 million (2022: £303.6 million), due to an operating loss of £11.2 million from Autorama, and £44.1 million of Group central costs relating to the acquisition of Autorama, which were £38.8 million of deferred consideration and amortisation of acquired intangibles of £5.3 million. Group operating profit margin was 55% (2022: 70%).

Strategy and purpose

Our purpose continues to be "Driving Change Together. Responsibly" which guides strategy and decisions across the organisation. At our 2022 Investor Day, we outlined our strategy using three concentric circles to illustrate that they are all elements of Auto Trader's central business strategy, rather than three distinct opportunities. Our technology and data platform and digital retailing build on the strengths of our core marketplace business. As an example, our platform strategy embeds our technology and data into retailers' businesses enabling them to make quicker decisions, which ultimately improves the value they get from advertising on Auto Trader. Digital retailing provides a deeper buying experience on Auto Trader that is more efficient for retailers and harder for others to replicate.



The UK car market

New car registrations at 1.7 million were 3% above financial year 2022 (2022: 1.6 million) but 19% lower than financial year 2020 with supply chain challenges continuing to impact the volume of new cars available for sale in the UK. New light commercial vehicle ('LCV') registrations were down 11% year on year. Used car transactions at 6.9 million were 8% below financial year 2022 levels (2022: 7.5 million) due to the knock-on impact of low volumes of new car supply, which has reduced the availability of younger cars.

Despite the weakness seen in supply throughout the period, demand has been resilient and used car prices have remained strong. Our used car Retail Price Index saw a 12% like for like, year on year increase in prices over the past 12 months, which has contributed to favourable trading conditions for our customers.

Being a responsible business

We hold ourselves to the highest standards when it comes to acting responsibly. We have a Corporate Responsibility Committee with oversight of Auto Trader's focus on the environmental, social and governance ('ESG') aspects of our business. We have identified focus areas and created a range of initiatives which are monitored regularly, and reported on externally with our cultural KPIs. While recognising that many of these changes take time, we remain committed to making meaningful progress across all measures.

We continue to focus on our people, ensuring that those from all backgrounds can fully realise their potential. We have carefully constructed learning and development programmes focusing on supporting early careers, mid-management and a continuous leadership programme for senior leaders. All of these programmes are specifically designed to recruit, support and develop diverse talent in our business.

There are two strands to our commitment around the environment: achieving net zero carbon emissions by 2040, and supporting consumers in making more environmentally friendly vehicle choices.

Outlook

The new financial year has started well and the Board is therefore confident of meeting its growth expectations for the year.

We expect another good year of retailer revenue growth, by far the largest part of our Auto Trader business. This will come from a similar ARPR growth rate to that achieved in financial year 2023. We expect the product lever to be consistent with the £137 achieved last year and the price lever to be slightly higher than last year's £90. The stock lever is likely to remain flat. We anticipate a slight decline in retailer numbers, mostly due to the full year impact of the disposal of Webzone Limited.

Over time we aim to grow share in the new car leasing market through our new Autorama segment. Our short-term focus is on significantly reducing the current annualised operating losses of £15 million through deeper integration with Auto Trader and being disciplined on costs. Group central costs, which are non-cash and relate to the acquisition of Autorama, will be c.£18 million for the year.

Auto Trader operating profit margins should be consistent year on year at 70%, despite continued investment in product development and inflationary pressures. Group margins are expected to increase year on year.

Nathan Coe

CEO
1 June 2023

Reflecting on and recognising the notable achievements of our Chair, Ed Williams

As the tenure of our current Chair, Ed Williams, comes to an end, we wanted to recognise the unique impact he has had on Auto Trader during his involvement since 2010.

2010

Appointed to the Board of Trader Media Group (co-owned by funds advised by Apax Partners and Guardian Media Group) to support its digital transformation with huge credibility coming from his time as founder and CEO of Rightmove from 2000 to 2013.

2013

Ed was instrumental in supporting the business's transition from print to digital, culminating in the closure of the magazines in 2013. This included the appointment of Trevor Mather as CEO, who oversaw the strategy to simplify the business and transition to a purpose-led, values driven culture.

2015

The business had a successful IPO on the London Stock Exchange, supported by Ed's credibility and significant experience with public market investors. This included establishing a new independent Board, most of whom remain with the business to this day.

2012

Ed was instrumental in the business adopting a strategy to simplify its focus and operations on Auto Trader.

2014

Ed was appointed Chair of Auto Trader, leading the business through to its next phase of becoming a public company.



Ed has worked diligently in the background for years to create a great business with outstanding governance, while holding himself to the very highest standards as a Chair.

Nathan Coe
CEO



On behalf of myself, the Board and everyone at Auto Trader we want to say thank you for years of dedicated service, over which time the business has completely transformed to the benefit of our people, customers, car buyers, shareholders and other stakeholders.

As we say at Auto Trader, you have every reason to feel **#proud**.

2019

- January: Auto Trader market capitalisation reached £4.2bn as we became a FTSE100 business.
- November: Following the appointment of Sigga Sigurdardottir, Auto Trader's Board became 50:50 male to female, one of only seven FTSE100 businesses at the time, exceeding the Hampton-Alexander recommendations for gender diversity on boards.

2020

Along with the rest of the world, Auto Trader was hit by the COVID-19 pandemic, with retailers closing their forecourts in late March 2020. The business acted swiftly to protect its people, support its customers and reduce risk given the significant unknowns at the time. This included pausing charging retailers for over four months, pausing

dividends and share buybacks, raising capital, reducing debt and waiving Board fees, salaries and bonuses. Ed's leadership of the Board at this time was more important than at any time in our history given the magnitude of decisions made. The impact of these actions still benefit us today – with our people, retailers, car buyers and our shareholders.

2020

As Chair, Ed oversaw the planning and execution of a comprehensive succession plan from the then CEO, Trevor Mather, to current CEO, Nathan Coe.

2022

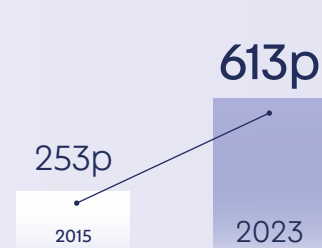
- January: Following the appointment of Jasvinder Gakhal, the Board met the Parker review recommendation for ethnic diversity on boards.
- September: The business announces an evolved strategy at its Investor Day, outlining future growth in its core marketplace

and the opportunity to grow further through digital retailing – bringing more of the car buying journey onto Auto Trader – and our platform strategy to enable the industry to benefit from the data and technology we use to run Auto Trader.

MONTHLY AVERAGE CROSS PLATFORM VISITS



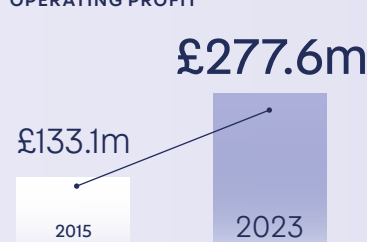
31 MARCH SHARE PRICE



REVENUE



OPERATING PROFIT



£995.1m
cash returned to shareholders through dividends and share buybacks

A changing new and used car market

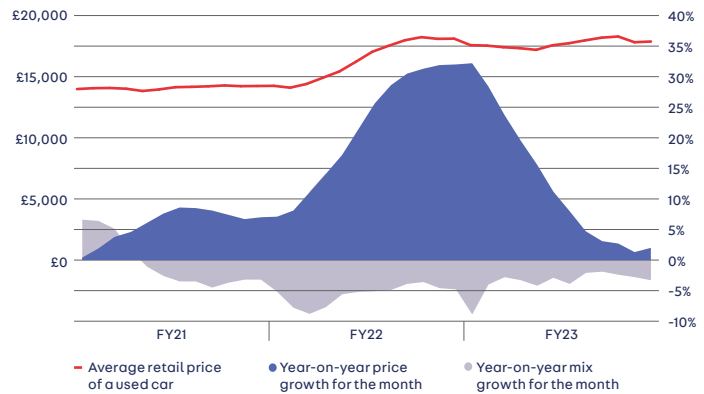
Continually adapting our onsite experience to meet the changing needs of both our consumers and customers is core to remaining the UK's largest automotive marketplace for new and used cars.

Retail Price Index

The Auto Trader Retail Price Index tracks the average retail price of used cars based on c.900,000 daily pricing observations across the automotive retail market.

Used car prices have remained strong, increasing 12% during financial year 2023 on a year-on-year, like-for-like basis, with average prices reaching £17,544 in March 2023, the 36th month of consecutive year-on-year growth.

Prices have remained strong due to a constrained supply side, twinned with robust levels of demand in the market. We expect that these supply and demand dynamics will continue and that average retail prices will remain stable for the foreseeable future.



£17,544

average price of a used car advertised on Auto Trader for the 12 months ending March 2023
+12% year on year, like for like (2022: £16,155)

New car registrations

1.7m

new car registrations in the 12 months to March 2023
+3% year on year (2022: 1.6m)

New car registration volumes remain impacted by supply chain challenges. New car registrations for financial year 2023 were 1.7 million, +3% on financial year 2022 but still -19% behind pre-pandemic levels (financial year 2020).

While levels of supply do remain heavily constrained, the availability of stock has very gradually improved over the second half of the financial year and new car registrations in Q4 of our financial year saw 18% growth year on year.

With manufacturers continuing to bring more electric cars to market, much of the new car growth has been driven by alternatively fuelled vehicles. Over the full year, EVs accounted for 279k registrations, a 25% year-on-year increase.

Used car transactions

6.9m

used car transactions in the 12 months to March 2023
-8% year on year (2022: 7.5m)

Used car transactions were 8% below financial year 2022 levels at 6.9 million for financial year 2023, as transactions continued to feel the knock-on impact of low volumes of new car supply.

This was a story of two halves. In H1, we saw demand on Auto Trader drop down compared with H1 2022 and saw used car transactions -15% year on year. This was lapping a very strong comparative period in H1 2022.

By contrast, in H2 2023, we saw our demand metrics improve year on year and in the second half used car transactions were actually up marginally year on year.

Despite potential headwinds, we expect demand for used cars to remain robust, not least because cars are for most motorists a fundamental need. What's more, there remains a huge backlog of people waiting for a driving test, and there has been a combined five million lost new and used car sales over the past three years.

The key drivers shaping the future of our industry

1 Structural changes in the new car market

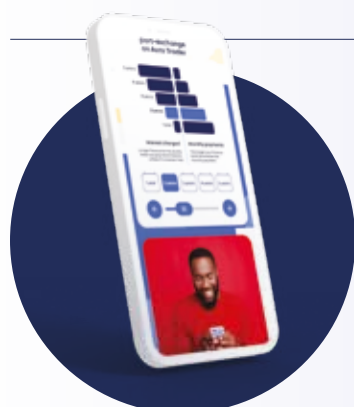
Key trend

There are significant structural changes taking effect in new vehicles, including electrification, the growth of leasing, new manufacturers entering the UK market and a shift towards new digital distribution models.

Future opportunities

There is a significant opportunity for us to help consumers, retailers, funders and manufacturers navigate these changes.

For consumers, we can help them choose their next new vehicle and for retailers, funders and manufacturers we can be a highly efficient digital sales channel.



2 Consumers' desire to move online

Key trend

Consumer appetite to do more of the car buying journey online remains strong following the pandemic. Today, almost two thirds of consumers and more than 80% of younger car buyers are open to the concept of digital retailing.

Whether it's checking availability, sourcing a valuation, booking a test drive, paying a deposit, or organising finance, 60% of car buyers would like to do these key jobs online.

Future opportunities

While most people still want to do some of the purchase journey in person, many are comfortable doing more of their car buying jobs online.

There is a significant opportunity for us in digitising key parts of the transaction, providing a better experience for consumers and creating significant efficiencies for our retailers.

3 The increasing importance of data

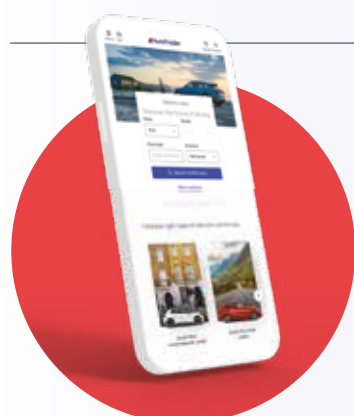
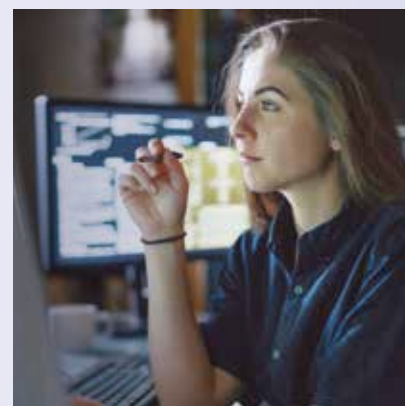
Key trend

Levels of supply and demand for different makes and models continue to change at speed, and with the added complexity of increasing fuel types, it is more difficult than ever for retailers to base stocking and pricing decisions on experience alone.

Future opportunities

We're surfacing our award-winning valuations into retailers' businesses through Auto Trader Connect.

We've also launched Vehicle Insight, a new performance tool that enables retailers to access our market data in one simplified view through our Retailer Portal. We're constantly evolving and investing in our platforms to help our retailer partners respond quickly to market changes and improve performance across their digital forecourts.



4 The EV market continues to evolve

Key trend

Across the whole year we have continued to see the demand and supply for electric vehicles ('EVs') increase across both new and used cars.

However, the picture has varied significantly throughout the year. By the end of the year we were seeing supply rise faster than demand in used EVs causing pressure on used EV pricing.

Future opportunities

The EV market is immature and nuanced, which means accurate and timely data is critical for retailers to inform their sourcing and pricing strategies.

Auto Trader has a unique opportunity to guide and support consumers in making the switch to electric and is providing more detail on its platforms including total cost of ownership information and battery ranges.

Our unique network effect

Leveraging our leading market position and technology platform to create value for our stakeholders.

The drivers that set us apart

Brand & audience

Auto Trader has been trusted for over 45 years by UK car buyers and sellers, giving it the largest UK car buying audience.

Technology

We have a scalable, cloud-based technology platform which enables many iterative changes to be made.

Data

Our proprietary data is increasingly embedded across the automotive value chain as the industry standard.



BEING A RESPONSIBLE BUSINESS

Our ESG ethos runs through all elements of value creation and everything we do as a business.

[Read more P26](#)

People & culture

Our values-led culture underpins a fast-moving, collaborative and community-minded environment.

Investment

We have a high return, capital light business model, which enables us to invest in the business.

Long-term focus

The strength of our business model enables us to take a long-term approach to product and technology.

The core activities we undertake to create value

The most trusted brand

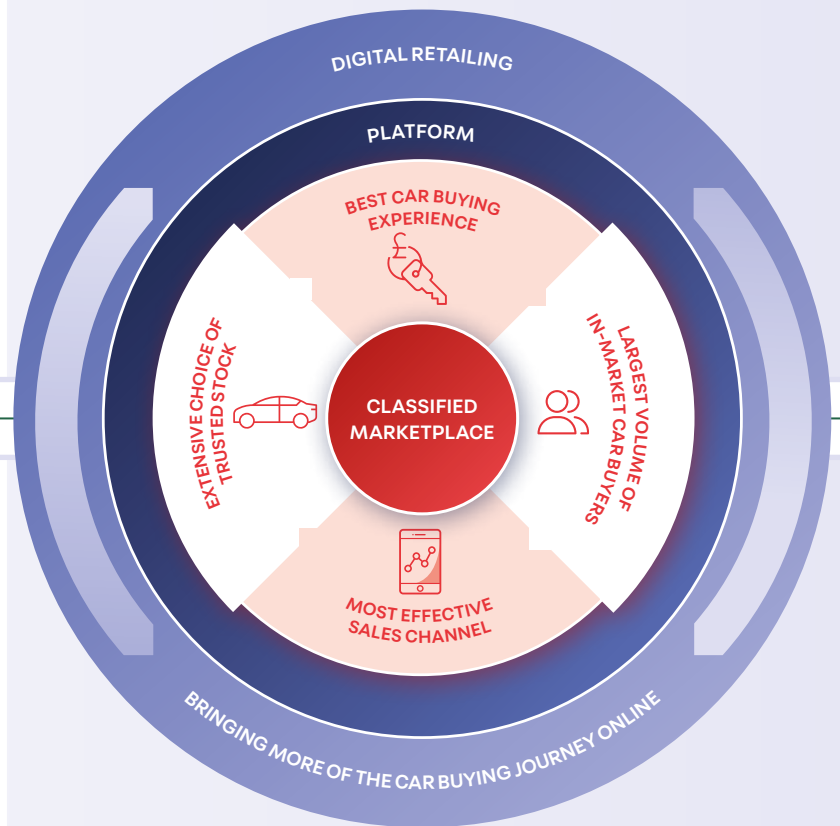
1st

choice destination for car buyers in the UK

The most choice

437,000

live car stock on site on average across the year (2022: 430,000)



The most scalable tech

51,000

software releases across the year (2022: 46,000)

A highly cash generative model

£327.4m

cash generated from operations (2022: £328.1m)

The value created for our stakeholders

Classified marketplace

Our core marketplace benefits from network effects where the largest audience of in-market car buyers attracts the widest array of stock, which then appeals to more car buyers. We create the best experience for consumers, and the most efficient sales channel for our retailer customers.



FOR CONSUMERS

Our marketplace offers consumers the widest choice of vehicles in the UK, with tools to increase trust and transparency in the buying process.

69.6m

average monthly visits to autotrader.co.uk (2022: 68.9m)



FOR CUSTOMERS

We offer the most effective sales channel for retailers, and are the industry leading technology and data platform for our wider pool of partners.

13,913

average retailer forecourts (2022: 13,964)



FOR OUR PEOPLE

We continue to evolve our unique culture to ensure everyone can develop and achieve their career aspirations.

91%

of employees are proud to work for Auto Trader (March 2022: 95%)



Platform

Through a combination of our unique data set, scalable technology and wide-ranging partnerships, we are uniquely placed to be the data and technology platform for UK automotive. We create value by combining data sets and exposing them to our customers, helping them make better and faster decisions.

Digital retailing

We are building products and services to enable consumers to do more of the vehicle buying journey online. For new vehicles this can be an entirely online sale, whereas for used cars this is the completion of a deal. This will ensure a better experience for consumers, and increased efficiency for retailers.



FOR PARTNERS & SUPPLIERS

We work collaboratively in partnership, increasing revenue from shared opportunities whilst ensuring we have fair trading and robust terms and conditions.

c.90

software partners integrated with our Auto Trader Connect platform (2022: 40)



FOR THE COMMUNITY & THE ENVIRONMENT

Every employee is provided up to two volunteering days each year, within local communities. The environment is a key consideration for our business. We have a clear plan for net zero and helping consumers shift to electric vehicles.

Net zero

committed to achieving net zero by 2040



FOR INVESTORS

Given our strong cash generation, a high proportion of our profit is returned to shareholders in the form of dividends and share buybacks.

£225.0m

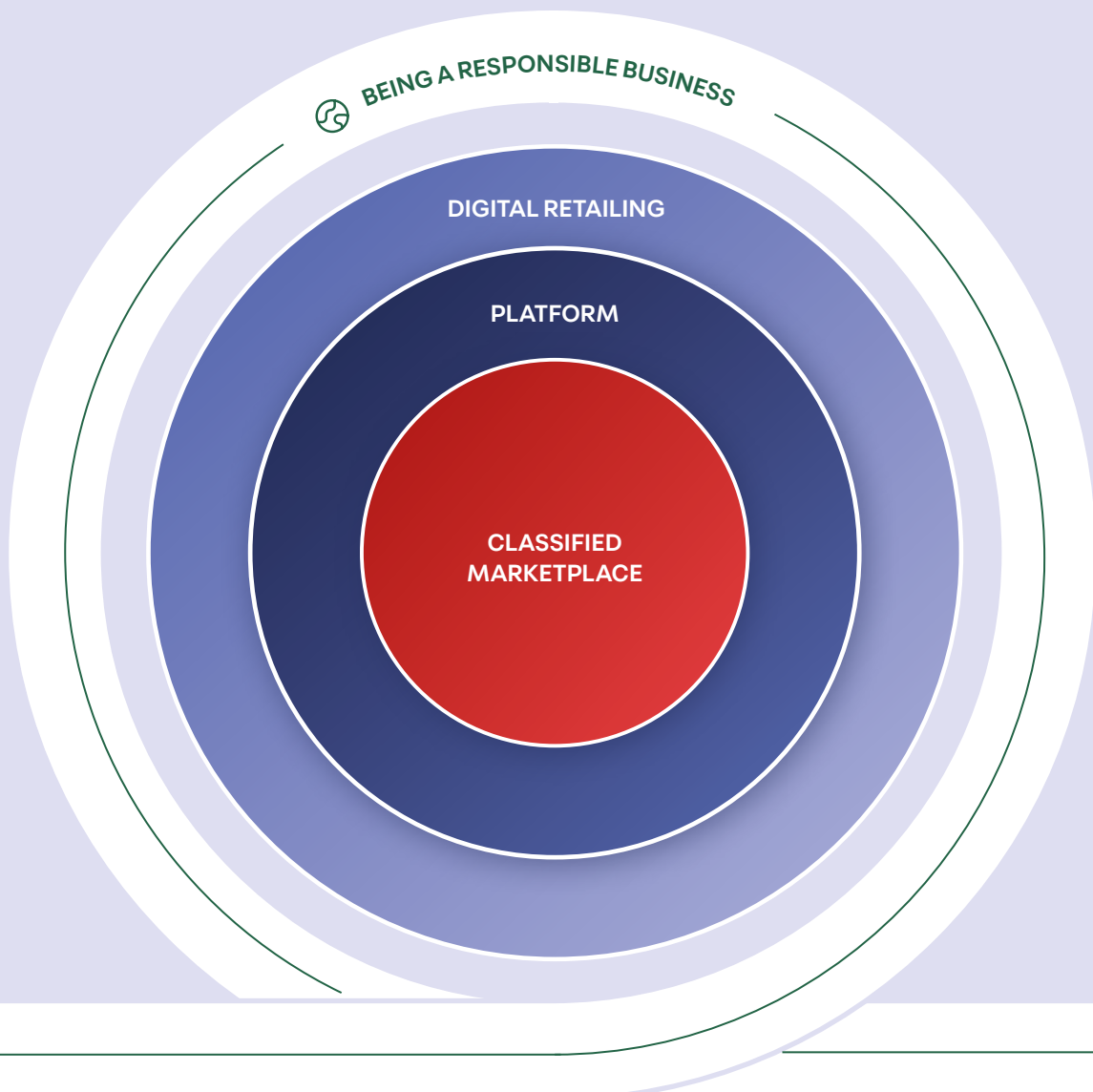
returned to shareholders in 2023 (2022: 237.1m)

Driving Change Together. Responsibly.

Our purpose continues to be Driving Change Together. Responsibly. We deliver on this through our three strategic priorities detailed below, alongside our commitment to always being a responsible business.

Whereas we previously presented Digital Retailing and Data (now called Platform) alongside our Marketplace, we now recognise that all three of these areas are interconnected and complementary.

Our strategy is only possible because of the strength of our Marketplace and everything we are doing serves to strengthen it.



Read more overleaf 



Classified marketplace

Be the best place to buy a car



Platform

Be the industry's data & technology platform



Digital retailing

Be the enabler for all retailers to sell online



Being a responsible business

A key part of our purpose is *responsibly*, wherein we commit to doing the right thing. Our teams are passionate about this and it infuses our culture.

It ensures we strive to make a positive difference to our people, the automotive industry, our communities and the wider environment.

[Read more P26](#)

2023 progress



Classified marketplace

Be the best place to buy a car

In our core advertising marketplace, we successfully executed our annual price increase in April 2022, which included the launch of Retail Essentials, the first module of our Auto Trader Connect platform. This product was well received by customers given the quality of the data and the operational efficiencies it delivers. Our customer numbers in the UK are at record levels, with continued low levels of cancellation in part due to the strength of our standing with customers. We continue to make progress deepening our partnerships with our customers, particularly through providing our market-leading insight. Our sales teams have data driven, goal focused conversations with our customers. Levels of new customer acquisition were largely consistent with the prior year. Penetration of our higher yielding packages increased, with 33% of retailer stock now above Standard as at March 2023 (March 2022: 31%). We also saw an increase in the uptake of our

Market Extension product (allowing customers to sell vehicles outside their local area) and our Pay-Per-Click product which allows stock items to appear at the top of the search listings.

With the sale of new and used electric vehicles increasing, we continue to invest in our electric vehicle content to ensure we are the number one destination for car buyers interested in purchasing an EV. We continue to inform consumers about electric vehicles on our social media channels and raise the awareness of EVs through our EV giveaway which achieved over 3.5 million entries this year. By rethinking our make-model product pages, we have significantly improved our EV SEO ranking, bringing more consumers to the site. When on Auto Trader, we have focused on improving the level of information to help make consumers more informed about owning an EV.



Platform

Be the industry's data & technology platform

As part of our annual pricing event in April 2022, we included our first Auto Trader Connect module - 'Retail Essentials'. Retail Essentials gives customers access to our most fundamental and powerful data, including our taxonomy, which improves advert quality, and enables stock to be updated on Auto Trader in real time. At the end of March 2023, we had integrations with over 90 third-party software providers with Auto Trader Connect.

For our April 2023 pricing event we have launched the second module of Auto Trader Connect - 'Valuations'. This gives our customers access to our retail, part exchange and trade valuations to help inform retailers' sourcing and pricing strategies with the most accurate view of the market.

These modules are an important part of how we are increasingly using our platform to power our retailers' businesses, which strengthens our core and is a key enabler for digital retailing.

We have also made good progress in continuing to build lender integrations, strengthening both the breadth and depth of our finance platform. This is a critical asset that underpins the finance component of our Digital Retailing journey. We now have 19 lenders integrated, which we estimate represents 42% of retailers on our Retailer Finance product (based on first string lender). We also enabled the entire end to end finance transaction journey with one lender including e-sign. FCA Consumer Duty is central to our digital journeys, both for consumers and retailers.

We saw an increase in the number of software releases on the Auto Trader platform to 51,000 (2022: 46,000).



Digital retailing

Be the enabler for all retailers to sell online

Building on both our platform and marketplace, we are bringing more of the car buying journey online. Our approach to digital retailing is to be 'car first' and to enable any retailer (including manufacturers and leasing companies) to sell their cars online. With this goal in mind, we will initially offer two digital retailing consumer journeys: a used car Deal Builder journey on Auto Trader and a fully online retailing journey for new vehicles.

For our used car Deal Builder journey, we are pleased with the initial trial and by the end of the financial year had over 50 retailers live. We have continued to develop the product with the ability to complete the deal in multiple sessions across devices, a revision to the reservations and part exchange flow and the launch of the product for multi-site customers using our Retailer Portal. We have also launched a new product page for cars with Deal Builder.

In new vehicles there are significant structural changes taking effect, including the growth of electric cars, the growth of leasing, new manufacturers entering the UK market and a shift towards new digital distribution models.

To enhance our new vehicle proposition, and to ensure we are well placed as these structural changes take effect, on 22 June 2022, we completed the acquisition of Autorama UK Limited ('Autorama').

By combining Autorama's capabilities with Auto Trader's platform and scale, we believe we have a compelling proposition for manufacturers, retailers and leasing companies, with a significant opportunity to reduce existing customer acquisition costs and grow the business's profitability.

Future opportunities

We continue to consider ways in which we can build consumer trust in our core marketplace. We also see an opportunity to improve our search experience, particularly in the ways we use data to create a more personalised search experience for consumers.

Given the changing landscape in new cars, we will continue to evolve our new car product. For example, with an increasing number of manufacturers selling direct to consumers, or operating under an agency model, we will look to enable manufacturers to advertise new cars directly on Auto Trader with national reach.

How we measure progress

- Revenue
- Average Revenue Per Retailer ('ARPR')
- Operating profit (and margin)
- Basic EPS
- Cash generated from operations
- Cross platform visits
- Cross platform minutes
- Number of retailer forecourts
- Live car stock
- Employee engagement

Associated risks

- Automotive economy, market and business environment
- Climate change
- Employees
- Reliance on third parties and partners
- IT systems and cyber security
- Failure to innovate: disruptive technologies and changing consumer behaviours
- Legal and regulatory compliance
- Competition
- Brand and reputation

We plan to further embed our data and usage of Auto Trader Connect (Retail Essentials and Valuations) with retailers. We have launched a new Vehicle Insight tool in our Retailer Portal which has already seen high levels of engagement.

We will also continue to deepen relationships with third-party software providers, OEMs and lenders to further develop our proposition.

- Auto Trader Connect integrations
- Number of lender integrations
- Number of product releases

- Reliance on third parties and partners
- IT systems and cyber security
- Failure to innovate: disruptive technologies and changing consumer behaviours

We will continue to scale the number of retailers on Deal Builder, and iterate the product in financial year 2024 - with an aim to monetise the product with some retailers by the end of financial year 2024.

By bringing our scale to bear, combined with continued product improvements in financial year 2024, we are confident that our new car leasing order take will grow year on year and expect to see efficiencies in customer acquisition cost.

- For our digital retailing Deal Builder journey:
 - Number of retailers using Deal Builder
 - Number of completed deals
- For our online retailing journey for new vehicles:
 - Number of new vehicle leases
 - Yield per vehicle sold

- Reliance on third parties and partners
- IT systems and cyber security
- Failure to innovate: disruptive technologies and changing consumer behaviours
- Legal and regulatory compliance

Considering our stakeholders

The Directors of the Company have acted in the way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having due regard in doing so for the matters set out in section 172 (1) (a) to (f) of the Companies Act 2006.

Section 172 matters

Our purpose is **Driving Change Together. Responsibly.**

→ We are **driving change** in an industry that needs to evolve to adapt to changing consumer needs, and the impact of electric vehicles.

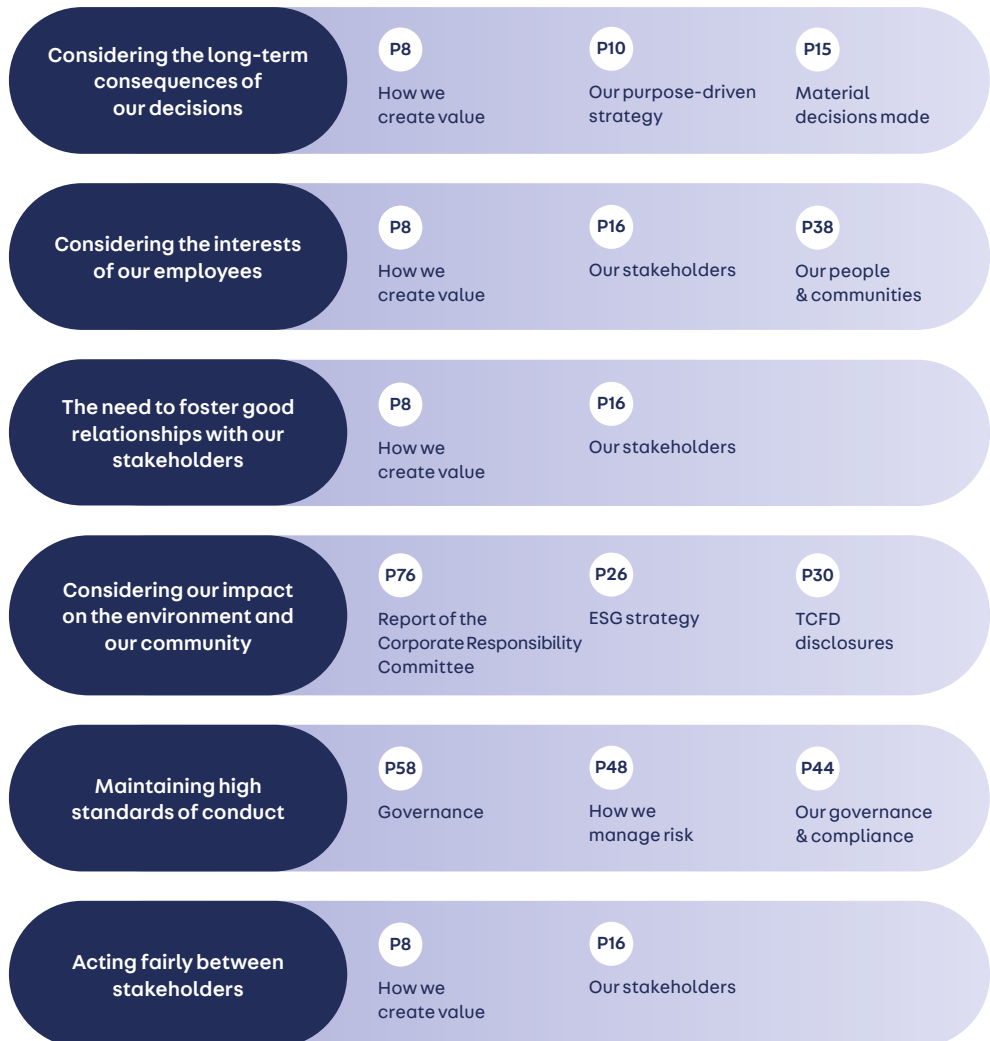
→ Our business model results in bringing **together** a diverse set of stakeholders – consumers, customers (including retailers, manufacturers and other customers), suppliers and partners – underpinned by our collaborative, people-led culture.

→ We are committed to act **responsibly** through our focus on diversity and inclusion, environmental sustainability and maintaining high levels of ethical conduct, trust and transparency.

In order to achieve our purpose, we need to understand who our stakeholders are and what is important to them; we need to understand the long-term impact of our business on the industry and the environment; and we need to maintain our high standards of business conduct.

All of these matters are taken into consideration by the Board in its discussions and decision-making. In order to formalise this process, a stakeholder framework has been established which is applied to all Board papers and discussions, to enable the Board to consider the balance of interests of affected stakeholders.

The Board acknowledges that not every decision it makes will necessarily result in a positive outcome for all of our stakeholders. But by understanding our stakeholders, and by considering their diverse needs, the Board factors into boardroom discussions the potential impact of our decisions on each stakeholder group, and of the other matters required by S172(1).



By understanding our stakeholders' diverse needs, we factor into Board discussions the potential impact our decisions could have on them. Below are two material decisions made during the financial year with an explanation of how we considered the needs of our stakeholders in each.

Read more overleaf 

OUR STRATEGIC PRIORITIES

-  **Classified marketplace**
-  **Platform**
-  **Digital retailing**
-  **Being a responsible business**

THE COST OF LIVING CRISIS

CONTEXT

As inflation began to rise and the cost of living crisis began to impact daily life, the Board considered the impact on stakeholders in response to growing financial concerns.

BOARD CONSIDERATIONS

Given the significant shift in the macro-economic backdrop at the start of our financial year, with rising inflation and weaker consumer confidence, the Board devoted significant time to reviewing the impact on the business and each stakeholder group. This included our product and pricing strategy; the management of our own cost base; the impact on employees (particularly lower paid employees); the implications for customers, consumers and suppliers; as well as considering any impacts on the wider community and the environment.

OUTCOME

The Board noted that the increase in the cost of living and inflation pressure would impact all employees, in particular those on lower salaries. Allowance was made for this in the annual pay review, which weighted increases towards employees on lower incomes. In addition, a one-off payment of £700 per employee was made (excluding the OLT and the Board) in December 2022.

Relevant strategic priorities:



The Board considered the impact of rising costs on our customers, and decided to continue to prioritise developing and launching products that would help our customers to inform their own pricing and improve their profitability, such as the Auto Trader Connect: 'Valuations' module and AT Moves, which many customers have made significant cost savings through.

Recognising an increase in our own cost base, and the expectations of investors to grow revenue in line with inflation, the Board considered a number of options in relation to annual price rises, including consideration of a one-off inflationary rise. However, balancing the need to support our customers in a sustainable way, this approach was ruled out, and we maintained the existing policy of a single annual rise.

The Board reviewed consumer behaviour during previous recessions or economic slowdowns, and noted that consumer behaviour has generally remained resilient to economic shocks. However, it was also noted that there was a risk that cost pressures could result in a slowing down in the adoption of electric vehicles, which are on average 37% more expensive than an internal combustion engine ('ICE') vehicle. It was agreed that we need to enhance the content around affordability, including finance options, but to balance this with a continued focus of being the best buying destination for EVs.



The Board noted it was important to continue to work in a partnership approach with suppliers, particularly smaller suppliers. Material supplier contracts were reviewed for inflation linked cost increases and we enhanced our supplier risk review processes over their financial stability.

Noting that the charity sector was likely to be impacted adversely, the Board agreed that it was important to maintain existing levels of corporate charitable donations and to continue to support employees with their fundraising efforts.

Overall, the Board agreed that the actions taken in response to the cost of living crisis are in line with our purpose and the long-term interests of the business.

RELEVANT STAKEHOLDERS

- Consumers
- Customers
- Our people
- Partners & suppliers
- The community & the environment
- Investors

DISPOSAL OF WEBZONE LIMITED

CONTEXT

Webzone Limited, which trades in the Republic of Ireland under the Carzone brand, was sold to Mediabus Ireland for consideration of €30 million.

BOARD CONSIDERATIONS

Webzone Limited is the second largest automotive marketplace for retailers and consumers in Ireland and is headquartered in Dublin. For the year ended 31 March 2022, Webzone Limited contributed total revenue of £4.9m (which included £4.1 million of retailer revenue) and operating profit of £1.3 million to Auto Trader's Group results. It represented 4% of the Company's average retailer forecourts and 4% of its full-time equivalent employees.

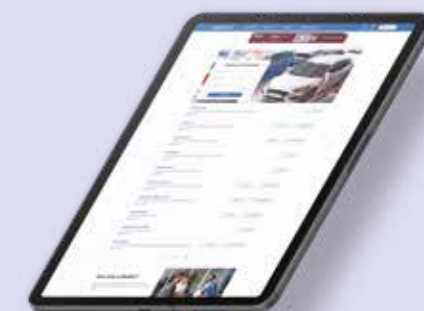
Relevant strategic priorities:



In making its decision about whether to proceed with the disposal of Webzone Limited, the Board considered various factors, including the valuation of the business in comparison to current profitability; the impact of the disposal on the Auto Trader UK business; the impact on Webzone Limited's management team and employees; and the impact on Webzone Limited's customers and suppliers, which were taken into account when negotiating the final terms of the disposal.

OUTCOME

Webzone Limited had been part of the Auto Trader Group for almost 20 years, and whilst this would represent a significant change for employees and customers, the Board agreed that the disposal was likely to promote the success of the Company for the benefit of its members, and would enable Auto Trader to focus fully on the opportunities in the UK automotive market.



RELEVANT STAKEHOLDERS

- Consumers
- Customers
- Our people
- Partners & suppliers
- Investors

Our stakeholders

We highlight below some of our key stakeholders, and we discuss why they are important to us, what their significant areas of interest are and, more importantly, the ways in which we as an organisation, and the Board, effectively engage with them.

Consumers

WHY ARE THEY IMPORTANT TO US?

Maintaining a large and highly engaged consumer audience of in-market car buyers, who have high levels of trust and confidence in Auto Trader, underpins the success of our business model.

SIGNIFICANT AREAS OF INTEREST

- Comprehensive choice of vehicles.
- Ease of buying or selling a vehicle.
- Clear and transparent information about the vehicle, about the seller and about the payment options.
- Offering good levels of consumer support.

HOW DO WE ENGAGE WITH THEM?

- Speaking to consumers for our Car Buyers Report, and biannual consumer brand trackers to gauge views on their car buying intentions. The outputs are shared with the Board.
- Hosting consumer surveys onsite, which provide constant feedback on our user experience.
- Regular consumer user testing of new products, services and brand designs of our website.
- Holding workshops with people who are neurodiverse and potentially vulnerable consumers, which feeds into our consumer facing products (for example, their thoughts on how we display finance).
- Consumer complaints and customer security teams operating seven days a week.



Material issues

- 2 Data privacy and security
- 4 Product innovation
- 5 Customer satisfaction
- 11 Driving transparency

Customers (retailers, manufacturers and other customers)

WHY ARE THEY IMPORTANT TO US?

Our partnerships with almost 14,000 vehicle retailers, with manufacturers and other customers (such as leasing companies), means that we continue to have the greatest choice of vehicles for consumers. The majority of our revenue is generated from our customers.

SIGNIFICANT AREAS OF INTEREST

- Making the car selling process more efficient.
- Access to data to make informed sourcing and disposing decisions.
- High-quality access to car buyers.
- Receiving value for money from Auto Trader, product quality and cost.
- Sourcing vehicles.
- Building strong partnerships.

HOW DO WE ENGAGE WITH THEM?

- Hosting monthly retailer sentiment surveys, evaluating product improvements and value.
- Hosting regular forums with CEOs of big and mid-tier retailers, OEMs, car supermarkets and automotive finance companies to share latest data and insight.
- Regular thought leadership and insight-driven reports, such as the Road to 2030 Report.
- Hosting industry insight events, retailer performance masterclasses, webinars and conferences to share latest views of the market and news.
- Operational Leadership Team ('OLT') engages in a business partnering programme and the Board visited customers this year.
- Sales teams, both telesales and field sales, are in constant dialogue with all our customers.
- Customers attend select Board meetings.



Material issues

- 2 Data privacy and security
- 4 Product innovation
- 5 Customer satisfaction
- 6 Pricing fairness
- 8 Advocacy

Our people

WHY ARE THEY IMPORTANT TO US?

Our people are fundamental to our continued success. This requires us to attract new talent and to nurture, motivate and inspire a highly skilled workforce. We commit to ensuring that we continue to build a diverse and inclusive culture where everyone feels valued and able to achieve their full potential.

SIGNIFICANT AREAS OF INTEREST

- Diversity and inclusion.
- Training, career development and progression.
- Fair reward, recognition and benefits.
- Working conditions, environment and wellbeing.

HOW DO WE ENGAGE WITH THEM?

- Board Engagement Guild engages directly with the Board (without management present) on matters such as the cost of living crisis.
- Hosting biannual all-employee conferences, and regular CEO and OLT virtual business updates.
- Annual employee benefits roadshows and salary workshops.
- Annual Save As You Earn share scheme for all employees.
- Regular employee check-in surveys.
- Health and safety assessments.
- Wellbeing forums.
- Inclusive Leadership Programme and Diverse Talent Accelerator, which focuses on developing diverse talent across the business.
- Independent whistleblowing service.



Material issues

- 2 Data privacy and security
- 3 Employee wellbeing, engagement and safety
- 7 Investment in talent
- 10 Diversity and inclusion
- 16 Ethics and integrity
- 17 Remuneration

MATERIAL ISSUES

- Our environment
- Our people & communities
- Our governance & compliance

Being a responsible business P26

Our materiality assessment P27

The Board ensures it is kept informed of stakeholder views and concerns throughout the year and where engagement doesn't take place directly with the Board, the output of this engagement is fed back to the Board and/or a Board Committee, which informs their decisions. A deeper understanding of our stakeholders and their diverse areas of interest enables us to factor into boardroom discussions the potential impact of our decisions on each stakeholder group.

Partners & suppliers

WHY ARE THEY IMPORTANT TO US?

We rely on our suppliers and partners to provide technology infrastructure, supply of data about vehicles and their financing, and in the fulfilment of some of our revenue generating products. Building trusted partnerships helps us to work better together and continue to provide the highest quality products and services.

SIGNIFICANT AREAS OF INTEREST

- Working collaboratively on innovations.
- Increasing revenue from shared opportunities.
- Fair trading and terms and conditions.
- Building long-term relationships.

HOW DO WE ENGAGE WITH THEM?

- Maintaining regular engagement with suppliers and partners, including by a number of our OLT members.
- Procurement processes in place to onboard new suppliers into our business, as well arranging regular check-ins for ongoing relationships.
- Agreeing ways of working with new suppliers or partners and providing feedback during ongoing projects.
- Encouraging an open dialogue to ensure we work collaboratively and share learnings.
- Regular monitoring and review of financial and operating resilience.
- Analyse the time taken to pay suppliers via regular reporting.
- Applying our Ethical Procurement Policy which helps us to take a holistic view based on cultural alignment when deciding which suppliers and partners we should work with.



Material issues

- 4 Product innovation
- 13 Responsible supply chain
- 16 Ethics and integrity

The community & the environment

WHY ARE THEY IMPORTANT TO US?

We aim to give back more to the planet than we take out and protect our business from the impact of climate change. We also strive to create stronger communities and have a positive social and environmental impact.

SIGNIFICANT AREAS OF INTEREST

- Energy usage and carbon emissions.
- The transition to electric vehicles.
- Supporting and working with, and in, the local communities in which we operate.
- Environmental, Social and Governance ('ESG') factors.

HOW DO WE ENGAGE WITH THEM?

- Corporate Responsibility Committee holds the business to account on its cultural KPIs.

- Employee networks managing our charitable support including our Auto Trader Community Fund and our sustainability strategy.
- Supporting organisations such as Manchester Digital and the Automotive 30% Club, and local schools and colleges through our STEM ambassadors.
- Carbon Literacy training for all employees and funding an automotive toolkit for industry use.
- Net Zero Working Group, responsible for leading our carbon reduction plans and reporting in line with the TCFD framework.
- Sharing data and insight with industry bodies and government departments to support policy required to enable the mass adoption of electric vehicles.
- Conduct regular consumer research and user testing to understand what information is most helpful when buying an electric vehicle.



Material issues

- 1 Climate
- 9 Making a difference to our local communities and industries
- 10 Diversity and inclusion

Investors

WHY ARE THEY IMPORTANT TO US?

Maintaining a continuous transparent and trusted dialogue with current and potential investors promotes investor confidence and as a result ensures continued access to capital, allowing us to invest in the long term for the success of the business.

SIGNIFICANT AREAS OF INTEREST

- Financial performance including a balanced and fair representation of financial results and future prospects.
- High governance standards and transparency.
- Reasonable remuneration practices.
- Share price performance and return.
- A continued focus on environmental and social issues.

HOW DO WE ENGAGE WITH THEM?

- Open, honest and balanced communication available to all shareholders.
- Annual Report, AGM, corporate website, regulatory news announcements and press releases.
- Comprehensive investor relations programme including results presentations, roadshows, investor day, attendance at conferences, meetings with institutional investors, fund managers and analysts.
- Feedback regularly provided to the Board.
- Meetings which relate to governance are attended by the Chair or another Non-Executive Director.
- Private shareholders encouraged to communicate with the Board through ir@autotrader.co.uk.
- Share relevant industry-related data and internally produced market reports with analysts.
- Engagement with proxy advisors and other agencies.



Material issues

- 4 Product innovation
- 12 Digital infrastructure
- 14 Responsible tax strategy and total tax contribution
- 15 Corporate governance
- 16 Ethics and integrity
- 17 Remuneration

We measure our performance through a defined set of financial, operational and cultural KPIs.

FINANCIAL

Revenue

£m



Link to strategic priorities:

Definition

The Group generates revenue from Auto Trader and Autorama. There are three streams within Auto Trader: Trade, Consumer Services and Manufacturer and Agency. Trade revenue is broken down into three categories: Retailer, Home Trader and Other, with Consumer Services similarly split into Private, Motoring Services and Instant Offer. Autorama revenue is split into Vehicle and Accessory Sales, and Commission and Ancillary.

Linked to remuneration? **Yes**

Progress

Revenue increased 16% year on year, with the main driver of growth being Retailer revenue, supported by all other revenue lines. There was also a £27.2m incremental contribution to Group revenue from Autorama following the acquisition on 22 June 2022.

Link to risks: **All principal risks could impact this KPI**

Average Revenue Per Retailer ('ARPR')

£ per month



Link to strategic priorities:

Definition

Average Revenue Per Retailer ('ARPR') is calculated by taking the average monthly revenue generated from retailer customers and dividing by the average monthly number of retailer forecourts who subscribe to an Auto Trader advertising package.

Linked to remuneration? **No**

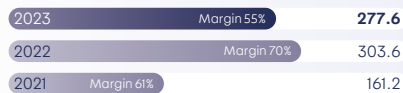
Progress

ARPR grew £227 in the year. Growth was driven by our product lever as retailers continued to purchase prominence largely through higher level packages. Market Extension and our Auto Trader Connect: Retailer Essentials products also contributed to growth of the product lever. Growth was further supported by a price increase, with the stock lever being flat.

Link to risks: **All principal risks could impact this KPI**

Operating profit

£m



Link to strategic priorities:

Definition

Operating profit is as reported in the Consolidated income statement on page 109. This is defined as revenue less operating costs, plus share of profit from joint ventures. Operating profit margin is operating profit as a percentage of revenue.

Linked to remuneration? **Yes**

Progress

Group operating profit declined by 9% to £277.6m (2022: £303.6m), impacted by an operating loss of £11.2m from Autorama, and £44.1m of Group central costs. These Group central costs related to the acquisition of Autorama, which included £38.8m of deferred consideration and amortisation of £5.3m. Operating profit in the core Auto Trader business was £332.9m, up 10% on last year. Group operating profit margin was 55% (2022: 70%).

Link to risks: **All principal risks could impact this KPI**

Basic EPS

Pence per share



Link to strategic priorities:

Definition

Basic earnings per share is defined as profit for the year attributable to equity holders of the parent divided by the weighted average number of shares in issue during the year.

Linked to remuneration? **No**

Progress

Basic EPS decreased by 2%, which was marginally better than net income which decreased 4%, because of fewer shares in issue following our share buyback programme. The weighted average number of shares in issue decreased by 2% as we purchased and cancelled 25.3 million shares.

Link to risks: **All principal risks could impact this KPI**

Cash generated from operations

£m



Link to strategic priorities:

Definition

Cash generated from operations is as reported in the Consolidated statement of cash flows on page 113. It comprises net cash generated from operating activities, before income taxes paid.

Linked to remuneration? **No**

Progress

Cash generated from operations decreased marginally to £327.4m in the year due to Autorama operating loss. Corporation tax payments increased to £60.5m (2022: £56.2m). The majority of cash was utilised for the acquisition of Autorama (£144.2m). We also returned cash to shareholders through our share buyback programme of £148.0m and dividends of £77.7m.

Link to risks: **All principal risks could impact this KPI**

OUR STRATEGIC PRIORITIES  **Classified marketplace**  **Platform**  **Digital retailing**  **Being a responsible business**

OUR PRINCIPAL RISKS AND UNCERTAINTIES

1. Automotive economy, market and business environment
2. Climate change
3. Employees
4. Reliance on third parties and partners
5. IT systems and cyber security
6. Failure to innovate: disruptive technologies and changing consumer behaviours
7. Legal and regulatory compliance
8. Competition
9. Brand and reputation
10. External catastrophic and geo-political events

OPERATIONAL

Cross platform visits

Monthly average visits spent across all platforms



Link to strategic priorities:  

Definition

Monthly average visits across all our platforms, as measured by Snowplow. Prior periods have been restated as they were previously measured by Google Analytics.

Linked to remuneration? 

Progress

Our average monthly cross platform visits increased by 1% to 69.6 million per month (2022: 68.9 million) and were 24% above pre-pandemic levels recorded in 2020 (56.3 million). Continued strong demand from car buyers, despite economic uncertainty and higher cost of living, underpinned good visit numbers across the year.

Link to risks:    

Cross platform minutes

Monthly average minutes spent across all platforms



Link to strategic priorities:  

Definition

Monthly average minutes spent across all our platforms, as measured by Snowplow. Prior periods have been restated as they were previously measured by Google Analytics.

Linked to remuneration? 

Progress

Engagement, measured by total minutes spent onsite, decreased by 8% to an average of 513.6 million minutes per month (2022: 556.3 million minutes) although was 16% ahead of pre-pandemic levels (2020: 442.8 million minutes). The high levels seen last year were a result of pent-up demand following periods of COVID-19 lockdown. We continue to use Comscore for a comparison to competitors and our share of minutes remained at over 75% across our competitor set.

Link to risks:    

Number of retailer forecourts

Average number per month



Link to strategic priorities:   

Definition

The average number of retailer forecourts per month that subscribe to an Auto Trader advertising package during the financial year.

Linked to remuneration? 

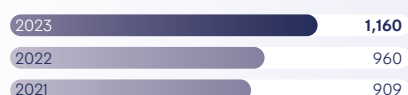
Progress

The average number of retailer forecourts advertising on our platform was broadly flat at 13,913 (2022: 13,964). However, excluding the Webzone Limited disposal (negative impact of 245 retailers over the period), like-for-like retailer numbers grew by 1% year on year, reaching the highest level of UK retailers we have ever had using our platform.

Link to risks:    

Number of full-time equivalent employees ('FTEs')

Average number (including contractors)



Link to strategic priorities:    

Definition

Full-time equivalent employees are measured on the basis of the number of hours worked by full-time employees, with part-time employees included on a pro-rata basis. Number of FTEs (which includes contractors) is reported internally each calendar month, with the full-year number being generated from an average of those 12 time periods.

Linked to remuneration? 

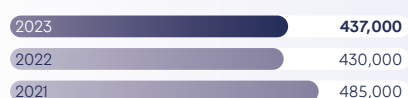
Progress

FTEs have increased by 21% year on year. The acquisition of Autorama in June 2022 has been the primary driver of the increase, contributing an additional 164 FTEs to this year's average. The disposal of Webzone Limited in October 2022 partially offset this growth, with a decrease of 16 FTEs on average.

Link to risk: 

Live car stock

Average number per month



Link to strategic priorities:   

Definition

The average number of physical cars (either new or used) that are advertised on autotrader.co.uk per month. Live stock is an important component of our network effect business model. For used cars, we charge our retailer customers on a cost per advertised slot basis for their advertising package, meaning the stock on our website has some correlation to our Retailer revenue.

Linked to remuneration? 

Progress

Total live stock on site increased by 2% to an average of 437,000 cars (2022: 430,000). New car stock declined to an average of 25,000 (2022: 29,000) due to constrained new car supply. Used car live stock increased 3% on average across the year, however we still saw some supply shortages, particularly with our franchise customers.

Link to risks:    

OUR STRATEGIC PRIORITIES **Classified marketplace** **Platform** **Digital retailing** **Being a responsible business**

OUR PRINCIPAL RISKS AND UNCERTAINTIES

- 1. Automotive economy, market and business environment
- 2. Climate change
- 3. Employees
- 4. Reliance on third parties and partners
- 5. IT systems and cyber security
- 6. Failure to innovate: disruptive technologies and changing consumer behaviours
- 7. Legal and regulatory compliance
- 8. Competition
- 9. Brand and reputation
- 10. External catastrophic and geo-political events

CULTURAL

Employee engagement¹

% of employees who are proud to work at Auto Trader



Link to strategic priorities:

Definition

We define employee engagement by measuring the percentage of people who say they are proud to work for Auto Trader. Based on a survey to all employees in February 2023 asking our people to rate the statement "I am proud to work for Auto Trader". Answers were given on a five-point scale from strongly disagree to strongly agree.

Linked to remuneration?

Progress

We are pleased that we have been able to maintain high levels of engagement from employees, with 91% of employees saying they are proud to work for Auto Trader. We continue to survey employees regularly and seek to improve the employee experience as we continue to operate a hybrid working environment.

Link to risks:

Women as a % of total staff

% as at March each year



Link to strategic priorities:

Definition

We calculate our diversity percentages using total Group headcount, and in 2023 this included Autorama (2023: 1,226, 2022: 1,002, 2021: 953). Based on the percentage of employees who are women (both cis and trans) at the end of March. In calculating this percentage we take into account all gender identities, including non-binary.

Linked to remuneration?

Progress

We are committed to having a representative workforce across all levels of our business and recognise the importance of gender diversity. Over the past 12 months, the percentage of our employees who are women increased to 43% (2022: 40%). We remain committed to improving gender diversity across our organisation.

Link to risks:

Women as a % of leadership

% as at March each year



Link to strategic priorities:

Definition

We calculate our diversity percentages using total Group headcount, and in 2023 this included Autorama (2023: 1,226, 2022: 1,002, 2021: 953). Based on the percentage of those in leadership positions who are women (both cis and trans) at the end of March. We define leaders as those who are on our Operational Leadership Team ('OLT') and their direct reports.

Linked to remuneration?

Progress

The percentage of employees who are women in leadership roles increased to 40% (2022: 38%). Of the 85 people in leadership positions who define their gender when asked, 34 are women. Our Diverse Talent Accelerator and Continuous Leadership Development programmes are aimed at supporting and developing employees into leadership roles.

Link to risks:

Ethnically diverse representation as a % of total staff

% as at March each year



Link to strategic priorities:

Definition

We calculate our diversity percentages using total Group headcount, and in 2023 this included Autorama (2023: 1,226, 2022: 1,002, 2021: 953). Based on the percentage of our headcount that define themselves as ethnically diverse as at the end of March. In calculating this percentage we take into account those who have chosen not to specify their ethnicity.

Linked to remuneration?

Progress

Over the past 12 months we have increased the percentage of our employees who define themselves as ethnically diverse to 15%. Of the 1,060 people who disclose their ethnicity when asked, 184 are ethnically diverse. There were 166 employees (14%) who have not yet disclosed their ethnicity or opted not to do so.

Link to risks:

Ethnically diverse representation as a % of leadership

% as at March each year



Link to strategic priorities:

Definition

We calculate our diversity percentages using total Group headcount, and in 2023 this included Autorama (2023: 1,226, 2022: 1,002, 2021: 953). Based on the percentage of those in leadership positions that define themselves as ethnically diverse at the end of March. We define leaders as those who are on our Operational Leadership Team ('OLT') and their direct reports.

Linked to remuneration?

Progress

The percentage of ethnically diverse employees in leadership roles increased in the year to 8%. Of the 85 people in leadership positions who define their ethnicity when asked, seven are ethnically diverse. We recognise there is a lot to do in this area. Our Diverse Talent Accelerator and Continuous Leadership Development programmes are aimed at supporting and developing employees into leadership roles.

Link to risks:

Total CO₂ emissions²

Tonnes of carbon dioxide equivalent



2. Our emissions have been restated to include Autorama, including prior year (2022) and our base year (2020).

Link to strategic priorities:

Definition

The methodology is based on the financial consolidation approach, as defined in the GHG Protocol, a Corporate Accounting and Reporting Standard (Revised Edition). Emission factors used are from the UK Government's Department for Business, Energy and Industrial Strategy ('BEIS') conversion factor guidance for the year reported. The total amount of CO₂ emissions includes Scope 1, 2 and 3 across all relevant categories.

Linked to remuneration?

Progress

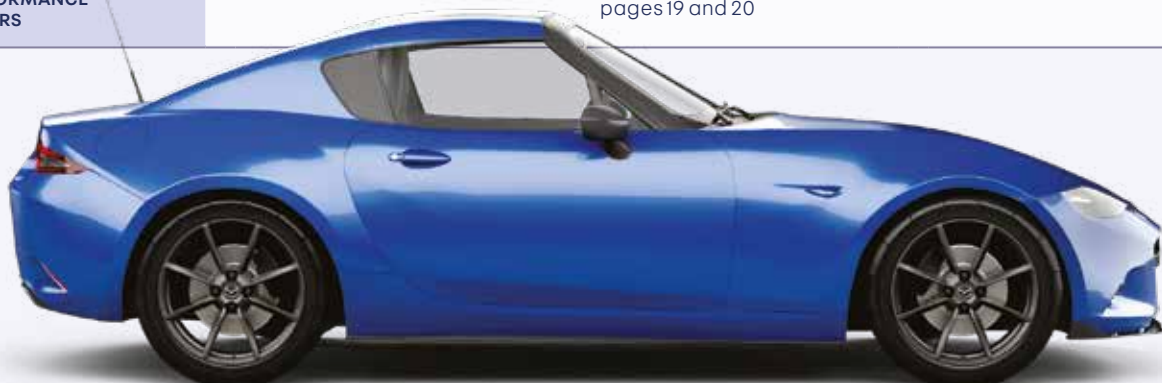
Calculations of our GHG emissions have been restated to include Autorama, including prior year (2022) and our base year (2020) calculations. GHG emissions during the year total 79.5k tonnes of CO₂ across Scopes 1, 2 and 3 (March 2022 restated: 129.4k tonnes). The majority of our emissions are predominantly due to the emissions associated with the vehicles sold by Autorama which temporarily pass through their balance sheet. This was the main driver for the year-on-year decline with fewer vehicles sold having passed through their balance sheet.

Link to risks:

1. The employee engagement score excludes employees of Autorama. Autorama currently conduct their own survey with a different question set. In their March 2023 survey, Autorama employees were asked to rate the question "How likely is it you would recommend Vanarama as a place to work?" Answers were given on a 10-point scale, 10 representing highly recommend. The survey had a 71% response rate and 62% responded 9 or above.

We aim to comply with all areas of the UK’s Non-Financial Reporting Directive. The table below sets out where stakeholders can find further information for each area within this Annual Report.

NON-FINANCIAL RISK	POLICIES, PROCEDURES AND EMPLOYEE GUILDS	SECTION WITHIN THIS ANNUAL REPORT	CULTURAL KPIS
ENVIRONMENTAL	<ul style="list-style-type: none"> • Net Zero Working Group • Sustainability Network 	<ul style="list-style-type: none"> • Environmental sustainability: pages 30 to 37 	<ul style="list-style-type: none"> • Total Scope 1, 2 & 3 CO₂ emissions
OUR PEOPLE	<ul style="list-style-type: none"> • Stakeholder engagement • Board Engagement Guild • Whistleblowing Policy • Ethnicity Network • Women’s Network 	<ul style="list-style-type: none"> • Diversity and inclusion: pages 40 to 43 • Section 172(1) statement: pages 14 to 17 	<ul style="list-style-type: none"> • People who are proud to work at Auto Trader • Gender diversity • Ethnic diversity • Women in leadership roles • Ethnic diversity in leadership roles
SOCIAL AND COMMUNITY	<ul style="list-style-type: none"> • Ethical Procurement Policy • Customer Charter • Volunteering days • Make a Difference Guild • Wellbeing Guild • Ethnicity Network • Women’s Network • Disability & Neurodiversity Network • Age Network • Family Network • Social Mobility Network • Career Kickstart Network • LGBT+ Network 	<ul style="list-style-type: none"> • Diversity and inclusion: pages 40 to 43 • Environmental sustainability: pages 30 to 37 	<ul style="list-style-type: none"> • People who are proud to work at Auto Trader • Gender diversity • Ethnic diversity • Women in leadership roles • Ethnic diversity in leadership roles
HUMAN RIGHTS	<ul style="list-style-type: none"> • Modern Slavery Policy • Privacy Policy 	<ul style="list-style-type: none"> • Governance & compliance: pages 44 to 47 	
ANTI-BRIBERY AND ANTI-CORRUPTION	<ul style="list-style-type: none"> • Anti-bribery, Gifts and Hospitality Policy 	<ul style="list-style-type: none"> • Governance & compliance: pages 44 to 47 	
BUSINESS MODEL		<ul style="list-style-type: none"> • How we create value: pages 8 and 9 	
PRINCIPAL RISKS		<ul style="list-style-type: none"> • Principal risks and uncertainties: pages 50 to 55 	
NON-FINANCIAL KEY PERFORMANCE INDICATORS		<ul style="list-style-type: none"> • Operational and cultural KPIs: pages 19 and 20 	





I am pleased with the progress we've made this year, in particular the development of our digital retailing proposition. The early feedback from our Deal Builder offering is encouraging and we are excited to scale this in the coming year.

Summary of Group operating performance

Consumer engagement remained strong; we have maintained our position as the UK's largest and most engaged automotive marketplace for new and used cars. Over 75% of all minutes spent on automotive classified sites were spent on Auto Trader (2022: over 75%) and we were 7x larger than our nearest competitor (2022: 8x). Our average monthly cross platform visits increased by 1% to 69.6 million per month (2022: 68.9 million) and were 24% above pre-pandemic levels recorded in 2020 (56.3 million). Engagement, measured by total minutes spent onsite, decreased by 8% to an average of 514 million minutes per month (2022: 556 million minutes), although was 16% ahead of pre-pandemic levels (2020: 443 million minutes). For both visits and minutes, we have changed the data source from Google Analytics to Snowplow to give us a deeper understanding of our user events.

The average number of retailer forecourts advertising on our platform was broadly flat at 13,913 (2022: 13,964). However, excluding the Webzone Limited disposal (a negative impact of 245 retailers over the period), like-for-like retailer numbers grew by 1% year on year, representing the highest level of UK retailers we have ever had using our platform.

Though there continues to be some merger and acquisition activity among car retailers, we see no evidence of meaningful industry consolidation, nor any increase in barriers for those wishing to enter the industry.

Total live stock on site increased by 2% to an average of 437,000 cars (2022: 430,000). New car stock declined to an average of 25,000 (2022: 29,000) due to constrained new car supply. Used car live stock increased 3% on average across the year although was 35,000 cars lower than pre-pandemic levels. Autorama delivered 6,895 vehicles across the period, which comprised 4,295 cars, 2,253

vans and 347 pickups. Both vans and pickups were particularly impacted by supply challenges in the year. Average commission and ancillary revenue per vehicle delivered was £1,624.

Our marketplace

Our core Auto Trader marketplace saw strong revenue and operating profit growth despite ongoing supply challenges, which shows the resilience of our business through economic cycles. We successfully executed our annual pricing event in April 2022, which included the launch of Retail Essentials, the first module of our Auto Trader Connect platform. This product uses our proprietary taxonomy data to ensure that vehicles are well described and that their specification is accurate, helping retailers to optimise margins. It also enables real-time stock management to ensure that all stock records are up to date on Auto Trader and all other digital channels, improving sales conversion and the experience of car buyers.

Our UK customer numbers are at record levels due to good market conditions, our strong position with car buyers and the partnerships formed with our customers. We have further embedded our partnership approach by ensuring that we capture our customers' own business goals, be that stock turn, sales volumes or target margins, and then use this as a basis to recommend products and performance improvements. Penetration of our higher yielding packages increased during the year, with 33% of retailer stock now above our Standard package as at the end of March 2023 (March 2022: 31%). We also saw an increase in the uptake of our Pay-Per-Click product which allows stock items to appear at the top of our search listings.

With the sale of new and used electric vehicles increasing, we continue to invest in electric vehicle ('EV') content to ensure we are the number one destination for car buyers interested in purchasing an EV. We inform consumers about electric vehicles through social media channels and raise awareness through our monthly EV giveaway which achieved over 3.5 million entries this year. We have also focused on improving the EV charging information to help give consumers simpler, more consistent data to make informed decisions.

At the end of March 2023, we had over 1,900 retailers (March 2022: over 1,800) paying to advertise new cars on our site which is a robust performance given the challenges of sourcing new car stock due to supply shortages.

Platform

We continue to invest in our technology, data and product platform which supports our core marketplace. As mentioned above, we launched Retail Essentials which enables real-time stock management and makes our vehicle taxonomy available to retailers through our own Retailer Portal or our platform via APIs. At the end of March 2023, we had integrations with over 90 third-party software providers with Auto Trader Connect.

As part of our April 2023 pricing event, we launched our second module of Auto Trader Connect, Valuations. This makes specification adjusted valuations available within Retailer Portal, where many of our retailers manage their inventory. Our valuations benefit from machine learning technology which continuously improves and optimises results based on c.500,000 observations that we see each day. This enables customers to drive pricing performance as the market moves. This data can also be accessed through an API via our platform, enabling third parties and retailers to directly integrate valuations into the systems used to manage their businesses. These modules are an important part of how we are using our platform to power retailers' businesses, which strengthens our marketplace and is a key enabler for digital retailing.

We continued to see an increase in the number of software releases to 51,000 over the year (2022: 46,000).

Digital retailing

Last year, we launched a new product, Market Extension, which allows customers to sell vehicles outside their local area, beyond the physical constraints of their forecourt. This product is a key part of our longer-term aspiration to enable digital retailing for all customers. We had over 7% of retailer stock on this product at the end of March 2023 (March 2022: 6%), with the product being most relevant for those customers with either delivery capability or multiple forecourt locations.

Building on both our strong classified marketplace and platform capability, we continue to bring more of the car buying journey online. Our approach to digital retailing is to be "car first" and to enable any retailer (including manufacturers and leasing companies) to sell their cars online. With this goal in mind, we will initially offer two digital retailing consumer journeys on Auto Trader: a used car Deal Builder journey and an online retailing journey for consumers to lease a new car.

The used car Deal Builder journey

During the year, we launched Deal Builder which uses Auto Trader technology to enable car buyers to do more of their car buying online, including valuing their

A seamless omni-channel experience for consumers

The car market is changing. While there is still a significant role for physical locations to play, it's clear that consumers are keen to complete more of the buying journey online, where possible. With our leading platform and data, we are perfectly positioned to drive and help deliver this change in the best possible way for consumers and retailers, alike.



part exchange, applying for finance and reserving the car. Importantly, all of these interactions can be easily carried out either online, over the phone or on the forecourt. Currently these tools are available in Retailer Portal, but over time they will be made available via APIs as part of our platform strategy, enabling these transactions to be picked up in retailers' existing sales systems and processes. Our focus is on enabling the car buyer to complete as much of the journey as they are comfortable with on Auto Trader, completing the rest of the transaction on the forecourt, over the phone or a combination of these channels.

In summer 2022, we began running a Deal Builder trial with a handful of retailers and have been encouraged by how the trial has performed to date. Towards the end of the year we started to scale the number of customers on the product and by the end of the financial year there were over 50 retailers live. We saw over 200 deals submitted in the year. We are encouraged by the percentage of deals that converted into a sale and the positive feedback from both consumers and retailers. We are seeing strong buyer engagement out of retail hours, seven days a week, which supports the case that this should build sales capacity for our retailers.

We will continue to scale the number of retailers on Deal Builder, and iterate the product during this financial year, with the goal to monetise some retailers by the end of financial year 2024.

Online retailing journey for consumers to lease a new car

There are significant structural changes impacting the new vehicle market in the UK. These include the growth of electric cars, new manufacturers entering the UK market and a shift towards new digital distribution models. These changes present an opportunity for Auto Trader to play a more significant role in the new vehicle market,

and were part of the strategic rationale behind the acquisition of Autorama, which completed during the financial year. Autorama's capabilities combined with Auto Trader's platform and scale will provide a compelling proposition for manufacturers, retailers and funders, with an opportunity to drive direct sales, reduce customer acquisition costs and grow their businesses' profitability.

Following the acquisition, Autorama has been heavily impacted by the supply challenges particularly in the pickup and van markets. The business has largely been run standalone throughout 2023, delivering 6,895 vehicles, which comprised 4,295 cars, 2,253 vans and 347 pickups, with average commission and ancillary revenue per vehicle of £1,624. During the latter part of 2023, we successfully tested driving traffic into the Autorama journey and have recently completed the work to enable the full check out of a leasing deal on Auto Trader.

Being a responsible business

We are pleased the proportion of employees that are proud to work at Auto Trader remained high at 91% (March 2022: 95%) and our gender and ethnicity make up has improved year-over-year. At year end, women represented 43% of our organisation (March 2022: 40%) and 40% (March 2022: 38%) of leadership roles as defined by the FTSE Women Leaders Review. We are committed to increasing the percentage of ethnically diverse employees, who currently represent 15% of the organisation (March 2022: 14%), with 14% of employees not disclosing their ethnicity. The percentage of ethnically diverse employees in leadership increased to 8% (March 2022: 6%) again using the FTSE Women Leaders definition, which highlights the work still to be done in this area.

Our employee-driven networks (representing women, ethnicity, LGBT+, early careers, disability & neurodiversity, social mobility, families and age) have continued their impressive work with high engagement and

are key to creating an Auto Trader where people feel they belong and can achieve their full potential. Each network sets its own commitments aligned to our broader strategy which is reviewed by the leadership team bi-annually.

We have committed to reducing absolute Scope 1 and 2 emissions by 50% and absolute Scope 3 emissions by 46% before the end of financial year 2031 and continue to include these reduction plans as part of our remuneration targets. Alongside the reduction in emissions, we are working on a carbon removal plan to help us achieve our long-term net zero goal by 2040. These targets were validated by the Science Based Targets initiative in January 2023. Absolute emission levels have increased from last year as we have updated our calculations to include the impact of Autorama. Initial calculations of our GHG emissions during the year total 79.5k tonnes of CO₂ across Scopes 1, 2 and 3 (2022 restated: 129.4k). The majority of our emissions are Scope 3, predominantly attributable to our suppliers and emissions relating to the small number of vehicles sold by Autorama that pass through their balance sheet. The year-on-year reduction is predominantly due to lower volumes of these vehicles passing through the balance sheet, which we expect to reduce further over time. Initiatives include using our data and voice within the industry and government to help inform public policy and better decision-making. We have improved our SEO ranking for electric vehicles, continued our EV giveaway (with over 3.5 million entries this year) and have significantly improved the EV charging and battery range information on our product pages.

Catherine Faiers

Chief Operating Officer
1 June 2023



Group results

Group operating profit (£m)	2023	2022	Change
Revenue	500.2	432.7	16%
Operating costs	(225.1)	(132.0)	71%
Share of profit from joint ventures	2.5	2.9	(14%)
Operating profit	277.6	303.6	(9%)

Group revenue increased by 16% to £500.2m (2022: £432.7m) driven by Auto Trader revenue which increased by 9% to £473.0m (2022: £432.7m), and £27.2m from Autorama following its acquisition on 22 June 2022.

Group operating profit declined by 9% to £277.6m (2022: £303.6m). Auto Trader operating profit increased by 10% to £332.9m (2022: £303.6m), which included £2.5m share of profit from joint ventures (2022: £2.9m). Autorama had an operating loss of £11.2m.

Group central costs included a charge of £38.8m, which is part of the £50.0m share-based payment expense relating to the deferred consideration for Autorama (which will be settled in shares 12 months after the completion date), and an amortisation charge of £5.3m relating to the Autorama intangible assets recognised under IFRS 3 business combinations. This resulted in Group operating profit margin of 55% (2022: 70%).

Group adjusted EBITDA (£m)	2023	2022	Change
Operating profit	277.6	303.6	(9%)
Depreciation & amortisation	14.1	7.2	96%
Share of profit from joint ventures	(2.5)	(2.9)	(14%)
Autorama deferred consideration	38.8	-	-
Adjusted EBITDA	328.0	307.9	7%

Adjusted earnings before interest, taxation, depreciation and amortisation, share of profit from joint ventures and Autorama deferred consideration increased by 7% to £328.0m (2022: £307.9m).

Group profit before tax decreased by 2% to £293.6m (2022: £301.0m), which included a £19.1m profit on disposal of Webzone Limited (trading as 'Carzone'), which was sold on 24 October 2022. Cash generated from operations was £327.4m (2022: £328.1m).

Auto Trader results

Revenue increased to £473.0m (2022: £432.7m), up 9% when compared to the prior year. Trade revenue, which comprises revenue from Retailers, Home Traders and other smaller revenue streams, increased by 10% to £427.4m (2022: £388.3m).

Auto Trader revenue (£m)	2023	2022	Change
Retailer	406.8	370.4	10%
Home Trader	10.1	8.8	15%
Other	10.5	9.1	15%
Trade	427.4	388.3	10%
Consumer Services	34.5	33.3	4%
Manufacturer & Agency	11.1	11.1	0%
Auto Trader revenue	473.0	432.7	9%

Retailer revenue increased by 10% to £406.8m (2022: £370.4m). The average number of retailer forecourts advertising on our platform was broadly flat at 13,913 (2022: 13,964). However, after accounting for the disposal of Webzone Limited (an impact of 245 fewer retailers over the period), like-for-like retailer numbers increased by 1% on average across the year.

Average Revenue Per Retailer ('ARPR') per month increased by 10% to £2,437 (2022: £2,210). This was driven by both the product and price levers, with the stock lever being flat.

- Price: Our price lever contributed growth of £90 (2022: £74) to total ARPR as we delivered our annual pricing event for all customers on 1 April 2022, which included additional products but also a like-for-like price increase.
- Stock: The number of live cars advertised on Auto Trader increased by 2% to 437,000 (2022: 430,000). New car stock declined to

an average of 25,000 (2022: 29,000) due to the well documented shortage of new car supply. Underlying used car live stock increased by 3% on average across the year, although much of this increase came from a higher volume of private listings. The stock lever is not impacted by private listings, but by the number of retailer paid stock units which were broadly flat for the year (2022: increase £52).

- Product: Our product lever contributed growth of £137 (2022: £121) to total ARPR. Broadly half of this product growth was due to more retailers purchasing prominence products, including our higher yielding Enhanced, Super and Ultra packages where penetration increased to 33% (March 2022: 31%). Our Market Extension product, allowing retailers to sell outside of their local area, also contributed to the product lever with 7% (March 2022: 6%) of retailer stock on the product by the end of the year. Finally, there was also some contribution from our Pay-Per-Click product, where retailers can boost visibility of their stock in search through pay-per-click campaigns. The other half of the product lever was made up from our Auto Trader Connect: Retail Essentials product included in our annual pricing event in April 2022 and also smaller contributions from AutoConvert finance and data products.

Home Trader revenue increased by 15% to £10.1m (2022: £8.8m). Other revenue increased by 15% to £10.5m (2022: £9.1m).

Consumer Services revenue increased by 4% in the year to £34.5m (2022: £33.3m). Private revenue, which is largely generated from individual sellers who pay to advertise their vehicle on the Auto Trader marketplace, increased by 11% to £22.4m (2022: £20.2m) which was partially offset by Motoring Services revenue, which decreased 8% to £12.1m (2022: £13.1m). Instant Offer contributed £0.8m to Consumer Services (2022: £0.9m), which is included in Private revenue.

Revenue from Manufacturer and Agency customers was flat at £11.1m (2022: £11.1m). New car advertising in 2023 continued to be impacted by new car supply shortages.

Total costs increased 8% to £142.6m (2022: £132.0m).

Auto Trader costs (£m)	2023	2022	Change
People costs	74.0	69.8	6%
Marketing	22.3	20.5	9%
Other costs	39.6	34.5	15%
Depreciation & amortisation	6.7	7.2	(7%)
Auto Trader costs	142.6	132.0	8%

People costs, which comprise all staff and contractor costs, increased by 6% to £74.0m (2022: £69.8m). The increase in people costs was partly driven by an increase in the average number of full-time equivalent employees ('FTEs') to 996 (2022: 960), and an increase in underlying salary costs. Marketing spend increased by 9% in the year to £22.3m (2022: £20.5m).

Other costs, which include data services, property related costs and other overheads, increased by 15% to £39.6m (2022: £34.5m). The increase was primarily due to increased

overhead costs, including the cost associated with completing the buy-in of our legacy defined benefit pension scheme, return of travel and higher office and people related costs. Depreciation and amortisation decreased by 7% to £6.7m (2022: £7.2m).

Operating profit bridge (£m)	2023	2022	Change
Revenue	473.0	432.7	9%
Operating costs	(142.6)	(132.0)	8%
Share of profit from joint ventures	2.5	2.9	(14%)
Auto Trader operating profit	332.9	303.6	10%
Group central costs – relating to Autorama acquisition	(44.1)	-	-
Autorama operating loss	(11.2)	-	-
Group operating profit	277.6	303.6	(9%)

Operating profit increased by 10% to £332.9m during the year (2022: £303.6m). Operating profit margin remained flat at 70% (2022: 70%).

Our share of profit generated by Dealer Auction, the Group's joint venture, decreased 14% to £2.5m (2022: £2.9m) in the year due to lower levels of auction activity as a result of supply constraints.

Autorama results

Autorama revenue (£m)	2023
Vehicle & Accessory Sales	16.0
Commission & Ancillary	11.2
Autorama revenue	27.2

Autorama revenue was £27.2m, with Vehicle and Accessory Sales contributing £16.0m, and Commission and Ancillary revenue contributing £11.2m.

Total deliveries amounted to 6,895 units, which comprised 4,295 cars, 2,253 vans and 347 pickups. Average commission and ancillary revenue per unit delivered was £1,624.

Autorama costs (£m)	2023
Cost of goods sold	15.7
People costs	10.5
Marketing	4.7
Other costs	5.4
Depreciation & amortisation	2.1
Autorama costs	38.4

The Autorama business delivered c.700 vehicles which were temporarily taken on balance sheet in the period from 22 June 2022 to 31 March 2023. This represented just over 10% of total vehicles delivered in the period. The cost of these vehicles was taken through cost of goods sold, with the corresponding revenue in Vehicle and Accessory Sales. People costs of £10.5m related to the 209 FTEs employed on average through the year. As a result of the acquisition being on 22 June 2022, the contribution to the Group's average number of FTEs in the year was 164. Marketing in the year was £4.7m. Other costs include IT services, property, other overheads and some depreciation and amortisation of developed software. The Autorama operating segment made an operating loss of £11.2m.

Autorama operating loss (£m)	2023
Revenue	27.2
Administrative expenses	(38.4)
Operating loss	(11.2)

Group net finance costs

Group net finance costs increased to £3.1m (2022: £2.6m). Interest costs on the Group's Syndicated Revolving Credit Facility ('Syndicated RCF') totalled £2.6m (2022: £1.4m) with the year-on-year increase due to higher utilisation of the facility across the year. At 31 March 2023 the Group had drawn £60.0m of its available facility (31 March 2022: £nil). Other finance costs comprised amortisation of debt issue costs of £0.5m (2022: £0.1m). Interest costs relating to leases totalled £0.2m (2022: £0.2m), which was offset by interest receivable on cash and cash equivalents of £0.2m (2022: £0.1m).

Amendment of Syndicated RCF commitments

On 1 February 2023, the Group amended and extended its Syndicated RCF, reducing the commitment from £250.0m to £200.0m. The facility was due to terminate in two tranches: £52.2m maturing in June 2023 and £197.8m maturing in June 2025. The facility has now been extended to February 2028 plus additional extension options with no tranche terminations. There is no requirement to settle all or part of the debt earlier than the termination dates stated.

Taxation

Profit before taxation decreased by 2% to £293.6m (2022: £301.0m), with the decrease being lower than operating profit predominantly due to a £19.1m profit on disposal from the sale of Webzone Limited. The Group tax charge of £59.7m (2022: £56.3m) represents an effective tax rate of 20% (2022: 19%). This is higher than the average standard UK rate principally due to the Autorama deferred consideration charge being non-deductible. With revenue exceeding £500.0m for the first time, the Group is potentially within scope of the UK's digital services tax ('DST'), however certain revenue streams, such as vehicle and accessory sales, would be exempt, meaning we do not meet the threshold in financial year 2023. It is HMRC's intention that the current UK DST will be repealed during financial year 2024 and replaced with an OECD model for which the Group would not be in scope.

Earnings per share

Basic earnings per share decreased by 2% to 25.01 pence (2022: 25.61 pence) based on a weighted average number of ordinary shares in issue of 935,138,578 (2022: 955,532,888). Diluted earnings per share of 24.77 pence (2022: 25.56 pence) also decreased by 3%, based on 944,144,242 shares (2022: 957,534,145) which takes into account the dilutive impact of outstanding share awards.

Adjusted EPS (£m)	2023	2022	Change
Net income	233.9	244.7	(4%)
Autorama deferred consideration	38.8	-	-
Profit on the sale of subsidiary	(19.1)	-	-
Adjusted net income	253.6	244.7	4%
Adjusted earnings per share (pence)	27.12	25.61	6%

Adjusted earnings per share, before Autorama deferred consideration, profit on the sale of subsidiary, and net of the tax effect in respect of these items, increased by 6% to 27.12 pence (2022: 25.61 pence).

Cash flow and net debt

Cash generated from operations decreased to £327.4m (2022: £328.1m). Corporation tax payments increased to £60.5m (2022: £56.2m). Cash generated from operating activities was £266.9m (2022: £271.9m).

As at 31 March 2023 the Group had net bank debt of £43.4m (31 March 2022: net cash £51.3m), an increase of £94.7m due to the acquisition of Autorama. At the year end, the Group had drawn £60.0m of its Syndicated RCF (31 March 2022: £nil) and held cash and cash equivalents of £16.6m (31 March 2022: £51.3m).

Leverage, defined as the ratio of Net bank debt to EBITDA (adjusted for the Autorama deferred consideration), was 0.1 times (2022: zero) and interest paid was £3.4m (2022: £1.5m).

Capital structure and dividends

During the year, a total of 25.3m shares (2022: 24.9m) were purchased for a consideration of £147.3m (2022: £163.5m) before transaction costs of £0.7m (2022: £0.8m). A further £77.7m (2022: £73.6m) was paid in dividends, giving a total of £225.0m (2022: £237.1m) in cash returned to shareholders. The Directors are recommending a final dividend of 5.6 pence per share. Subject to shareholders' approval at the Annual General Meeting ('AGM') on 14 September 2023, the final dividend will be paid on 22 September 2023 to shareholders on the register of members at the close of business on 25 August 2023. The total dividend for the year is therefore 8.4 pence per share (2022: 8.2 pence per share).

The Group's long-term capital allocation policy remains unchanged: continuing to invest in the business enabling it to grow while returning around one third of net income to shareholders in the form of dividends. Following these activities any surplus cash will be used to continue our share buyback programme and steadily reduce gross indebtedness. It is the Board's long-term intention that the Group will return to a net cash position.

Going concern

The Group generated significant cash from operations during the year. At 31 March 2023 the Group had drawn £60.0m of its £200.0m unsecured Syndicated RCF and had cash balances of £16.6m. The Group has a strong balance sheet and flexibility in terms of uses of cash to manage increased economic uncertainty and higher interest rates. The £200.0m Syndicated RCF is committed until February 2028. Based on the facilities available and current financial projections for the next 12 months the Directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

Jamie Warner

Chief Financial Officer
1 June 2023

Making a positive impact

We are committed to being a responsible business and our purpose is driven by our resolve to do the right thing, measure and report transparently, and always act ethically and with integrity.

As the UK's largest automotive marketplace, we believe we have an obligation to do business responsibly and to create a more accessible, equitable and sustainable future.

In a rapidly changing world, we recognise the importance of making sustainability a business priority. We know that we will only succeed as a business if we use our technology, expertise and data to help solve the challenges our customers, our consumers and our industry face. Our trusted brand has been built over more than 40 years and we remain committed to being the best place to find, buy and sell vehicles in the UK on a platform that enables data-driven digital retailing for our customers.

This involves changing how the UK shops for vehicles by providing the best online buying experience and supporting all our retailers to sell online.

Our ESG strategy focuses on the material issues that have the greatest impact on our business whilst considering the expectations of our stakeholders. In 2021 we introduced our cultural KPIs (see page 20) to help us measure progress against our strategy. In 2022, we undertook our first materiality assessment to consider what ESG issues matter most to our stakeholders and the impact of these on our business. The findings continue to inform our ESG strategy and focus areas.

Our ESG strategy is underpinned by our purpose, Driving Change Together. Responsibly.

We can play a positive role in making a difference to our people, our communities, our industries and the wider environment to create a more accessible, equitable and sustainable future.



Our environment

Minimise our impact on the environment, thereby protecting our business from the impact of climate change.

Drive change across our own operations and supply chain, but also use our capabilities and voice to influence the automotive industry to support urgent action to tackle climate change.



Our people & communities

Build diverse teams and an inclusive culture.

Maintain high levels of employee engagement, supporting positive health and wellbeing.

Partner with charities, community groups and industry bodies to make a difference to the communities where we work and live.



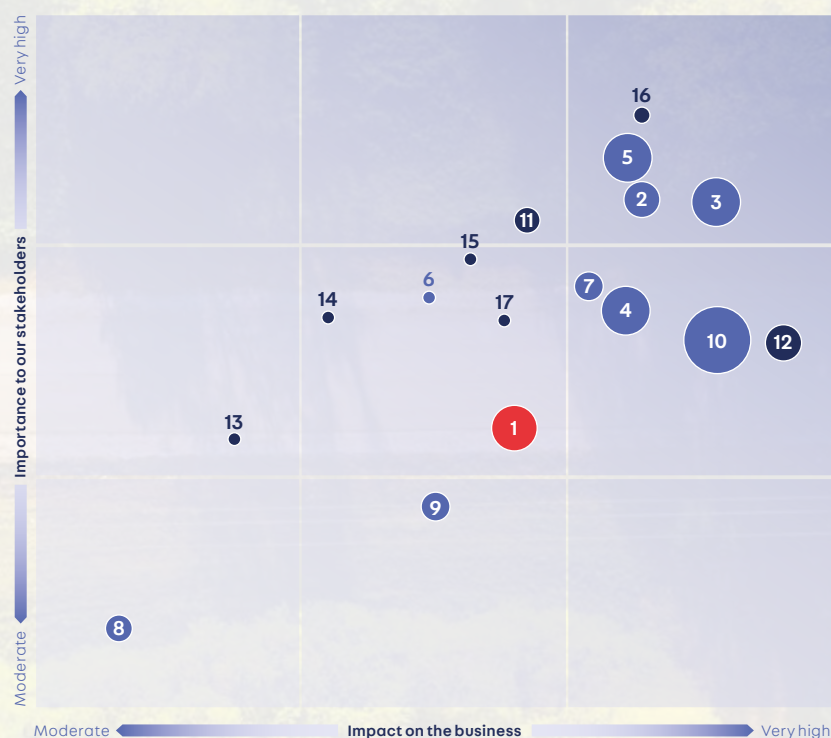
Our governance & compliance

Uphold the values of good corporate governance and risk management and consider the needs of all our stakeholders in our strategic decision-making.

Comply with our legal and regulatory obligations and behave ethically and with integrity at all times.

Maintain a trusted marketplace for our customers and consumers to find, buy and sell vehicles.

Our materiality assessment



The size of the bubbles on our materiality assessment highlight where our activities for this financial year have been focused and will continue to be focused over the coming 12 months.

Our environment

1 Climate

Our people & communities

- 2 Data privacy and security
- 3 Employee wellbeing, engagement and safety
- 4 Product innovation
- 5 Customer satisfaction
- 6 Pricing fairness
- 7 Investment in talent
- 8 Advocacy
- 9 Making a difference to our local communities and industries
- 10 Diversity and inclusion

Our governance & compliance

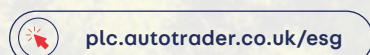
- 11 Driving transparency
- 12 Digital infrastructure
- 13 Responsible supply chain
- 14 Responsible tax strategy and total tax contribution
- 15 Corporate governance
- 16 Ethics and integrity
- 17 Remuneration

In order to remain successful in the long term, an understanding of what ESG topics matter most to our key stakeholders is essential. In 2022, we conducted a materiality assessment to help inform our ESG strategy. This included an analysis of the issues impacting our business and a survey of opinion amongst our stakeholders as to the relative importance to them of those issues. The stakeholders included our employees, consumers, retailers, suppliers, commercial partners and investors. The materiality assessment helped us to capture our impacts in a non-financial manner and the findings continue to guide the focus areas of our ESG strategy.

Alongside our aim to have high standards of governance, we have focused most of our activities and initiatives on: diversity and inclusion; employee wellbeing; engagement and safety; product innovation; and customer satisfaction, all of which our stakeholders placed in the higher priority category. We have also chosen to actively focus on climate. Although climate did not place in the highest category, we believe we should be doing what we can to positively impact the world in which we live.

Product innovation and customer satisfaction are key to our business strategy. Our focus on digital retailing is to bring more of the buying journey online, realising both an improved consumer experience and efficiencies for our customers (read more on pages 12 and 13). We actively seek retailer feedback on all aspects of product and service development to ensure that we continue to provide market-leading solutions and also actively monitor consumer sentiment across our various products and channels.

Want to know how we define each material issue? Head online:



ESG at a glance

Our progress during financial year 2023



OUR AMBITIONS

- Achieve net zero in our own business as well as help our customers and suppliers as they transition to net zero.
- Ensure the majority of our employees have completed Carbon Literacy training.
- Our customers can confidently sell more electric vehicles.
- Support our customers in making their workforce environmentally aware with the Automotive Carbon Literacy Toolkit.
- Help car buyers make more environmentally friendly vehicle choices.
- Use our data and insight to support and influence the government's policies related to supporting the adoption of electric vehicles.
- Have a representative workforce across all levels of our business.
- Foster an environment where everyone feels included.
- Continue to make progress on our gender & ethnicity pay gaps.
- Maintain high levels of employee engagement.
- Support the physical, mental and financial wellbeing of all our employees.
- Positively contribute to the communities we operate in through local and national charities.
- Fully adopt the NIST framework for cyber-security.
- Continue to evolve with the requirements of both GDPR and FCA compliance.
- Integrate sustainability into all aspects and decision-making processes of our business.
- Embed our ethical procurement policy within the business and adopt a socially responsible sourcing model.
- Report comprehensively in line with SASB and TCFD reporting frameworks.

2023 HIGHLIGHTS

- Our long-term target to be net zero by 2040 has been validated by the Science Based Targets initiative ('SBTi').
- Included Autorama in our carbon footprint calculations.
- 80% of Auto Trader employees have completed the Carbon Literacy training, putting us at Platinum award level.
- 114 organisations have engaged with the Automotive Carbon Literacy Toolkit, with over 1,000 people completing their accreditation.
- Hosted two industry-focused sustainability events, bringing together sustainability-focused organisations to collaborate and share ideas.
- Earned a Guinness World Record for the 'largest online quiz', amplifying our monthly electric vehicle giveaway.
- Launched new sustainability awards for manufacturers and retailers at our flagship Retailer and New Car Awards.
- Three more cohorts (32 employees) completed our Diverse Talent Accelerator programme during the year, developing our next level of leadership talent.
- Fully launched our Continuous Leadership Development programme to support senior leaders within the business.
- Launched our social mobility network and we were 33rd on the Top 75 Employers in the Social Mobility Index produced by the Social Mobility Foundation.
- Four colleagues recognised at the Automotive 30% Club Most Inspiring Automotive Women Awards for 2022.
- Launch of our new 'Your Community Fund' to support local community based charities.
- We have again been named as one of the Inclusive Top 50 companies in the UK.
- Ethical procurement questionnaires completed covering 75% of our supplier spend.
- Further evolved our TCFD reporting to include scenario analysis.
- Fully migrated our technology infrastructure to the cloud and will exit from our two main data centres by June 2023.
- Red team testing undertaken to ensure our processes for responding to a cyber incident are robust and fit for purpose.
- Comprehensive implementation plan in place to ensure compliance with the forthcoming FCA Consumer Duty.
- Began the process of integrating Autorama into the Group governance framework following acquisition.

ALIGNMENT WITH THE UN SDGS



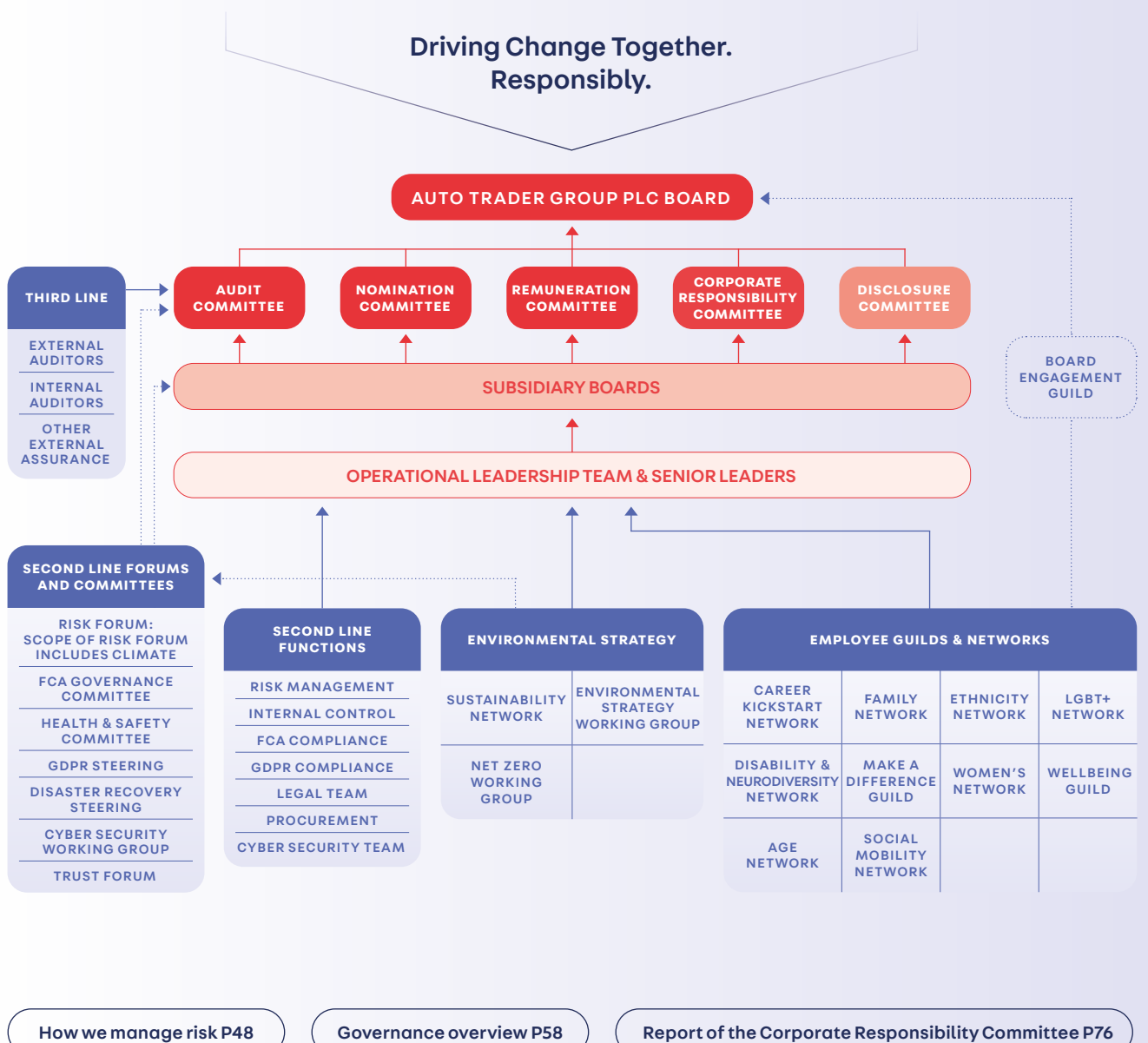
There are 17 UN SDGs that form a shared global agenda to achieve a better and more sustainable future for all. Whilst all of the goals are important, we believe our ambitions and priorities best align with the above SDGs, which are most relevant to our strategy and where we believe we can have the greatest impact.

Governance of our ESG strategy

We recognise that our activities, and the way in which we carry them out, impact well beyond our financial performance. There is increasing evidence that sustainable businesses drive greater long-term profit and value for stakeholders. With this in mind, in 2021 we established our Corporate Responsibility Committee to sit alongside our Audit, Remuneration

and Nomination Committees. Whilst ESG related topics are covered in all Committees, this is a formal Committee of the Board with the overarching goal of monitoring our corporate responsibility initiatives and sustainability targets. The Committee, chaired by Jeni Mundy, plays a crucial role in overseeing the progress towards fulfilling our ESG strategy and ensuring that our

targets and goals are ambitious and realistic. Responsibility for putting our ESG strategy into action spans across the business through specific functions within the business and through our individual guilds and networks, which are empowered to drive change within the organisation.





Our environment

Minimise our impact on the environment, thereby protecting our business from the impact of climate change.

Drive change across our own operations and supply chain, but also use our capabilities and voice to influence the automotive industry to support urgent action to tackle climate change.



Task Force on Climate-related Financial Disclosures ('TCFD') compliance statement

The Group has prepared its TCFD disclosures in line with guidance from the 2021 updates to the TCFD Final Report and Annex, including the supplementary guidance for all sectors. At the time of publication, the Group has made climate related financial disclosures consistent with the TCFD recommendations set out on pages 30 to 34. We have built on our progress from previous years to develop a net zero strategy and we continue to identify the risks and opportunities to our business as a result of climate change and their potential financial impact.

TCFD: Governance

We have integrated climate governance into our existing governance processes and sought to embed responsibility for the risks associated with climate change throughout our business, adopting a climate change focused mindset. There is a clear commitment from the Board to deliver on our environmental commitments and ensure relevant accountability across the business. Our environmental strategy was initiated to ensure a joined up approach across the business considering the risks and opportunities climate issues pose and how we are responding to them.

TCFD: Strategy

As the world transitions to a low carbon economy, regulatory change and changes in consumer behaviour will have an impact on the automotive market, meaning we need to develop and adapt our business strategy accordingly. Reducing the impact our business has on the environment is embedded into our wider business strategy of acting responsibly and we are committed to being a net zero business by 2040. As well as reducing our own emissions, we are also raising environmental awareness with both our customers and consumers, encouraging them to reduce their own environmental impact.

We use our breadth of expertise, data and market insight to accelerate the transition to low carbon transport, working with the automotive industry.

How we govern this area



1. BOARD RESPONSIBILITY

The Corporate Responsibility Committee is responsible for holding the Executive Directors to account with respect to climate risks and their impacts on the business. Our environmental strategy is a standing agenda item for all Committee meetings.

2. EXECUTIVE RESPONSIBILITY

The responsibility for assessing and managing climate related risks sits at both executive and Board level. Executive responsibility for climate change impact is held by all our Executive Directors, who have responsibility for overseeing our climate change agenda and are responsible for ensuring that climate related risks are integrated into our existing business strategy. Responsibility for the consideration of climate related risks on the financial performance of the Group and compliance with environmental reporting rests with our CFO, Jamie Warner.

3. RISK FORUM

Our Risk Forum undertakes a review of climate related risks with our Operational Leadership Team ('OLT').

4. REMUNERATION COMMITTEE

The Committee introduced ESG related targets into the Performance Share Plan ('PSP') for the first time in 2021. In 2022, the PSP included a performance target linked to a reduction of our GHG emissions and it will also be included in the 2023 PSP.

5. THIRD-PARTY ASSURANCE

Our GHG emissions have been independently assured by EcoAct using ISO 14064-3 for all scopes of our carbon footprint.

6. ENVIRONMENTAL WORKING GROUPS

Our environmental strategy not only focuses on our own environmental impact, but also aims to support our customers, consumers and the industry in which we operate and, as a result, various parts of the business play a part in delivering our ambitions. Different parts of the business are brought together through our various working groups, which are supported by members of our OLT. Key activities and milestones are set for each financial year and these are shared with the Corporate Responsibility Committee. The working groups meet individually as required but meet collectively on a quarterly basis:

- Net Zero working group (sponsored by Jamie Warner, CFO): responsible for our commitment to net zero in line with our SBTi targets.
- Environmental strategy working group (sponsored by Ian Plummer, Commercial Director): responsible for helping consumers make more environmentally friendly vehicle choices.

7. EMPLOYEE GUILDS & NETWORKS

Our employees play a fundamental role in the success of our environmental strategy. Our Sustainability Network comprises passionate individuals from across the business who are focused on making life at Auto Trader more sustainable through increasing employee awareness and driving impactful changes for both individuals and our business, supporting our overall goal of reducing our carbon emissions.

Climate related risks and opportunities

To build climate resilience into our business strategy we identify climate related risks and opportunities. As an online marketplace, we have a relatively small carbon footprint and our business model is sustainable in a low carbon environment. However, with the acquisition of Autorama, our emissions have increased due to the vehicles sold by Autorama that temporarily pass through their balance sheet. The nature of the risks and opportunities that we face depends not just on the physical aspects of climate change, but also on transition risks. These are driven by the trajectory of our customers and consumers in responding to climate change and the regulations applied to the market we operate in.

During the year we refined our assessment of the risks and opportunities posed by climate change and how they might impact our business. We considered the transitional and physical climate risks and opportunities presented by rising temperatures, climate related policy and emerging technologies. We agreed the methodology for assessing and quantifying financial impacts. For the purposes of our assessment, the time horizons we used were as follows:

- Short term: 0-5 years
- Medium to long term: 5 years +

In each case, the likely impact on costs or revenues was assessed. We have assessed how the risks can be better managed, reduced or mitigated in line with the Group's risk management framework and business strategy. The risks identified during our analysis are more likely to present themselves in the medium or long term.

Having assessed and modelled the risks, we believe that there is no immediate material financial risk or threat to our business model. Even though there is uncertainty around the time horizon over which climate risks will materialise, stakeholder expectations and regulatory attention could develop at pace, impacting the rate at which the business may need to cut carbon emissions.

We recognise that we will need to keep abreast of future climate change legislation as well as consumer preferences and retailers' ability to adapt. However, we have a strong track record of quickly evolving.

The results of our scenario analysis inform our long-term strategic business planning and are overseen by the Corporate Responsibility Committee.

Climate related scenario analysis




To further understand and explore how potential climate risks and opportunities could evolve and impact our business over the medium to longer term, the TCFD recommends undertaking climate scenario analysis, which includes a '2°C or lower scenario' in line with the 2015 Paris Agreement.

We examined three climate scenarios against two timeframes for the purposes of our analysis. The three scenarios we considered were as follows:

Scenario	Description
Disorderly transition	Rapid change in policy and legislation to encourage businesses to rapidly achieve reductions and avoid climate change - UK takes immediate and substantial action - governments make dramatic policy interventions to make up for a late start.
Orderly transition	Additional policy and legislation introduced to limit climate change - UK does not take immediate and substantial action - gradual and deliberate shift towards a low carbon economy.
Hot house world	Business as usual - no change in climate policy and legislation - UK takes limited or no action - continuation of current projection of carbon emissions without any significant abatement or mitigation.

Impact	Mitigation/response	Financial impact	Inherent likelihood
Physical risk: Increased frequency/severity of extreme weather and climate related natural disasters			
<ul style="list-style-type: none"> Offices closed. Data centre disruption. Customers cannot open their showrooms. 	All technology infrastructure is cloud based. Disaster recovery/business continuity planning in place, including tools and guidance to support our people in emergency situations. COVID-19 proved the sales process can be completed without physical showrooms, plus development of digital retailing will enable all retailers to compete on our digital marketplace.		Low
<ul style="list-style-type: none"> Weather has the potential to disrupt the supply chain and limit vehicles entering the UK car parc. 	We have experienced the impact of disrupted supply chains as a result of recent external catastrophic and geo-political events. These significant supply side challenges have constrained new and used car transactions for much of the past three years. However, our business has remained healthy as market dynamics have adjusted and OEMs and retailers learnt to adapt their business models. We would anticipate weather related disruption to be more intermittent and comparatively less severe than the disruption caused by recent events.		Low
<ul style="list-style-type: none"> Costs - increased operational costs such as heating/aircon, insurance, cloud costs. 	In order to have a significant impact on our business, costs would need to increase significantly. We are continually reviewing our cost base such that any increases can be managed and profit margins retained.		Medium
Transition risk: Increased regulation relating to climate change			
<ul style="list-style-type: none"> Regulation banning the sale of new internal combustion engine ('ICE') vehicles from 2030 is existing UK regulation that the industry is already working towards. 	We already closely monitor the implementation of policies relating to our core business. We will continue to monitor policies with a view to identifying potential risks and opportunities and related financial impacts. We are already evolving our product offering and provision of information to support the effectiveness of EVs on our marketplace and will continue to meet changing preferences of car buyers.		High
<ul style="list-style-type: none"> Increased regulatory scrutiny and introduction of new legislation could result in increased reputational risk but also increased compliance costs. Failure to deliver against our environmental commitments would undermine our reputation as a responsible business and may result in loss of revenue, legal exposure or regulatory sanctions. 	We have formed a Corporate Responsibility Committee to oversee our environmental commitments. We will report in line with the TCFD recommendations and report progress towards our net zero ambitions against our science based targets.		Low

Impact	Mitigation/response	Financial impact	Inherent likelihood
Transition risk: Regulation ramping up of internal combustion engine ('ICE') vehicle taxation			
<ul style="list-style-type: none"> • Cost of ownership increases, making ICE vehicles less appealing. • Consumers stop buying petrol or diesel vehicles, demand switches over to electric. • If EVs remain expensive some consumers could be priced out of the market presenting a risk to demand. 	We will continue with our strategy to adapt our marketplace to meet changing preferences of all car buyers. It is likely that used car prices will continue to move in line with supply and demand dynamics such that lower demand will make vehicles more affordable.		Low/Medium
Transition risk: Demand for sustainable products & services			
<ul style="list-style-type: none"> • Risk: Consumers' preferences shift away from ICE vehicles; steep decline in purchase of petrol or diesel vehicles in favour of EVs. • Opportunity: Help our audience to find the sustainable options they are seeking. 	We will continue with our strategy to adapt our marketplace to meet changing preferences of all car buyers and continue to be the largest marketplace for EVs.		Low/Medium
Transition risk: Increased reputational risk associated with the automotive industry and misrepresenting environmental claims			
<ul style="list-style-type: none"> • As consumer consciousness around climate change rises, there is increased scrutiny on our industry's role on the environment. • Failure to appropriately demonstrate that as a business we are committed and moving towards net zero carbon emissions could negatively impact our brand and also impact our ability to operate and/or remain relevant to our customers and consumers. 	As part of our goal to be net zero by 2040 we will focus not only on our own operational footprint but also on how we can positively support our industry. We have set clear reduction targets for our own operations and report progress to stakeholders. We work with customers, suppliers and the industry on education and policy.		Low
Transition risk: Achieving resource efficiency through cutting our carbon footprint and improving energy efficiency			
<ul style="list-style-type: none"> • Reduced costs associated with energy use and avoid increased costs associated with carbon taxation. 	Reduction initiatives to reduce our absolute carbon usage, including moving our technology infrastructure to the cloud.		Medium
Transition risk: Increase in towns and cities introducing pedestrian zones/Ultra Low Emission Zones ('ULEZs') supported by government scrappage schemes and/or improvements in public transport			
<ul style="list-style-type: none"> • Risk: Consumers stop buying ICE vehicles as they no longer require a vehicle. • Opportunity: Consumers' desire/need to switch to EV. 	Likely the risk and opportunity would be taken together, and stock/demand would be maintained as the desire for personal transportation/vehicle ownership remains strong. We will continue with our strategy to adapt our marketplace to meet changing preferences for all car buyers and continue to be the largest marketplace for EVs.		Low/Medium

 Minor  Moderate  Major

We intend to periodically review the scenarios and timeframes we choose to apply in our analysis and refine them as needed. The risk management recommendations arising from our climate change scenario analysis were:

- Policy/regulation: it is likely that increased policy and regulation will have the most significant financial impact on Auto Trader over the longer term. The most significant action we can take is to reduce our exposure to this risk and continue with our strategy to adapt our marketplace to meet the changing preferences of all car buyers. We also need to make sure we continue to remain abreast of regulatory requirements to ensure we are compliant with all relevant reporting obligations.
- Market: climate change is expected to impact the supply and demand for ICE vehicles and EVs. Auto Trader can mitigate this risk by continuing to develop its strategy to be the destination of choice for consumers searching for a more environmentally friendly vehicle.

TCFD: Metrics and targets

Methodology

The Group is required to measure and report its direct and indirect greenhouse gas ('GHG') emissions by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The GHG reporting period is aligned to the financial reporting year. The methodology used to calculate emissions is based on the financial consolidation approach, as defined in the Greenhouse Gas Protocol, A Corporate Accounting and Reporting Standard (Revised Edition). Emission factors used are from the UK Government's Department for Business, Energy and Industrial Strategy ('BEIS') conversion guidance for the year reported.

We have calculated our footprint using the official UK Government conversion factors. For general procurement categories, an Environmentally Extended Input Output database methodology was used to calculate the GHG footprint across total spend in the year. For vehicle purchases, a bottom-up, life cycle assessment-based approach has been used.

We have approximated and rounded up where necessary, reflecting this is a 'scoping exercise' to indicate the broad quantum of emissions rather than a precise calculation. The accuracy of our footprint will get better each year as we revisit and refine the methodology and underlying dataset. We have reported our Scope 2 emissions using both a location based and market based approach, with the latter taking into account renewable energy consumed.

Rebasing of our calculations

During the year we acquired Autorama and we have therefore undertaken work to calculate their emissions and include them within our base year (2019/20) and every year thereafter. We have also undertaken work to identify more accurate data in relation to our suppliers and include this in our calculations. The data resulted in a change of more than 5% in our emissions and so we have recalculated our base year and every year thereafter using the updated data.

We have disclosed our rebased base year, prior year and current year to take into account these changes and will be updating our climate targets accordingly.

Independent verification of our GHG emissions

EcoAct has independently assessed and verified Auto Trader's GHG emissions following verification standard ISO 14064-3:2019. Based on the data and information provided by Auto Trader and the processes and procedures followed, nothing has come to EcoAct's attention to indicate that the GHG emissions totals for all years reported are not fairly stated and free from material error.

TCFD: Risk management

The Board is collectively responsible for determining the nature and extent of the principal risks which may impact the business as it seeks to achieve its strategic objectives. We recognise climate change as a principal risk (see page 51) as it poses a threat to our business and supply chain, mainly through regulatory changes. We have updated our risk management process to enhance our assessment of the potential implications of climate change on our business and its operations. Our risk management framework, including the processes for identifying, assessing and managing risk, is described on pages 48 and 49.

Our total CO₂ emissions¹

	2023		2022		2020 (base year restated)	
	UK	Global	UK	Global	UK	Global
Scope 1	342	363	276	294	441	487
Scope 2 (location based)	297	310	368	385	510	542
Total (Scopes 1 and 2)	639	674	644	679	951	1,029
KWh ('000s)	2,714	2,775	2,618	2,767	3,462	3,766
Purchased goods & services		19,537		23,562		50,149
Capital goods		498		794		477
Fuel and energy-related activities		133		196		244
Upstream transportation & distribution		72		115		210
Waste generated in operations		5		16		16
Business travel		365		63		1,141
Employee commuting (inc. working from home)		1,746		1,004		716
Upstream leased assets		129		106		33
Use of sold products		56,323		102,807		302,267
End of life treatment of sold products		31		50		191
Investments		26		27		29
Scope 3 (total)		78,865		128,740		355,473
Total (Scopes 1, 2 and 3)		79,540		129,419		356,502
Revenue ³		£510.4m		£491.1m		£458.9m
Tonnes of CO ₂ equivalent per FTE ²		68.5		107.9		334.1
Tonnes of CO ₂ equivalent per £million turnover ³		155.8		263.5		1,091.9
Scope 2 (market based)		3		91		N/A
% renewable		99% ⁴		76% ⁴		N/A

1. Scopes 1, 2 & 3 are reported in tonnes of CO₂ equivalent.

2. Based on average number of employees in the Group throughout the year (2023: 1,160, 2022: 1,199, 2020: 1,067). The average number of employees included Autorama FTEs for the period 1 April to 31 March for each period reported.

3. This includes Autorama revenue for the period 1 April to 31 March for each period reported.

4. Emissions from our data centres are included within our Scope 2 emissions. It has been confirmed by our provider that our data centres continue to be powered by 100% renewable - we have received a certificate covering the period to 31 December 2022 and the period 1 Jan to 31 Mar 2023 is currently being verified by a third party.

Our pathway to net zero

Overview

We want to minimise our impact on the environment, thereby protecting our business from the impact of climate change. Our strategy is to put the brakes on carbon, not only across our own operations and supply

chain, but also using our capabilities and voice to influence the automotive industry to support others in the transition to a low carbon economy and take urgent action to tackle climate change.

1. Our net zero commitment

In June 2021, we signed up to the Science Based Targets initiative ('SBTi') Business Ambition for 1.5°C. By doing so, we are committed to achieving net zero before 2050 and to reducing emissions in line with the Paris Agreement goals. Net zero refers to the balance between the amount of greenhouse gas produced and the amount removed from the atmosphere. We reach net zero when the amount we add is no more than the amount taken away. Our near and long-term net zero targets have both been approved by the SBTi.








We have committed to reach net zero greenhouse gas emissions across our value chain by 2040, committing to:

- Reduce absolute Scope 1 and 2 GHG emissions by 50% before 2030 from a 2020 base year.
- Reduce absolute Scope 3 GHG emissions by 46.2% over the same timeframe.
- Reduce absolute Scope 1, 2 and 3 GHG emissions 90% by 2040 from a 2020 base year.

How we're taking action

To meet the SBTi's definition of net zero, we need to reduce our emissions by at least 90% and then use carbon removal initiatives to neutralise any limited emissions that cannot yet be eliminated. It is therefore essential that we fully understand the source of our emissions and undertake

targeted actions. The make up of our carbon emissions is heavily weighted towards Scope 3, and within that, purchased goods and services and use of sold goods are the biggest contributors. During the year, our GHG emissions totalled 79.5ktCO₂e. Whilst this represents a significant reduction from our restated 2020 baseline year (2020: 356.5k CO₂e), it was principally due to a reduction and mix of vehicles passing through Autorama's balance sheet. Further work is required to understand the emissions associated with these vehicles. In respect of our other emissions, we have a committed climate action plan and our targets and progress are set out below:

Metric	Emission type	Target year	Our progress	Current status
Switch 100% of our fleet vehicles (Auto Trader fleet) to be EV or low emission.	SCOPE 1	2030	Base year $\xrightarrow{\hspace{2cm}}$ Current year 240 tCO₂e $\xrightarrow{\hspace{2cm}}$ 91 tCO₂e <ul style="list-style-type: none"> • Any newly ordered vehicles must be fully electric or hybrid with emissions 75g/km or less. • 16% of the Auto Trader fleet is now an EV or ULEV. 	 ON TRACK
Auto Trader data centres to be fully migrated to the cloud.	SCOPE 2	2024	Base year $\xrightarrow{\hspace{2cm}}$ Current year 168 tCO₂e $\xrightarrow{\hspace{2cm}}$ 74 tCO₂e <ul style="list-style-type: none"> • Our data centres are powered entirely by renewable energy. • 100% of our data centres will be migrated to the cloud by June 2023. 	 ON TRACK
Energy: reduce overall electricity use by 50% (against a 2020 baseline) and procure 100% renewable energy for our remaining needs.	SCOPE 2	2030	Base year $\xrightarrow{\hspace{2cm}}$ Current year 542 tCO₂e $\xrightarrow{\hspace{2cm}}$ 310 tCO₂e <ul style="list-style-type: none"> • Moved to a smaller London office but contracts are not renewable. • Disposed of High Wycombe and Dublin offices. • Energy saving initiatives implemented including removal of printers, switching off electrical items while the office is closed. 	 ON TRACK
Business travel emissions: achieve a 50% reduction (against a 2020 baseline).	SCOPE 3	2030	Base year $\xrightarrow{\hspace{2cm}}$ Current year 1,141 tCO₂e $\xrightarrow{\hspace{2cm}}$ 365 tCO₂e <ul style="list-style-type: none"> • Air travel has reduced with more people opting to travel by rail. • Enhanced video conferencing equipment to facilitate enhanced virtual meetings and collaborative online working. 	 ON TRACK
Commuting emissions (including emissions generated from working from home): achieve a 50% reduction (against a 2020 baseline).	SCOPE 3	2030	Base year $\xrightarrow{\hspace{2cm}}$ Current year 716 tCO₂e $\xrightarrow{\hspace{2cm}}$ 1,746 tCO₂e <ul style="list-style-type: none"> • Employee commuting survey launched in January 2023 giving us more accurate commuting data. • Introduction of Connected Working which offers all employees greater flexibility in where and when they work, resulting in less commuting. • Launched employee salary sacrifice scheme to lease electric vehicles with 6% of eligible employees participating to date. 	 MORE WORK NEEDED
Suppliers: require 50% of suppliers, by spend, to have meaningful carbon reduction targets.	SCOPE 3	2030	<ul style="list-style-type: none"> • Overall significant reduction in Scope 3 but more work is needed on supplier engagement. • Ethical procurement questionnaires completed covering 75% of our supplier spend. • 20% of Auto Trader suppliers by spend have CDP responses. 	 MORE WORK NEEDED
Autorama Scope 3 emissions	SCOPE 3	2030	<ul style="list-style-type: none"> • The first phase of recalculating our emissions to include the impact of Autorama is complete. • As can be seen from our restated emissions, the acquisition of Autorama has resulted in a significant increase in our Scope 3 emissions as we are required to account for the projected life time carbon emissions of vehicles held temporarily on the balance sheet. Further work will be undertaken in 2024 to form relevant metrics to monitor reduction of their emissions. 	 ON TRACK

Developing the first ever industry-specific Carbon Literacy Toolkit

Developed in partnership with the Carbon Literacy Trust, the toolkit is the first of its kind, being carefully designed in close collaboration with leading retailers and manufacturers, including: Nissan, Marshall Motor Group, Lookers, Motorpoint, AvailableCar and SYNETIQ.

Available for any organisation, of any size, working within the automotive industry, it has been developed with the purpose of supporting individuals and businesses in their journey towards reducing their carbon footprint.



Carbon Literacy Project



2. Supporting the automotive industry

Our aim is to support the industry in the transition to the mass adoption of electric vehicles ('EVs').

The automotive industry is under enormous pressure to reduce its carbon emissions and whilst many manufacturers and retailers have bold commitments to reduce emissions, many are still very early on in their sustainability journeys and are actively seeking support to help them develop a carbon reduction plan. Therefore, our partnership with the Carbon Literacy Trust, and the resulting Automotive Carbon Literacy Toolkit we created, has been well received. 114 organisations have now completed the training (as at 31 March 2023) which many see as an important step in their sustainability strategy, as well as a key initiative to engage their workforces. Once an individual in a business has been accredited as 'carbon literate', the business is then provided with training content and trainer manuals that enable them to run their own one-day Carbon Literacy training. Over 1,000 people in these businesses have now completed the training.

In addition to the training, we launched a new sustainability themed series of events where we invite businesses to share their sustainability journeys, ask questions and share ideas with the aim of inspiring action and motivating businesses to be more sustainable. We've hosted two in the year and are planning our third in the autumn.

The production and distribution of electric vehicles is also a key part of many businesses' sustainability strategies, so in order for retailers to feel equipped to sell these vehicles, we launched a 'Retailer Performance Module' focusing on EVs.

We also support the National Franchise Dealership Association's 'Electric Vehicle Accreditation' scheme; once retailers become accredited, we add their badge to their Auto Trader profile and adverts on our marketplace, enabling them to promote their knowledge to consumers.

As manufacturers and retailers become more focused on their own environmental impacts, we felt it was important to start recognising those who are leading the way as another way to inspire others to do more. We therefore introduced sustainability-focused awards at both our Retailer Awards and New Car Awards. The categories are self-nominated and attracted a high level of entries.

The government's mandate to ban the sale of new petrol and diesel cars by 2030 has created huge levels of change in the industry, and a lot needs to happen in the coming years to ensure the mass adoption of electric vehicles. We regularly meet with various government departments to share our data and insights to help guide policy required to support the mass adoption of EVs.

CELEBRATING SUSTAINABILITY IN THE AUTOMOTIVE INDUSTRY

To celebrate and support the industry's efforts to do business more sustainably, we have introduced new sustainability awards at both our New Car Awards and Retailer Awards.

114

organisations have engaged with the Carbon Literacy Automotive Toolkit training during the year

Our wealth of data and insight gives us a unique view of consumer car buying intentions, and particularly consumer EV buying intentions. This data forms the basis of our 'Road to 2030' Reports, which are extremely valuable to not only the government, but also to media and the industries involved in the transition to EVs. The Report is widely reported in national press and is regularly presented at key industry events.



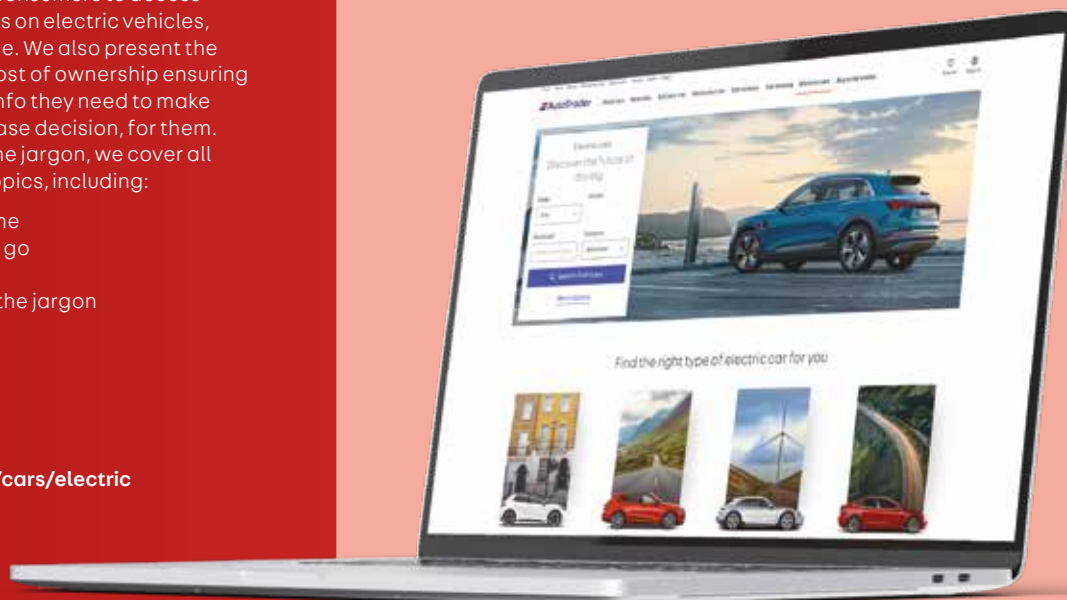
Evolving our dedicated EV hub

The dedicated EV hub on our marketplace makes it easy for consumers to access articles and videos on electric vehicles, reviews and advice. We also present the facts regarding cost of ownership ensuring they have all the info they need to make the correct purchase decision, for them. Cutting through the jargon, we cover all of the pertinent topics, including:

- Charging at home
- Charging on the go
- Range
- Understanding the jargon
- Battery life



[autotrader.co.uk/cars/electric](https://www.autotrader.co.uk/cars/electric)



3. Supporting consumers

Our aim is to support consumers in making the switch to more environmentally friendly vehicles and be the number one electric car destination in the UK.

We have increased the coverage and exposure we give EVs across all our platforms. On our marketplace, we have taken steps to make it easier for car buyers to search for EVs, so the filters now reflect the key attributes of an EV. Our EV adverts now include more information about battery range and charge time, which are key to helping consumers to make the switch. The number of EV models listed on Auto Trader has grown from 84 to 129 in the year and over 23,000 adverts appeared on our site on average across the last year.

We launched an EV hub on site which has new content and tools added to it all the time, so consumers can get the information they need to decide whether an EV is right for them, right now.

The team have published more than 110 electric-themed editorial reviews, news, help and advice articles on site (2022: 91). Across our tracked electric keyword set as a whole, including consumer FAQs, our share of voice grew from 27% to 33%. As part of this we grew our electric make model terms share of voice by 11% over the year, giving us the third highest market share in this area.

EVs have been a key marketing focus in the year, with new partnerships formed and campaigns launched. The EV monthly giveaway continued and achieved over 3.5 million entries, and we achieved a Guinness World Record which saw the team host the largest online quiz to promote EVs. We developed 'Electric Sceptics', our first original social content series with full marketing mix support, and signed a three-year partnership with Green TV to build association with EVs, both with consumers through their World EV Day and EV Live events and with the industry at the EV Summit.

23,000

EV adverts appeared on our site on average across 2023

SUPPORTING WOMEN AND NEW AUDIENCES IN MAKING THE SWITCH TO EVS

Our research shows that women are more likely to say they don't like the car buying process and they don't feel confident in buying a car. They are also less likely to consider buying an electric vehicle. So we are actively trying to change this by engaging the media that influence women and changing the conversation so that women feel more empowered about buying their next car, be that electric or otherwise.





Our people & communities

Build diverse teams and an inclusive culture.

Maintain high levels of employee engagement, supporting positive health and wellbeing.

Partner with charities, community groups and industry bodies to make a difference to the communities where we work and live.



Our values

Our values underpin everything we do from the delivery of our products and services to recruitment, career development and recognition.

REFLECTING OUR CULTURE AND COMMITMENT TO MAKING A POSITIVE IMPACT

BE DETERMINED

We are passionate, resilient and have the conviction to do the right thing. We roll up our sleeves to get the job done.

BE RELIABLE

We are outcome-oriented and we do what we say we will do. We perform under pressure and have a strong work ethic.

BE COURAGEOUS

We are bold in our thinking, overcoming fears, challenging convention and embracing change.

BE HUMBLE

We are open, honest, approachable and we treat each other fairly. We recognise success in ourselves and others but admit and learn from mistakes.

BE CURIOUS

We are always learning. We question why, we search for better ways, ask questions and actively listen.

BE COMMUNITY-MINDED

We look after each other, respect diversity and advocate inclusion. We are committed to making a difference to the communities around us and think of others before ourselves.

How we govern this area



1. BOARD RESPONSIBILITY

Material ESG topics discussed by the Board include diversity and inclusion, employee engagement and talent development. The Corporate Responsibility Committee is responsible for holding the Executive Directors to account and on a quarterly basis our people scorecard is reviewed and progress against our cultural KPIs is monitored. The Board plays an important role in ensuring our culture is aligned with our long-term strategy.

2. EXECUTIVE RESPONSIBILITY

The responsibility for assessing and managing our people and culture sits at both Executive and Board level. Our Executive Directors have responsibility for oversight of our diversity and inclusion agenda and are responsible for ensuring that our values are embedded into all parts of our business.

3. OPERATIONAL LEADERSHIP TEAM

Our Operational Leadership Team ('OLT') is responsible for driving our culture that is values-led, customer-centric and data driven, underpinned by a diverse and inclusive team. Having a progressive culture and environment, ensuring the attraction, development and retention of a talented, engaged and diverse workforce.

4. REMUNERATION COMMITTEE

The Committee introduced diversity related metrics into the Performance Share Plan ('PSP') for the 2021 PSP award, and introduced an underpin for the 2022 PSP award. For the 2023 PSP award performance will again be measured against our diversity ambitions as part of an underpin rather than as a standalone measure.

5. EMPLOYEE GUILDS & NETWORKS

Our employees play a fundamental role in the success of our ESG strategy. Through our thriving networks and guilds, our ESG priorities and ambitions are championed and driven forward by our employees. See page 42 for more information about our networks. These networks feed into a wider Diversity and Inclusion Guild which oversees the various networks to ensure they drive real change across our organisation.

Our Board Engagement Guild is the primary mechanism for our Board to engage with our employees and meetings are not attended by the Executive Directors. Employees are able to share their experiences and views, as well as providing the opportunity for them to ask questions directly of Non-Executive Directors. The Board Engagement Guild has representatives from across different parts of the business and canvasses views and opinions from their colleagues to share with the Board.

6. THIRD-PARTY CHARTERS & ACCREDITATIONS

We have signed up to various third-party charters and have received a number of accreditations, most notably:

- Race at Work Charter.
- Change the Race Ratio.
- Disability Confident Leader.
- Social Mobility Top 75.
- Inclusive Companies.

Engaging our employees

We welcome open and honest feedback from our employees and surveys are conducted on a regular basis. We aim to understand job satisfaction, measure opinion and find where changes may be necessary. Summary results are made available and feedback acted upon by management, which is then presented to the Board. In our most recent survey we were pleased that 91% (2022: 95%) of our employees agreed or strongly agreed with the statement "I am proud to work for Auto Trader", a measure which we view as a proxy for engagement.¹

Wellbeing and safety of our employees

We are committed to supporting our employees in all aspects of their health and wellbeing. We provide a comprehensive range of healthcare benefits as well as access to tools and education, mental health support and supportive pathways to empower our employees to have more good days. We have tools to support employees with their financial wellbeing and all employees can join the Group's Save As You Earn Scheme, with 68% (2022: 66%) of eligible employees participating in one of the current schemes. A Group personal pension plan is offered to all employees, under which they can contribute between 3% and 5% (or higher) of their salary and Auto Trader contributes between 5% and 7%.

We are committed to creating a safe space for our colleagues in the office environment.

Our principal objective is to prevent or minimise accidents, injury and ill health to staff working at our premises or remotely. This includes contractors, and others, who work at, or visit our premises. We have a fully compliant Health and Safety Policy and appropriate insurance for all employees. We can report that we have had no fatalities or serious injuries during the year, and there was no impact to our operations due to work-related incidents or work-related occupational disease.

Following the introduction of our Connected Working approach, which offers all employees greater flexibility in where and when they work, a programme of ergonomic assessments was carried out to review and ensure effective and safe homeworking environments. This approach allows people to stay connected with their team and the wider Auto Trader community and maintains our collaborative culture.

1. The employee engagement score excludes employees of Autorama. Autorama currently conduct their own survey with a different question set. In their March 2023 survey, Autorama employees were asked to rate the question "How likely is it you would recommend Vanarama as a place to work?" Answers were given on a 10-point scale, 10 representing highly recommend. The survey had a 71% response rate and 62% responded 9 or above.

Investing in and supporting our talent

Our ambition is to make sure that everyone's career is supported by learning opportunities, including self-learning, mentoring, coaching and formal programmes. We pride ourselves on having a community focused on development where everyone can be successful. Despite challenging times we still retain a strong level of retention and employee engagement. Our attrition rate remains low at 11% (2022: 11%) when compared to industry and national averages.

Our learning academy platform provides a range of opportunities to support careers at Auto Trader and during the year 100% of our employees (including part-time and contractors) were offered training. We also provide sponsorship for professional qualifications and access to continuing professional development for our people. Mandatory training covers our compliance essentials to ensure compliance with our legislative and regulatory requirements. Our non-mandatory training covers a broad range of learning and development, including awareness, technical skills and soft skills. Our mentoring and coaching programmes are available to all employees. We currently have five colleagues qualified as coaches, with two more working towards their qualification, to build internal coaching capability.



Year ¹	2023	2022
Hours of mandatory training (see pages 44 to 47 for more detail)	2,286	2,657
Hours of non-mandatory training	27,316	19,739
Annual cost of training ²	£494k	£379k
Average cost per employee	£487	£378
Employees studying for professional qualification	8	6
Employees on an apprenticeship/early careers	78	61

1. The number of hours/cost of training does not include Autorama employees.
 2. This includes external trainer and platform costs, but excludes the employment costs of our in-house Learning & Development team.

Degree apprenticeship programme

We are proud to support degree apprenticeships – they provide the opportunity to gain a paid-for degree while getting industry experience and earning a salary, and Auto Trader also benefits from a great pipeline of talent.



Being on the degree apprenticeship programme has meant I can study for a degree at the same time as working towards becoming an experienced UX designer.

Eniya Ali
 Digital User Experience Apprentice



Gender and ethnicity pay gap

We released our third combined Gender and Ethnicity Pay Gap Report 2022 (published in November 2022, reporting the pay gap as at 5 April 2022). This year we joined forces with other FTSE 100 companies to encourage more companies to report and to campaign to make ethnicity pay gap reporting mandatory in the same way that it is for gender. Please see our website, plc.autotrader.co.uk, for more information.

We continue to make progress in reducing our gender pay gap. Our mean gender pay gap decreased by 0.3% (2021: 2.7% decrease), however, our median pay gap increased by 0.4% (2021: 0.7% decrease). During the reporting period, we performed well in retaining women in our upper quartiles (25% women leavers compared to 57% for men), and of the 136 new hires included in the report, 43% were women (2021: 81 new starters, 42% women). We believe that hiring women early on in their careers and progressing them through the business, taking into consideration the fact that women are greatly underrepresented in both the technology and automotive sectors, is the most sustainable way to reduce the pay gaps in the long term. Between April 2021 and March 2022, we were pleased to see that women accounted for 41% of all promotions, and we continue to strive to increase this further.



During the reporting period, the mean and median ethnicity pay gaps have decreased by 0.8% and 1.2% respectively (2021: increased by 2.7% and 0.7% respectively). The main drivers include the retention of ethnically diverse colleagues in the upper quartiles while also hiring new talent across the

business. The highest representation for ethnically diverse colleagues is still in the lower quartile pay bands, mainly driven by our early careers intake. 33% (2021: 31%) of early career hires during the reporting period were ethnically diverse.

At a Board level, over half of our Board are women, exceeding the FTSE Women Leaders Review recommendation, which has a target of 40% women's representation. We also satisfied the recommendation of the Parker Review that at least one Director should be from an ethnically diverse background.

The percentage of the total company who are from an ethnically diverse background has increased from 14% to 15% during the year, with the percentage of those from an ethnically diverse background in leadership increasing from 6% to 8%.

	As at 31 March 2023								As at 31 March 2022									
	Board			Executive management OLT ²		OLT direct reports		Total company		Board			Executive management OLT ²		OLT direct reports		Total company	
	Number	%	Number of senior positions ¹	Number	%	Number	%	Number	%	Number	%	Number of senior positions ¹	Number	%	Number	%	Number	%
Men	4	44%	4	4	44%	45	62%	696	57%	4	44%	4	5	56%	57	63%	599	60%
Women	5	56%	-	5	56%	28	38%	524	43%	5	56%	-	4	44%	34	37%	400	40%
Non binary /other	-	-	-	-	-	-	-	6	-	-	-	-	-	-	-	-	3	-
	As at 31 March 2023								As at 31 March 2022									
	Board			Executive management OLT ²		OLT direct reports		Total company		Board			Executive management OLT ²		OLT direct reports		Total company	
	Number	%	Number of senior positions ¹	Number	%	Number	%	Number	%	Number	%	Number of senior positions ¹	Number	%	Number	%	Number	%
White British or other White	8	78%	3	9	100%	62	85%	876	72%	8	78%	3	9	100%	79	87%	739	74%
Mixed ethnic groups	-	-	-	-	-	1	1%	29	2%	-	-	-	-	-	1	1%	23	2%
Asian /Asian British	1	11%	-	-	-	4	6%	103	8%	1	11%	-	-	-	3	3%	79	8%
Black/African /Caribbean /Black British	-	-	-	-	-	2	3%	37	3%	-	-	-	-	-	1	1%	26	3%
Other	-	-	-	-	-	-	-	15	1%	-	-	-	-	-	1	1%	11	1%
Not disclosed	-	11%	1	-	-	4	6%	166	14%	-	11%	1	-	-	6	7%	124	12%

1. Senior positions defined as CEO, CFO, SID and Chair of the Board.

2. Excludes CEO, COO and CFO who are included in the Board numbers.

Diversity and inclusion

We define diversity as any classification that can be used to differentiate groups or individuals from one another, including: gender; sex; age; sexual orientation; disability & neurodiversity; race and ethnic origin; religion & faith; marital status; and social/educational background and way of thinking. We define inclusion as a state of being valued, respected and supported for who you are. We, and our people, strongly believe in pursuing this aim authentically and systemically, expecting to see improvements in metrics, but not being driven by them. We are committed to driving long-term change in both the technology and automotive industries. Our focus is on developing diverse leaders as well as representative workforces in these industries. We invest heavily in our early careers programmes, as well as supporting several initiatives and partnerships, including DigitalHer with Manchester Digital, AUTO30% and our STEM Ambassador Programme.



Driving our D&I strategy through our internal networks

We have a number of internal networks that support and align with our diversity and inclusion strategy. These employee-driven networks and their leaders are a core part of our culture, helping to welcome employees when they join our

organisation, empowering team members to thrive and spearheading outreach programmes that support our local communities. Everyone at Auto Trader is encouraged to join one of our employee-driven networks.



Our Ethnicity Network is a well-established group of Black, Asian and minority ethnic colleagues, and allies, that works to tackle inequalities and celebrate inclusivity.



Our LGBT+ Network representation is currently 9.1% (2022: 8.3%) and the network has continued to support our colleagues and connect with local LGBT+ charities, including The Proud Trust and the George House Trust.



Our Women's Network is focused on improving and evolving representation of women at all levels in Auto Trader, the automotive industry and the digital communities within which we operate, by recruiting, retaining and developing female talent.



Our Age Network was launched last year and focuses on creating an inclusive environment for the multigenerational workforce of Auto Trader.



Our Disability & Neurodiversity Network continues to create a more accessible and inclusive environment for our colleagues. 13.5% (2022: 12.8%) of our colleagues have disclosed a disability or neurodiverse condition. The network partners with various charities including Leonard Cheshire, the Royal National Institute for Deaf People and the Business Disability Forum to educate colleagues and raise awareness.



Supporting parents and carers across our business, our Family Network works closely with our other networks, our People team and with charities such as Carers UK.



The Career Kickstart Network brings together colleagues from across the business to learn and grow together through shared experiences, resources and discussion.



Our Social Mobility Network is focused on understanding how socio-economic background can influence individuals in the workplace and working to remove barriers and open opportunities. Auto Trader has signed the Social Mobility Pledge, committing to putting social mobility at the heart of what we do.

Our representation of women at a total company level increased from 40% to 43%. During the year, the percentage of women on our Operational Leadership Team ('OLT') increased from 44% to 56%. We also increased the percentage of women in leadership roles to 40% as at 31 March 2023 (March 2022: 38%), as defined by the FTSE Women Leaders Review (formerly the Hampton-Alexander review).

To increase our representation across all levels of the organisation, we aim to stimulate the flow of diverse talent from early careers through to senior leadership by both targeted development programmes and equipping our leaders to get the very best out of everyone on their team and support their development through the organisation. Our Continuous Leadership Development programme, made up of a range of training interventions, supports our senior leaders and people managers. We have also continued with our Diverse Talent Accelerator programme designed to support the progression of mid-career colleagues.

Promoting diversity in the workplace

We want to build a diverse and inclusive workplace where every one of us can be our best and true selves; only with a mix of different ideas and perspectives can we come up with the most exciting new ideas and create the best experience for our customers and consumers.

We have a number of internal networks that support and align with our diversity and inclusion strategy.

Everyone at Auto Trader is encouraged to join one of our employee-driven networks. These networks and their leaders are a core part of our culture, helping to welcome employees when they join our organisation, empowering team members to thrive and spearheading outreach programmes that support our local communities.



Making a difference to our communities and the industries we operate in

Community-minded is one of the values that shapes our culture and we are committed to making a difference and having a positive impact on the communities we operate in. Our Make a Difference Guild is committed to empowering our employees to support our local communities and national charities. During the year we continued our partnership with Forever Manchester to operate the Auto Trader Community Fund that provides support for community projects across Greater Manchester. We also launched a new 'Your Community Fund' available to all employees to nominate charities close to their hearts and local communities. We continue to work closely with our charity partner in London and support and promote all Disasters Emergency Committee ('DEC') appeals. We operate in both the automotive and technology industries. BEN is a key charity supporting the automotive industry with the aim to offer life changing support which empowers people to take control of their mental and physical health. As with all charities, BEN was heavily impacted by the pandemic, making it even more important that we continue to support them.

Forever Manchester

The Auto Trader Community Fund, powered by the charity Forever Manchester, considers applications and awards up to £1,000 aimed at supporting grassroots projects across Greater Manchester, and in London.

During the year we celebrated the sixth anniversary of the Auto Trader Community Fund at Forever Manchester that provides support for a wide range of volunteer-led community projects across Greater Manchester.





Our governance & compliance

Uphold the values of good corporate governance and risk management and consider the needs of all our stakeholders in our strategic decision-making.

Comply with our legal and regulatory obligations and behave ethically and with integrity at all times.

Maintain a trusted marketplace for our customers and consumers to find, buy and sell vehicles.



Overview

To ensure that high standards are embedded across the business and form part of our culture, we have a compliance framework in place, consisting of policies, processes, guidance and training focused on a number of core compliance topics. Details of our Board governance framework and policies can be found in the Governance section (page 58 onwards).

As an online marketplace, cyber security and protecting customer and consumer data are primary areas of focus. They are fundamental to our future success and to build trust with our customers and consumers. As we shift to an accelerated adoption of digital retailing it is paramount that our cyber and data security and infrastructure evolve with our business priorities.

Cyber security

Attempts to breach our systems to access our data and the threat of an unauthorised malicious attack on our systems pose a significant and perpetual threat. The nature of cyber-attacks has continued to evolve and changes in ways of working have created more opportunities for cyber criminals, increasing in both frequency and sophistication. A successful breach could lead to significant impairment of our reputation with customers and regulators and could be costly in terms of fraud losses, regulatory sanction or remediation activity – one of our viability scenarios reflects the risk of a data breach (see page 57).

Whilst cyber security risks cannot be fully mitigated, having an effective cyber security risk and governance framework can help to significantly reduce the impact of such events. We have a security programme in place that covers both our corporate systems and the Auto Trader platform which includes a defined security governance framework, overseen by our Chief Technology Officer.

NIST Cybersecurity Framework

We have adopted the NIST Cybersecurity Framework ('NIST CSF') to help us understand and define our existing policies, processes and technical measures in place with the aim to better govern our cyber security position. It enables us to identify areas of improvement and focus our efforts by agreeing and setting a target state, with the understanding that the NIST CSF is designed to complement and enhance existing business and cyber security operations.

Internal Audit function

We operate a rolling internal audit programme (outsourced to a third party) which includes annual reviews of cyber security. As part of this programme, a review of our NIST Framework has been carried out to validate the status and perform an operating effectiveness review, the purpose of which is to provide confidence that the framework is robust, appropriate and effective.

How we govern this area



1. BOARD RESPONSIBILITY

Material ESG topics are discussed by the Board including cyber security and GDPR.

The Corporate Responsibility Committee assists the Board in fulfilling its oversight responsibilities in respect of governance and compliance, where topics have not been covered by the Board.

2. EXECUTIVE RESPONSIBILITY

Responsibility for assessing and managing our governance and compliance sits at both Executive and Board level. Our Executive Directors have responsibility for ensuring we conduct ourselves with the highest standards of honesty and integrity.

3. OPERATIONAL LEADERSHIP TEAM

The Group's Chief Technology Officer, Chris Kelly, is responsible for setting the Group technology strategy, including our cyber security framework. The Group's Director of Governance, Claire Baty, is responsible for regulatory compliance, customer security, procurement, legal services and risk management. Her remit includes compliance with GDPR and FCA regulation.

4. AUDIT COMMITTEE

Internal audit reports are reported to the Audit Committee and monitored to ensure recommendations are actioned.

5. SECOND LINE FORUMS & COMMITTEES

We operate the following second line forums and committees:

- Risk Forum.
- FCA Governance Committee.
- GDPR Steering.
- Cyber Security working group.
- Trust forum.
- Health & Safety Committee.

6. INTERNAL AUDIT PROGRAMME

We operate a rolling internal audit programme which provides independent and objective assurance activities relating to the Group's governance, risk management and internal control processes. The programme includes regular reviews of cyber security, enterprise risk management, GDPR compliance and FCA compliance.

We have successfully adopted the practical elements of the NIST CSF effectively.

Policies and procedures

- A proactive awareness programme to educate all employees on cyber security risks.
- A dedicated security operations team to detect and respond to security incidents in line with our cyber security incident management procedures.
- Enhanced backup solutions have been implemented across consumer facing and internal systems, to guard against the increasing threat of ransomware.
- All employee accounts are protected by multi-factor authentication ('MFA') regardless of device and location, providing enhanced authentication protection.
- Major incident response simulations and business continuity tests are carried out periodically.
- System vulnerability and penetration testing is carried out regularly by both external and internal resources, including: application vulnerability testing; penetration testing of our platform and infrastructure; and Red team testing to ensure our processes for responding to a cyber incident are robust and fit for purpose.

- All aspects of our applications are designed and deployed with security in mind so that Auto Trader can deliver a secure and trusted platform for our customers.

Protecting our customer and consumer data

Data is at the heart of everything we do and data compliance and protection is therefore of critical importance to Auto Trader. We operate a structured framework which supports us in meeting our compliance obligations, the expectations of customers and clients, fulfil privacy rights and mitigate the risks of a data breach. We comply with the Data Protection Act 2018 ('DPA 2018'), and the UK General Data Protection Regulation ('UK GDPR') as our benchmark for data protection.

When it comes to collecting and storing personal data, be that for consumers, customers or our employees, we have a comprehensive set of policies which reflect the applicable privacy legislation and abide by a clear set of principles. We act as data processor for our customers and a data controller for the personal data of our people.

We are committed to ensuring that the personal information we collect is used for the appropriate purpose, which does not constitute an invasion of privacy and is held securely, responsibly and transparently in accordance with our privacy notices which govern all our platforms and subsidiaries.

To ensure we are meeting our compliance obligations we have a dedicated team that is responsible for data privacy, data breach prevention and reporting, policy compliance, record keeping and data subject rights. We have an assurance framework in place to monitor compliance with data privacy laws and to ensure any breaches are dealt with in a robust manner.

We hold GDPR Steering meetings bimonthly, attended by data owners from all business areas. The meeting is a central point of communication and coordination and provides guidance on the governance of our data strategy and ongoing compliance with relevant data security and privacy regulations.

All Auto Trader employees, including part-time employees, contractors and all Board members, are required to complete annual data privacy and security training and we have established processes to cover all aspects of the GDPR: Data Protection Impact Assessments ('DPIAs'). These are conducted to help identify and minimise any data protection risks for new or changed products or services; and all processes are recorded and records of processing activity ('ROPAs') are reviewed quarterly by data owners. These include the lawful basis for processing and data retention periods; our privacy notices are reviewed and updated regularly. We have separate notices for consumers, employees and retailers; and we have processes in place to respond to Subject Access Requests ('SAR') and Erasure requests.

Where required, Auto Trader obtains consent from consumers to gather personal data to service their enquiries for products, services or vehicles advertised on the site. Explicit consent (gathered separately) is also obtained to contact consumers for marketing purposes. Where we pass personal data to third-party service providers contracted to Auto Trader in the course of dealing with customers or employees, we carefully vet any third parties that we share data with, and they are obliged to keep it securely, and use it only to fulfil the service they provide on our behalf.

We record all instances of data loss and have a rigorous incident management process in the unlikely event a breach occurs. This includes reporting notifiable breaches to the relevant regulatory authorities without undue delay and within stipulated deadlines. Where required we take remedial action as soon as possible.

FCA compliance

Auto Trader Limited, the main trading subsidiary of the Group, is authorised by the FCA for consumer credit and insurance intermediary activities. Our activities primarily relate to providing finance and insurance introductions to consumers for third parties, be it retailers or commercial partners. We are developing and trialling consumer journeys for some of our regulated activities as part of the business's wider digital retailing proposition using the technology of Blue Owl Limited (trading as 'AutoConvert'), a wholly owned subsidiary. AutoConvert became an Authorised Representative of Auto Trader Limited in 2022 in respect of consumer credit activities.

Autorama UK Limited (trading as 'Vanarama'), acquired in 2022, is authorised by the FCA for consumer credit and insurance activities. The activities relate to brokering vehicle leasing to retail and trade customers and we also arrange General Insurance Services under the trading name Vanarama Insurance Services. We are developing and trialling consumer journeys where consumers start their journey on Auto Trader and complete an onward journey with Vanarama.

We have specialist internal resource within our Governance, Risk and Compliance team with significant experience of working in FCA regulated businesses, and we have developed a detailed governance framework to ensure that we comply with the principles, rules and guidance applicable to our activities. We have implemented the Senior Managers & Certification Regime, which came into effect in December 2019. Senior Managers at Auto Trader are Nathan Coe, Catherine Faiers, Jamie Warner and Claire Baty. Certain members of the Operational Leadership Team hold Certified Functions. Senior Managers at Vanarama are members of the company's board and other members of the Vanarama senior leadership team. All of these individuals have been assessed and certified as Fit and Proper. All employees are subject to the Conduct Rules and have received appropriate training and guidance. We have a comprehensive suite of policies, training and monitoring procedures to ensure awareness of and compliance with the requirements, including financial promotions, product change management, complaint handling, vulnerable customers and transparency. Our Customer Charter outlines our commitment to Treating Customers Fairly.

We also have in place a comprehensive implementation plan in respect of ensuring our compliance with the FCA's forthcoming Consumer Duty.

Maintaining a trusted marketplace

As a leading online marketplace, we strive to provide a marketplace that is relevant, reliable and fair. It is important to our customers and our consumer audience that adverts displayed on Auto Trader are accurate and genuine. Our goal is also to provide a valuable service for our customers and consumers and provide an engaging user experience.

Retailer feedback

We actively seek retailer feedback in all aspects of product and service development to ensure that we continue to provide market-leading solutions and support to our retailer partners. We also actively monitor consumer sentiment across our various products and channels, and our teams review thousands of items of feedback a week.

Product research and testing

When we bring a product to market, we go through a rigorous process of discovery to ensure solutions meet the varied needs of both our retailer partners and consumers. Retailers are involved at all stages of product development, including beta testing prior to scaling solutions.

Sentiment tracking

We survey retailers on a monthly basis through marketing channels to capture structured feedback on our relationship with retailers to ensure we're meeting their needs and gauge sentiment towards our brand. This ensures we can keep an eye on overall satisfaction, value for money and the partnership we aim to foster.

Voice of the customer

We actively monitor feedback which our Retailer Development and Support teams capture from retailers during the course of the thousands of inbound and outbound calls we field per week, ensuring we keep a good gauge on retailer sentiment and can react to market challenges facing our retailers quickly.

Consumer sentiment

We've maintained extremely positive feedback scores across external review platforms including Trustpilot (4.7/5 based on 80,453 reviews), iOS App Store (4.8/5 based on 165,159 reviews) and Android Play Store (4.7/5 based on 67,967 reviews).

TAG verification

We have achieved verification by TAG ('Trustworthy Accountability Group'), achieving the Brand Safety Recognition seal. TAG is the world's leading programme to fight criminal activity and protect brand safety in digital advertising. They have established best in class global standards that protect the industry from potentially harmful threats around fraud, malware and brand safety. Obtaining our TAG status is recognition that we meet the high standards required by TAG and our contribution towards fighting criminal activity and increasing trust and transparency in digital advertising.

VSTAG forum

We continue to actively participate in the Vehicle Safe Trading Advisory Group ('VSTAG'), an industry forum we founded over 15 years ago. The forum brings together the UK's leading online automotive advertising companies, advisors from the Metropolitan Police, Get Safe Online and Action Fraud to work together to reduce online vehicle crime and help protect buyers and sellers of pre-owned vehicles from fraud.

Business ethics and compliance

We have a zero tolerance approach to bribery, corruption and other financial crime within our business and/or in any dealings with our customers, suppliers and other third parties who we deal with in the course of our business. We require regular compliance training for all Auto Trader employees and contractors, including all Board members. We have a well established online training and awareness programme which includes compliance modules for information security, GDPR, anti-bribery and corruption, the corporate criminal offence of facilitating tax evasion, anti-money laundering, modern slavery and whistleblowing to ensure all employees uphold our ethical standards in their day-to-day decision-making and actions, remain up to date and are alert to unethical practices and potential risks to our consumers or customers. We do not conduct business with any service provider, customer or supplier which does not meet the principles of our policies with respect to these areas.

Human rights

We are opposed to all forms of discrimination with respect to employment and occupation, modern slavery, human trafficking, forced or compulsory labour and child labour, in our business and our supply chain. We are committed to supporting human rights through our compliance with national laws and through our internal policies which adhere to internationally recognised human rights principles. In line with our commitment to creating a diverse and inclusive culture, our internal policies require respect and equal and fair treatment of all persons we come into contact with. All employees are paid in excess of the Real Living Wage, ensuring that all employees and contractors working in our offices receive at least the Living Wage. We are an accredited Living Wage Employer. We safeguard our employees through a framework of policies and statements including Modern Slavery, Gender Pay, Flexible Working, Equal Opportunities and Inclusion Policies.

Modern slavery

We are committed to preventing slavery and human trafficking in our business and supply chains. We require the highest standards of honesty and integrity in all our business dealings and relationships. We will not tolerate the mistreatment of people in our employment and, wherever possible, employed in our supply chain. During 2023, no incidents of modern slavery or human rights abuse have been identified in our business or supply chain.

Tax transparency

Auto Trader is committed to being a responsible taxpayer acting in a transparent manner at all times. Our detailed tax policy includes further transparency on our approach to risk management and governance. In 2023, our total tax contribution was £175.4m (2022: £143.5m). Taxes borne by the Group totalled £69.4m (2022: £63.8m) and consist of corporation tax, employer's NICs and stamp duty. Taxes collected by the Group totalled £106.0m (2022: £79.7m) and consist of PAYE deductions, employees' NICs and net VAT collected.

Supplier ESG engagement

We hold ourselves and our suppliers to the highest standards of behaviour. We want to engage suppliers that share our values and collaborate with them to build a stronger, more responsible supply chain. We have an established supplier engagement strategy and the information we collect through our supplier engagement/onboarding process provides us with greater insight into numerous aspects of our suppliers' performance, including Environmental, Social and Governance practices such as: how they are engaging the communities they are based in; what charitable activities they are undertaking; how they identify and improve diversity and inclusion; what governance they have in place to ensure good practice and limit instances of modern slavery, bribery or breaches of other relevant legislation; and sustainability. As part of our environmental strategy, we have expanded our discussions on sustainability with our highest spending suppliers to deep dive into understanding where our suppliers are on their own sustainability journey. We have published a supplier code of conduct which outlines Auto Trader's stance on important matters and our expectations of our suppliers.

Grievance reporting or escalation procedures

We aim to create a working environment in which all individuals enjoy coming to work, where they can perform at their best, and where they are free from discrimination or harassment.

We foster a culture of open and healthy conversations, mutual appreciation and respect. We treat any behaviour that undermines this aim as totally unacceptable and it will not be tolerated. We are committed to a culture where staff can freely report any issue that needs attention and access support via the escalation procedures we have in place. Our grievance policy sets out both informal and formal avenues for addressing concerns.

Whistleblowing

We are committed to carrying out all business activities in an honest and open manner and strive to apply high ethical standards in all our business dealings. We actively cultivate a transparent and open culture, encouraging our employees to speak up whenever they have concerns, if they suspect anything inappropriate or experience any serious malpractice or wrongdoing in our business. We believe this contributes to a fairer and transparent marketplace where customers and consumers know that we can be trusted. We have an internal reporting facility for employees to discuss concerns and we also operate an anonymous and confidential whistleblowing helpline through an independent organisation. Reports are directed to the Audit Committee Chair and the Company Secretary or via the independent hotline.

Further information

To find out more about all of our governance & compliance policies, please go online:



plc.autotrader.co.uk



careers.autotrader.co.uk



autotrader.co.uk



Our risk management arrangements

The Board is collectively responsible for determining the nature and extent of the principal risks the Group is willing to take in achieving its strategic objectives.

Risk management and internal control

The Company does not have a separate Risk Committee; instead the Board as a whole is collectively accountable for determining the nature and extent of the principal risks Auto Trader is willing to take in achieving its strategic objectives.

The Board is also accountable for establishing and maintaining the Group's system of risk management and internal controls. It receives regular reports from management identifying and evaluating our response to key risks. Our risk management framework is described opposite.

Our risk management process

Effective risk management is critical if we are to achieve our strategic objectives, to achieve sustainable long-term growth, and ultimately to achieve our purpose of Driving Change Together. Responsibly.

A four-step process is adopted to help us manage our principal risks. OLT members are responsible for identifying, assessing,

mitigating and monitoring risks, and reporting against these risks.

The Governance, Risk and Compliance function facilitates this process and supports the OLT in designing responses to risks, thereby ensuring that the response is aligned to the Group's risk appetite. The risk management process can be summarised as follows:



Risk appetite

The Board has considered the nature and extent of the principal risks Auto Trader currently faces, the potential risks we expose ourselves to as we proceed with our strategy, and the wider market, economy and business environment. The Board has set its risk appetite accordingly, which can be summarised as follows:

Flexible

Auto Trader acknowledges that, in some circumstances, fast-paced and innovative development of new products within the technology space presents significant opportunities and taking advantage of these opportunities may result in financial loss. We consider the opportunities can outweigh the downside risks, and therefore, in pursuit of our strategic objectives, we are flexible about taking risks which relate to product innovation, addressing competitive threats, and/or making the most of market opportunities.

Cautious

As we pursue our strategic objectives, we must remain cognisant of the potential for them to have conflicting impacts on our stakeholders, including employees, suppliers and third parties, and the environment. Owing to the potential for these risks to have significant knock-on impacts across a wide range of categories, we are cautious about taking risks in relation to such areas.

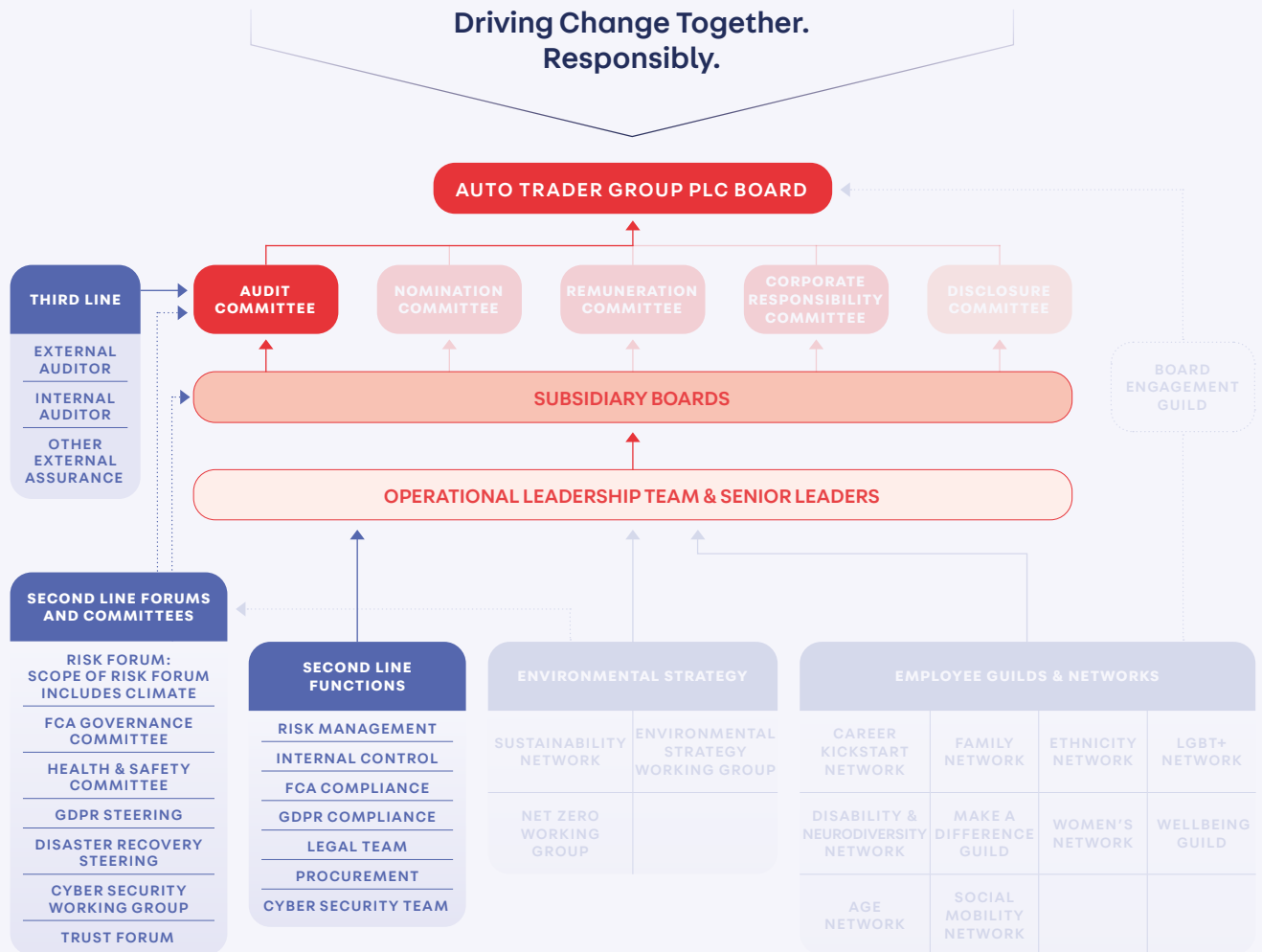
Averse

We are averse to taking risks which conflict with our values; risks which could damage our reputation; risks which threaten the security of our systems and technology; risks leading to a breach of laws, regulations or financial covenants; and/or risks which could compromise the organisation's going concern status. Across these categories we take all reasonable steps to ensure our business activities do not give rise to significant risk of damage to our stakeholders, and in pursuing our strategic objectives we are averse to exposing ourselves to higher levels of risk knowingly.

Our risk management framework

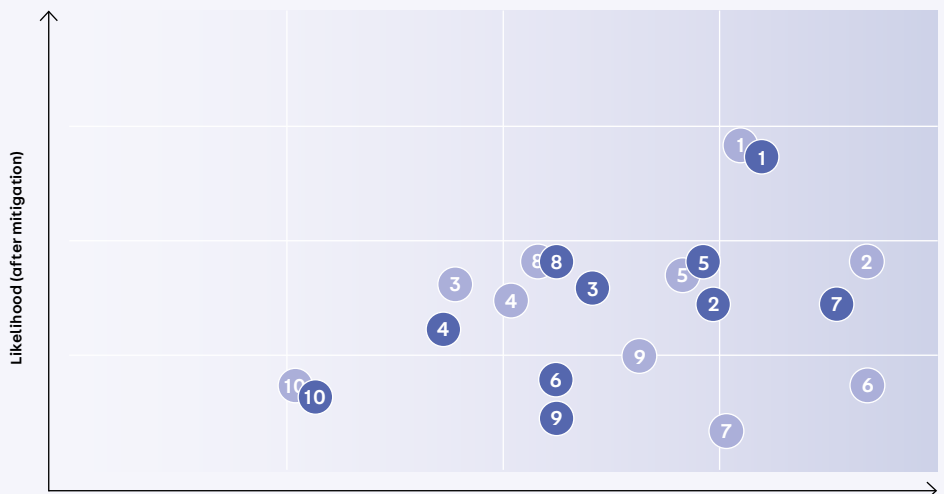
The Group’s principal risks are recorded within a risk register which captures details of each risk and the root causes; likelihood of the risk occurring; the impact if it does occur; and details of the actions being taken to manage the risk.

The Board considers whether, given the strategy and risk appetite of the Group, the mitigations are reducing the risk to an acceptable level.



Our risk assessment matrix

The risk landscape has continued to evolve over the last 12 months, and we expect changes to continue in the coming year. Our view in 2023 is that the principal risks to Auto Trader are a) those which could result in fundamental changes to the automotive retail industry, and b) those which could prevent us achieving our strategic objectives. Accordingly, our strategy is linked intrinsically to our principal risks. We have taken great strides in the last year to manage these risks. Examples include the launch of Deal Builder and improvements to our core marketplace products. However, to execute our strategy, it is crucial we protect ourselves against the threats to achieving our strategic objectives. The following pages provide detail on each of our 10 principal risks and how we are responding to each risk.



- | | | |
|--|---|---|
| <ul style="list-style-type: none"> 1. Automotive economy, market and business environment 2. Climate change 3. Employees 4. Reliance on third parties and partners 5. IT systems and cyber security | <ul style="list-style-type: none"> 6. Failure to innovate: disruptive technologies and changing consumer behaviours 7. Legal and regulatory compliance 8. Competition 9. Brand and reputation 10. External catastrophic and geo-political events | <ul style="list-style-type: none"> ● Current year ● Previous year |
|--|---|---|

How we mitigate our principal risks

Identifying, assessing, responding to and monitoring the Group's principal risks.

The Board has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

The principal risks and uncertainties are detailed in this section. Additional risks and uncertainties to the Group, including those that are not currently known or that the Group currently deems immaterial, may individually or cumulatively also have a material effect on the Group's business, results of operations and/or financial condition.

1 Automotive economy, market and business environment

— Unchanged



Risk and potential impact	Key changes and outlook	How we manage the risk
<p>An adverse change in supply and demand in the new/used car market could lead to reduced retailer profitability and reduced retailer wallets, resulting in reduced advertising spend. Adverse movements in supply and demand of vehicles could also lead to a contraction in the number of retailers.</p> <p>In addition, we continue to see the movement towards an agency model whereby retailers facilitate OEM sales directly to consumers. This could lead to a loss of revenue from our retailer customers.</p>	<ul style="list-style-type: none"> The low level of supply of new vehicles since 2020 has continued for much of the last year. However, new car registrations in Q1 (January to March) 2023 increased by 18% compared to Q1 2022. Looking to the future, more reliable supply of new vehicles will be important to the success of Autorama's integration into the Auto Trader Group. The low level of new car supply since 2020 will likely affect the availability of used car stock in the coming years. In contrast, consumer demand remains high and retailer profitability, in the main, remains high. In March 2023, used car retail prices increased by 2% year on year, being the 36th consecutive month of price growth. In 2023 some OEMs begin operating an agency model. We are aware that each OEM encounters unique challenges if they switch to an agency model and we have been working with OEMs to develop bespoke solutions. Overall, the risks posed by changes to the automotive economy, market and business environment continue to evolve, however metrics and performance indicators suggest that we are managing these risks to an acceptable level through our strategic actions. 	<ul style="list-style-type: none"> We monitor new and used car transactions closely, using data from SMMT and DVLA, observing behaviour on our marketplace, and from engaging closely with our customers and consumers. Our agile culture enables us to respond quickly to new and emerging threats. We continuously develop new products and enhance existing products. We are making significant progress with our digital retailing strategy which aims to bring more of the car buying journey online. We use our own Auto Trader Retail Price Index and valuations data to monitor the pricing trends of used cars by trade sellers. We are progressing well with integrating Autorama into our business and are now leveraging their leasing capabilities. Autorama will diversify our business by providing a leasing proposition to consumers, as well as helping us to achieve our strategy relating to digital retailing on new cars. We have also maintained a strong balance sheet, and our low leverage should enable us to respond in the event of major threats crystallising.

OUR STRATEGIC PRIORITIES

-  **Classified marketplace**
-  **Platform**
-  **Digital retailing**
-  **Being a responsible business**

2 Climate change

 **Decreasing**



Risk and potential impact	Key changes and outlook	How we manage the risk
<p>The automotive industry is intrinsically linked to climate change and there is increasing pressure from consumers and government for the industry to reduce its impact on the climate. However, failure to deliver on our environmental commitments will negatively impact our brand as a responsible business and may result in legal exposure or regulatory sanctions.</p> <p>Failure to overcome the uncertainty created by the shift from internal combustion engine ('ICE') to electric vehicles ('EVs') could inhibit their take-up, potentially leading to changes in buying behaviours. Factors include the high purchase price of most EVs, potential for improvement in public transport, new and expanded emissions zones, increasing EV running costs, and consumer uncertainty over the residual value of used EVs.</p> <p>Changing and more stringent regulatory requirements could increase our cost base, and increased frequency and severity of extreme weather events could lead to heightened costs, including heating/air-conditioning, insurance, and cloud infrastructure. Extreme weather events could also lead to short-term closure of retailer forecourts (for example, due to flooding).</p>	<ul style="list-style-type: none"> • Updates to our website in the last year position us as front-runners in the switch to EVs and enable us to respond to potential changes in OEM and retailer business models. • There is still a relatively small amount of data informing the residual values of used EVs. We have positioned ourselves well by leveraging Autorama's capabilities, providing those consumers switching to EVs for the first time a viable alternative to outright purchase. • Despite ongoing uncertainty surrounding EVs, data from our website shows the electric share of ad-views has a gradual upwards trend. Supply in the used EV market increased this year as those EVs purchased on three- and four-year agreements enter the used EV market. • Looking ahead, widespread take-up of EVs could be affected by: <ul style="list-style-type: none"> - the availability of public charging for drivers unable to access private charging, - EV purchase costs, which are still around 37% more expensive than ICE equivalents on a like-for-like basis. - Increases in EV running costs owing to increased taxation and charging costs (especially those EV drivers without private charging). • Further regulation and legislation are likely, such as the introduction of new clean air zones and congestion charges. • At Autorama, some vehicles are pre-registered and held temporarily on the balance sheet. Consequently, we capture the lifetime emissions of these vehicles when calculating the Group's carbon emissions. This has led to a material increase in our reported carbon emissions. • Overall, the risks associated with climate change have decreased in the last year owing to the actions we continue to take. Nevertheless, looking to the future, the impact of climate change means that managing these risks effectively remains a key strategic priority. More detail about the risks associated with climate change and the mitigations is contained on pages 32 and 33. 	<ul style="list-style-type: none"> • We are evolving our product offering and marketplace to provide consumers with more information about EVs. A cross-functional working group is focusing on helping consumers make more environmentally friendly vehicle choices. Our ongoing integration of Autorama adds digital retailing and leasing capabilities on new cars, including EVs. This places us in an optimal position to provide a viable alternative to consumers who are anxious about making outright purchases. • Our Corporate Responsibility Committee oversees our environmental commitments and work is ongoing to reduce our carbon emissions across all scopes. • As part of our climate commitments, we are focusing not just on our own carbon footprint, but positively supporting the industry. Our partnership with the Carbon Literacy Trust, for example, provides training and insights to employees and external stakeholders. • We regularly meet with various government departments, including HM Treasury and the Department for Transport's Office for Zero Emission Vehicles, to share our data and insights to help guide policy around the topic. • The climate records and commitments of suppliers is a key factor in our procurement processes. • Development and evolution of our digital retailing products provides customers and consumers with purchasing options should extreme weather events lead to short-term retailer forecourt closures.

3 Employees

 **Increasing**



Risk and potential impact	Key changes and outlook	How we manage the risk
<p>To enable us to achieve our strategic objectives it is important that we attract, retain and motivate a highly skilled workforce, including those with specialist skillsets in data and technology.</p> <p>Delivery of our strategy is also dependent on us building a diverse and inclusive workforce, and a supportive, collaborative culture, conducted in a safe environment, all of which will enable optimum performance from all our employees.</p>	<ul style="list-style-type: none"> • Our Glassdoor rating based on anonymous reviews is 4.4 out of 5 and in our latest Culture Amp survey, 91% of respondents said that they are proud to work at Auto Trader. This year our employee turnover has remained low. • We now operate a Connected Working model where employees are in the office for two 'fixed' days per week plus an additional 'flex' day per week on a day which suits them best. The aim of this working model is to increase efficiency, collaboration and innovation whilst also allowing flexibility and maximising inclusion. • Connected Working also includes a 'remote first' policy. For periods in July, August, and December, employees can work fully remotely to increase flexibility at times when there are increased levels of annual leave. • The cost of living crisis and skills shortages in the market continue to affect workforce costs. We monitor the market proactively to ensure that our salaries are fair, proportionate and aligned to market rates. In 2022 we made a cost-of-living payment to all employees (except for the OLT and the Board) and increased the size of our annual salary review. • In the marketplace, employees have increasing expectations of their employers to act in a fair, responsible and sustainable manner and we remain committed to ensuring that we conduct our business in a morally responsible way. • Overall, the employee-related risks remain a principal risk and we acknowledge that managing this risk effectively is crucial to achieving our strategic objectives. 	<ul style="list-style-type: none"> • A values-led culture which is embedded throughout the recruitment, induction, training and appraisal processes. • Long-term incentive plans for senior and key staff, including incentives with respect to diversity and inclusion and Auto Trader's environmental impact. • Regular employee engagement surveys and monitoring of Glassdoor ratings. We have regular business updates, networks, guilds, and all-employee conferences. • We continue to monitor the impact Connected Working is having on engagement, inclusion, employee safety and productivity, with reference to both pandemic and pre-pandemic levels. Any overseas working during the Remote First periods must be reviewed and approved by People Operations to ensure the safety of our employees, security of our systems and compliance with all relevant laws and regulations. • Active succession planning and career development plans to retain and develop our executives. Talent development is part of the Terms of Reference of the Nomination Committee. • Diverse Talent Accelerator, Inclusive Leadership, and Continuous Leadership Development programmes aim to equip our employees, people leaders and future leaders with the skills to lead, manage and work within diverse teams.

4 Reliance on third parties and partners

 **Decreasing**



Risk and potential impact	Key changes and outlook	How we manage the risk
<p>To achieve our strategic objectives, we are reliant on partners engaging with the changes we are introducing to the industry. Getting lenders on-board with our digital retailing aspirations, for example, is a key dependency.</p> <p>We also rely on third parties to support our technology infrastructure, supply of data about vehicles and their financing, and in the fulfilment of some of our revenue generating products. Consequently, it is important that we manage relationships with, and performance of, key suppliers and key strategic partners.</p>	<ul style="list-style-type: none"> • We have implemented a refreshed onboarding and monitoring process for critical suppliers. Despite the threats posed to our suppliers in the external environment, we have not experienced any material disruptions in the last year. • As we progress further into digital retailing, we are likely to see an increased reliance on third parties. Some of the products we intend to launch will rely on partners and lenders, and these could be barriers to growth should these partners not engage with us. Ensuring that we manage our relationships with these third parties will be crucial. • Overall, our significant strategic initiatives in relation to platform and commercial data represent good progress in reducing the level of reliance we have on third parties. However, we remain aware of the importance of our partners in achieving our aspirations in digital retailing. 	<ul style="list-style-type: none"> • Where possible, we limit reliance on single suppliers to reduce single points of failure. • We have identified key suppliers and have plans in place to respond to disruption. • Contracts and service level agreements are in place with all key suppliers. New relationships go through a robust procurement and legal review process and are subject to regular review. • We carry out due diligence on our key suppliers and partners at the onset of the relationship and throughout the life of these relationships. This includes financial viability, resilience and alignment with our values and culture. • We seek to develop strong commercial relationships with our partners and regularly explore ways of working together even more effectively. We monitor the performance of partners and suppliers to ensure continued quality and uptime.

5 IT systems and cyber security

— Unchanged



Risk and potential impact	Key changes and outlook	How we manage the risk
<p>As a digital business, we rely on our IT infrastructure to provide our services. A disruptive cyber security and/or business continuity event could lead to downtime of our systems and infrastructure.</p> <p>Execution of our strategy also relies on us making appropriate investments in secure systems and technologies. Failure to invest in appropriate technology and safeguards could lead to us failing to achieve our objectives.</p> <p>Delivery of our strategic objectives also relies on us using data to provide valuable insights to customers. A significant data breach, whether because of our own failures or a malicious cyber-attack, would lead to a loss in confidence by the public, retailers and advertisers.</p>	<ul style="list-style-type: none"> We have completed a multi-year migration of our applications to the cloud. This increases the resilience of our systems and the security of our data. Development of new products carries the threat of cyber-attack and with digital retailing the impact of a potential data breach is likely to increase. We are therefore developing systems which provide not just the best customer and consumer experience, but all necessary security to ensure we remain resilient. Integration of Autorama's leasing deals onto the Auto Trader platform is complex, and we are mindful of IT and cyber security threats during the integration. We are also committed to continuously reviewing, testing and updating Autorama's IT disaster recovery and business continuity arrangements. Whilst we have used artificial intelligence ('AI') for many years, the recent emergence of generative AI poses a great opportunity for us to enhance our products, customer and consumer experience, and to improve efficiency. However, it is important we use AI in a manner which does not expose us to excessive security, compliance and or reputational risks. AI could be used by criminals maliciously in future. Deepfake technology, for example, increases the risks of social engineering against stakeholders. The cyber security landscape is constantly evolving. We continue to make significant investments in safeguarding our systems and data, as well as implementing best-in-class systems to support the achievement of our strategic objectives. 	<ul style="list-style-type: none"> We have a disaster recovery and business continuity plan which is regularly reviewed and tested. We continuously monitor the availability and resilience of processing systems and services. The migration to the cloud has improved to the efficiency of our systems and improved our ability to respond to an incident in a timely manner. We have dedicated security teams, including white hat hackers, and carry out regular penetration testing of key systems to identify vulnerabilities. All employees are required to undergo IT security awareness training on at least an annual basis. We use two-factor authentication for all our car retailers and employees to access our network. We have now adopted the National Institute of Standards and Technology ('NIST') Cybersecurity Framework to manage and reduce cyber security risks. Our digital retailing teams regularly review the IT systems and infrastructure required to deliver our strategy.

6 Failure to innovate: disruptive technologies and changing consumer behaviours

↓ Decreasing



Risk and potential impact	Key changes and outlook	How we manage the risk
<p>The automotive industry is changing at unprecedented pace. Should we fail to innovate our business and product offerings, we could lose relevance with our key stakeholders, including consumers and customers. It is crucial that we develop and implement new products, services and technologies, and adapt to changing consumer behaviour towards car buying and ownership.</p> <p>Failure to provide both customers and consumers with the best possible products and online journey, including an online buying experience, could lead to reduced website traffic and loss of revenue.</p>	<ul style="list-style-type: none"> We continue to develop new products in our marketplace, platform and digital retailing. In the last year we have launched a trial of Deal Builder with a small number of retailers. This provides consumers with an omni-channel buying journey where they can find, reserve, finance, and part exchange online. Leveraging Autorama's systems, we launched a leasing check-out journey on the Auto Trader website. Providing consumers with a leasing option positions us to meet their needs as buying behaviours change, particularly those consumers wary about buying an EV for the first time. We have continued to develop our AT Connect solution. This online tool leverages our platform and data to provide retailers with real-time connections to Auto Trader systems which can be used to inform vehicle valuations, maintain stock on our website in real-time and access our vehicle taxonomy. Our data has been recognised nationally through the provision of our market pricing data to the ONS. We also work with government to provide information about EV demand to inform potential locations for EV chargers. Overall, we have continued to manage the risks well over the last year and continue to provide new and updated solutions to both customers and consumers. 	<ul style="list-style-type: none"> Continuous research into changing consumer behaviour, regular horizon scanning and monitoring of emerging trends, use of external resources where needed, and regular contact with similar businesses around the world to enable peer-to-peer sharing of good practice. An inclusive and diverse workforce enables us to maximise creativity and performance, leading to innovation. An agile and collaborative culture, as well as continuous investment in technology, maximises innovation. Dedicated workstreams as part of all our strategic priorities. These workstreams are aimed at developing the best products to meet the needs of the consumer and customer.

7 Legal and regulatory compliance

 Increasing



Risk and potential impact	Key changes and outlook	How we manage the risk
<p>The Group operates in a complex regulatory environment. As we progress in executing our strategy, we are likely to be exposed to increased legal and regulatory risks, particularly those relating to FCA and GDPR.</p> <p>There is a risk that the Group, or its subsidiaries, fail to comply with legal and regulatory requirements. This could lead to reputational damage, financial or criminal penalties and impact on our ability to do business.</p>	<ul style="list-style-type: none"> • Providing consumers with an online car buying journey will increase our exposure to regulatory risks, in particular the amount of personal information we collect and in the provision of the online finance application journey. • Integrating Autorama exposes us to increased FCA and GDPR risks. This relates to both the leasing journey itself, as well as the ancillary products offered as part of leasing, such as gap insurance. Our compliance teams have been working to ensure that Autorama's policies and procedures are compliant. • We are regularly 'horizon scanning' to prepare us for upcoming changes to regulations and legislation. Upcoming legislative and regulatory changes which may affect us, albeit to varying degrees, include the UK Online Safety Bill Digital Markets, Competition and Consumers Bill, Data Protection and Digital Information Bill, the UK Audit Reform Bill, FCA Consumer Duty regulations, and changes to the UK Corporate Governance Code. • In the last year, in both response to, and in anticipation of, changes in regulatory risk, we have increased our resource in relation to risk and compliance monitoring, and increased headcount in our Governance, Risk and Compliance function. Overall, we consider the level of risk has increased. 	<ul style="list-style-type: none"> • We have dedicated internal expertise responsible for identifying, assessing and responding to upcoming changes in laws and regulations, and we utilise external specialists where necessary. • We have a mature governance framework to oversee our legal and regulatory risks. Governance forums receive regular internal reporting on our compliance with the principles, rules and guidance applicable to our regulated activities. • A comprehensive suite of policies is reviewed regularly. Additionally, training and monitoring ensures awareness of, and compliance with, regulatory requirements, including information security, data protection, financial promotions, product change management, complaints handling and vulnerable customers. • The regulated entities within the Group continue to comply with the FCA's Senior Managers & Certification Regime. The relevant individuals have been assessed and certified as Fit and Proper. All employees are subject to the FCA's Conduct Rules and have received appropriate training and guidance. • We have increased headcount in our Governance, Risk and Compliance function.

8 Competition

 Unchanged



Risk and potential impact	Key changes and outlook	How we manage the risk
<p>Our data continues to show that there is a low competitive threat in our classified marketplace. Nevertheless, we remain wary of the risk that competitors could develop a superior consumer experience or superior retailer products. This could lead to loss of market share.</p> <p>Further, as the automotive industry evolves, an agency model could change the way that vehicles are bought and sold. Under an agency model, cars are sold by OEMs directly to consumers via retailers. As we progress with our own objectives surrounding digital retailing, an agency model could mean that OEMs themselves emerge as a direct competitor in the vehicle retail industry. Failure to manage this emerging threat could inhibit our ability to achieve our objectives.</p>	<ul style="list-style-type: none"> • Large technology companies such as Facebook, eBay and Amazon continue to operate in the automotive marketplace. In the last year, however, we maintained our position as the UK's largest and most engaged automotive marketplace for new and used cars, with over 75% of all minutes spent on automotive classified sites spent on Auto Trader. • On Boxing Day 2022 we launched a new marketing campaign which focuses on helping consumers to find the right car for them. This was supported by social media and digital audio content. We estimated that our advertising reached 99% of the UK population between Boxing Day and 31 March 2023. • In 2023 we worked with certain OEMs to provide them with advertising solutions following their switch to an agency model. • Overall, we continue to see retailers and manufacturers evolving their online offerings, and as we diversify our own product offering, we broaden our competitive landscape, potentially leading to exposure to increased competition. It therefore remains imperative that we are innovative across our classified marketplace, our platform and digital retailing. 	<ul style="list-style-type: none"> • Continued investment in our brand helps us to protect and grow our audience, to ensure that we remain the most influential website for consumers when purchasing a vehicle. • Working with OEMs to develop solutions to enable them to advertise their new car pipeline stock on our website. • We monitor competitor activity closely through monthly reporting and formal quarterly competitor reviews, and regularly review this at OLT and Board level. • We continue to invest in and develop our product offering to ensure we offer value to consumers, retailers and manufacturers. • We work in an agile way which enables us to respond quickly to emerging competitive threats.

9 Brand and reputation

Decreasing



Risk and potential impact	Key changes and outlook	How we manage the risk
<p>Our brand is one of our biggest assets. Our research shows that we are the largest and most trusted automotive classified brand in the UK. Failure to maintain and protect our brand, and/or negative publicity affecting our reputation could diminish the confidence that retailers, consumers and advertisers have in our products and services. This could result in a reduction in audience and revenue.</p>	<ul style="list-style-type: none"> Our research shows that Auto Trader has c.90% prompted brand awareness with consumers. We are also voted regularly as the most influential automotive website by consumers in the car buying process. We are supporting digital retailing product development with marketing to ensure that consumers see us as the most suitable place to transact online. Owing to measures and monitoring techniques used by our security team, we continue to see very low levels of fraudulent and misleading adverts on our website. We use a customer watch list which aims to manage our platforms proactively in line with our values and relevant regulations, to identify and stop customer behaviour that could harm consumers, retailers or the Auto Trader brand. To date, the trial of our Deal Builder product has been provided to only a select number of retailers. All retailers trialling this new product undergo enhanced checks before being granted access, including reviews on consumer feedback. Overall, we consider there to be a decreasing risk to our brand and reputation. 	<ul style="list-style-type: none"> We have a clear and open culture with a focus on trust and transparency. We have a dedicated customer security team, who closely monitor our site to identify and quickly remove fraudulent or misleading adverts. Customer security also work proactively with retailers and the wider industry to flag potential security concerns. We invest in new and innovative marketing campaigns and new ways of engaging car buyers to continue to maintain brand awareness, and to change perceptions of Auto Trader to be a destination for new cars as well as used. To get access to Deal Builder, retailers are required to sign up to and adhere to a Seller Promise. Seller Promise prescribes minimum levels of consumer service and advertising. Our approach to cyber security and data protection helps to protect us from the adverse impact of a significant data breach or cyber-attack. We have well developed breach reporting and crisis management programmes that enable us to identify, escalate and appropriately handle any emerging issues that could result in reputational damage.

10 External catastrophic and geo-political events

Unchanged



Risk and potential impact	Key changes and outlook	How we manage the risk
<p>In a connected, global industry, we are increasingly prone to the impacts of external events around the globe, as are our customers and consumers. We consider there to be a threat to the short-to-mid-term performance of our business posed by external, unpreventable, catastrophic and geo-political events. Such events could result in our customers being unable to trade, leading to loss of revenue, stock, audience and market share.</p>	<ul style="list-style-type: none"> In the last year, adverse market reaction to UK Government policy, the enduring impacts of COVID-19 and the conflict in Ukraine have all led to high inflation. Should the resultant rise in the cost of living be sustained for a lengthy period, it could have an impact on the ownership model of vehicles, potentially with a lower volume of vehicles per household. However, our exposure to high interest rates is minimal owing to our low levels of debt. It is of paramount importance to the resilience of our business that we can anticipate, and respond quickly to, the impacts of external events, particularly those which impact on our customers. We are therefore continuously reviewing our business continuity and crisis management arrangements to ensure that they consider the impacts of external events. Overall, we have performed well despite the uncertain national economy. Nevertheless, we remain wary of the threats posed by external events, and we continue to review our crisis and business continuity arrangements regularly. 	<ul style="list-style-type: none"> We monitor external events continuously and assess the ways in which our business could be impacted, both in the short term and in the longer term. Our Crisis Response team includes senior leadership and internal experts. Where necessary we also have external advisors available to support us in our response. Our business continuity plan, IT disaster recovery plan, and wider crisis management arrangements all set out the key steps required for us to respond to major events and restore operations in the event of downtime. We have identified the key internal stakeholders who are responsible for crisis management across all areas of the business. We have also nominated delegates to minimise single person dependencies. Our crisis management arrangements are tested regularly via simulated 'war games' scenarios. All key stakeholders within the organisation are involved and we capture lessons learned to continually improve our crisis management arrangements.

Viability statement

In accordance with the UK Corporate Governance Code 2018 (the 'Code'), the Directors have assessed the prospects and viability of the Group over a period significantly longer than 12 months from the approval of these financial statements.

Assessment of prospects

The Group's overall strategy and business model, as set out on pages 10 to 13, and pages 8 and 9, respectively, are central to assessing its future prospects. The Group's aim is to grow both its car buying and selling audiences, thereby strengthening its core advertising business. It will change how the UK shops for cars by providing the best online car buying experience and enabling all retailers to sell online.

As such, key factors likely to affect the future development, performance and position of the Group are:

- data and technology: continuous investment is made in developing platform technologies which lead to improvements for consumers, retailers and manufacturers;
- market position: the Group is the UK's largest digital automotive marketplace, with the largest volume of in-market car buyers and the most influential website a consumer visits when purchasing a vehicle; and
- people: continued success and growth are dependent on the ability to attract, retain and motivate a highly skilled workforce, with a particular focus on specialist technological and data skills.

The Board has determined that a period of five years to March 2028 is the most appropriate period to provide its viability statement as:

- it allows consideration of the longer-term viability of the Group;
- it being more aligned with the Group's strategic planning process; and
- it reflects reasonable expectations in terms of the reliability and accuracy of operational forecasts.

The Group's prospects are assessed primarily through its strategic planning process. This process includes an annual review of the ongoing plan, led by the Group CEO and CFO through the Operational Leadership Team and in conjunction with relevant functions. The Board participates fully in the annual process and has the task of considering whether the plan continues to take appropriate account of the external environment including technological, social and macro-economic changes.

The output of the annual review process is a set of objectives which collectively form our three strategic priorities and our Environmental, Social and Governance ('ESG') strategy, an analysis of the risks that could prevent the plan being delivered, and the annual financial budget. The latest updates to the plan were finalised in March 2023, which considered the Group's current position and its prospects over the forthcoming years. Progress against these plans is reviewed monthly by both the Operational Leadership Team and the Board.



The Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period ending March 2028.

Detailed financial forecasts that consider customer numbers, stock levels, ARPR, revenue, profit, cash flow and key financial ratios have been prepared for the five-year period to March 2028. Funding requirements have also been considered, with particular focus on the ongoing compliance with the covenants attached to the Group's Syndicated Revolving Credit Facility ('Syndicated RCF'). The first year of the financial forecasts is based off the Group's 2024 annual financial budget. The following years are prepared in detail and are flexed based on the actual results in year one.

The key assumptions in the financial forecasts, reflecting the overall strategy, include:

- continued growth in our core marketplace, as we develop our advertising platform and we continue to invest in our search experience;
- growth in digital retailing, as we continue to evolve both our products and consumer experience, bringing more of the car buying journey online;
- growth in the use of our data, being the industry standard platform and further embedding our data into the industry, giving buyers and retailers up-to-date insight; and
- increase in costs through salaries as the Group continues to grow, supporting and developing new products.

These key assumptions are reflected in the Group's principal risks and uncertainties, which are set out on pages 50 to 55. The purpose of the principal risks is primarily to summarise those matters that could prevent the Group from delivering on its strategy. A number of other aspects of the principal risks – because of their nature or potential impact – could also threaten the Group's ability to continue in business in its current form if they were to occur. This was considered as part of the assessment of the Group's viability, as explained opposite.

Assessment of viability

The output of the Group's strategic and financial planning process detailed previously reflects the Board's best estimate of the future prospects of the business. To make the assessment of viability, however, additional scenarios have been modelled over and above those in the ongoing plan, based upon a number of the Group's principal risks and uncertainties which are documented on pages 50 to 55. These scenarios were overlaid into the plan to quantify the potential impact of one or more of these crystallising over the assessment period. While each of the Group's principal risks has a potential impact and has therefore been considered as part of the assessment, only those that represent severe but plausible scenarios have been modelled through the plan. These were as follows:

Scenario modelled	Links to principal risks
<p>Scenario 1: Severe economic downturn</p> <p>Given the increase in the cost of living and steep rise in interest rates, the impact of a severe economic downturn has been considered. This would likely suppress consumer confidence, pressuring the used and new car markets, with retailers impacted due to an increase in their cost of capital. In the longer term, this landscape could be a catalyst for structural changes in the ownership model of vehicles, potentially including a rise in subscription-based models.</p> <p>Revenue assumptions: Approximately one third of retailers are lost, with underlying ARPR reducing through a loss of stock resulting in a 45% decrease in Trade revenue. A 40% decrease in all other revenue streams, including Autorama, was assumed due to reduced demand. Modest recovery was assumed for the financial year March 2026.</p> <p>Cost assumptions: Cost of sales and marketing decreased in line with revenue.</p>	<p>Risk 1: Automotive economy, market and business environment</p> <p>Risk 10: External catastrophic and geo-political events affecting customer and consumer behaviours</p>
<p>Scenario 2: Data breaches</p> <p>The impact of any regulatory fines has been considered. The biggest of these is the General Data Protection Regulation ('GDPR') fine for data breaches, which was enacted in May 2018. This scenario assumes a data breach resulting in the maximum fine (4% of Group revenue), coupled with a significant level of reputational damage to the Group's brand.</p> <p>Revenue assumptions: A severe reduction was modelled through Trade revenue, resulting in an initial 45% decrease in revenue driven by lost retailers. A 45% decrease in Consumer Services, Manufacturer and Agency and Autorama revenue was also assumed through the loss of consumer and partner confidence. Modest recovery was assumed for the financial year March 2025.</p> <p>Cost assumptions: Cost of sales and marketing decreased in line with revenue.</p>	<p>Risk 5: IT systems and cyber security</p> <p>Risk 7: Legal and regulatory compliance</p> <p>Risk 9: Brand and reputation</p>
<p>Scenario 3: Banning the sale of diesel cars</p> <p>The impact of climate change has been considered through the potential ban of diesel cars. The government has outlined plans to ban the sale of new conventional petrol and diesel cars from 2030. This scenario assumes the government brings forward the ban of diesel cars, and also applies it to used cars, in the financial year to March 2026. This would result in a significant impact on stock available as well as a loss of retailers who cannot operate viably without the sale of diesel cars.</p> <p>Revenue assumptions: Approximately one third of retailers are lost, with underlying ARPR reducing through a loss of stock, resulting in a 40% decrease in Trade revenue. A 16% decrease in Consumer Services revenue was assumed through lost private diesel car volumes. A modest impact to Manufacturer and Agency revenue was assumed with Manufacturers well progressed into the transition to selling electric vehicles. Autorama revenue decline of 30% due to reduction in volumes. Modest recovery was assumed through retailers for the financial year March 2027 and beyond.</p> <p>Cost assumptions: Cost of sales and marketing decreased in line with revenue.</p>	<p>Risk 1: Automotive economy, market and business environment</p> <p>Risk 2: Climate change</p> <p>Risk 6: Failure to innovate: disruptive technologies and changing consumer behaviours</p>
<p>Scenario 4: Combination of all three scenarios as above</p> <p>This is seen as a worst-case scenario, and highly unlikely.</p>	<p>All of the above</p>

The war in Ukraine

The war in Ukraine has the potential to materially impact the automotive value chain. As Russia is an exporter of key metals and other materials used in parts production, and Ukraine makes components used in production such as wiring harnesses, there is a direct disruption and rising price risk. The supply chain is already impacted by semi-conductor supply issues, and there could be a further impact to new car transactions. This scenario has not been modelled as the Group does not feel there is likely to be significant impact than that already seen, however it will continue to monitor the situation.

Syndicated Revolving Credit facility ('Syndicated RCF')

The above scenarios consider the bi-annual covenants attached to the Group's Syndicated RCF, ensuring thresholds are met. The scenarios are hypothetical and severe for the purpose of creating outcomes that have the ability to threaten the viability of the Group.

The results of the stress testing demonstrated that due to the Group's significant free cash flow, access to the Syndicated RCF and the Board's ability to adjust the discretionary share buyback programme, it would be able to withstand the impact of any of these scenarios, remain cash generative and meet the obligations of its debt facility.

Viability statement

Based on their assessment of prospects and viability above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period ending March 2028.

Going concern

The Directors also considered it appropriate to prepare the financial statements on the going concern basis, as explained in the Basis of preparation paragraph in note 1 to the financial statements.

The Company's Strategic report, set out on pages 2 to 57, was approved by the Board on 1 June 2023 and signed on its behalf by:

Nathan Coe
Chief Executive Officer
1 June 2023