A robust framework of governance underpinned by a culture of openness and transparency

Ed Williams
Chairman

"The Company complied with all provisions set out in the Corporate Governance Code for the period."

Corporate governance statement page 54

I am pleased to introduce our corporate governance statement which incorporates reports from the Chairmen of each of our Board Committees. These reports explain our governance policies and procedures in detail and describe how we have applied the principles of corporate governance contained in the UK Corporate Governance Code 2016 (the 'Code').

Compliance with the Corporate Governance Code
The Company complied with all provisions set out in the Code for the period.

Directors
Sean Glithero stepped down as Chief Financial Officer on 21 September 2017 after 11 years with Auto Trader. Sean made a significant contribution to the success of Auto Trader's transformation from a print to a digital business and was instrumental in taking our Company from private ownership to a listed UK plc. We would like to thank him for his tremendous contribution and wish him well in his next venture. Nathan Coe, Chief Operating Officer, took on the additional role of Chief Financial Officer from that date.

The composition of the Board is kept under continual review to ensure that it has the skills, experience and balance required for the proper stewardship of the business. We have three independent Non-Executive Directors, who bring with them significant commercial and financial expertise and are well placed to support the Executive Team in implementing our strategy. We have two Executive Directors and therefore comply with the relevant provision of the Code for at least half of the Board to be independent, excluding myself.

All Directors will offer themselves for election or re-election by the shareholders at the forthcoming AGM.

Board effectiveness
In our third year as a premium listed business, we engaged an external company, Independent Audit Limited, to facilitate our Board evaluation process.

A comprehensive review process was carried out, including a review of Board and Committee papers and observation of meetings as well as interviews with every Board member.

Committees of the Board

The Board has established the following Committees and has delegated certain functions and tasks within their approved Terms of Reference. This allows the Board to operate efficiently and focus on relevant areas of its responsibilities.

The membership of each Committee and a summary of its role is below. The full Terms of Reference of each Committee are published on the Company's website at **plc.autotrader.co.uk/investors**

Board

Nomination Committee

Members
- Ed Williams (Chairman)
- David Keens
- Jill Easterbrook
- Jeni Mundy

Role and Terms of Reference
Reviews the structure, size and composition of the Board and its Committees, and makes recommendations to the Board. Also covers diversity, talent development and succession planning.

Read more page 60

Audit Committee

Members
- David Keens (Chairman)
- Jill Easterbrook
- Jeni Mundy

Role and Terms of Reference
Reviews and reports to the Board on the Group's financial reporting, internal control, whistleblowing, internal audit and the independence and effectiveness of the external auditors.

Read more page 62

Remuneration Committee

Members
- Jill Easterbrook (Chairman)
- David Keens
- Jeni Mundy

Role and Terms of Reference
Responsible for all elements of the remuneration of the Executive Directors, the Chairman and senior employees.

Read more page 66

Disclosure Committee

Members
- Trevor Mather
- Nathan Coe
- Claire Baty

Role and Terms of Reference
Assists the Board in discharging its responsibilities relating to monitoring the existence of Inside Information and its disclosure to the market.

plc.autotrader.co.uk/investors

The review demonstrated that our Board and each Committee continue to function well, with only minor recommendations for improving effectiveness further.

The performance of every Director also remains effective. More detail can be found on page 56.

Remuneration Policy review
We also carried out a review of our Remuneration Policy during the year, and having consulted widely with shareholders and governance advisory agencies, we will be proposing some changes to our policy for approval at the 2018 AGM. We believe that the changes being proposed will result in a policy which will serve to attract, retain and motivate our executive colleagues, without being excessive. More details can be found in the Remuneration Policy on pages 68.

Annual General Meeting
Our Annual General Meeting ('AGM') will be held at 10.00 am on Thursday 20 September 2018 at 4th Floor, 1 Tony Wilson Place, Manchester, M15 4FN and we expect that all Directors will be in attendance.

Ed Williams
Chairman
7 June 2018

Board of Directors

The dates of appointment shown are the dates on which the Directors were first appointed to the Board of Auto Trader Group plc or the Group's previous parent company, Auto Trader Holding Limited.

1. Ed Williams

Chairman

Biography

Ed has been a Non-Executive Director of Auto Trader since November 2010 and Chairman since March 2014.

He was the founding Chief Executive of Rightmove plc, serving in that capacity from November 2000 until his retirement from the business in April 2013. Rightmove plc was floated on the London Stock Exchange in February 2006. Prior to Rightmove, Ed spent the majority of his career as a management consultant with Accenture and McKinsey & Co. Ed holds an MA in Philosophy, Politics and Economics from St Anne's College, Oxford.

Appointed to Board: November 2010.

Independent on appointment: Yes.

External appointments: Idealista S.A.

Committee memberships: Nomination (Chairman).

2. Trevor Mather

Chief Executive Officer

Biography

Trevor joined Auto Trader as Chief Executive Officer in June 2013. Previously, Trevor was President and CEO of ThoughtWorks, a global IT and software consulting company.

Trevor joined ThoughtWorks in 2001, to kick-start the UK branch of the company, and then took responsibility for all international operations before becoming CEO in 2007. He helped oversee the business grow from a 300-person North American company to a 2,200-person global business with operations in 29 cities around the world with a particular personal focus on helping businesses become truly digital. Before his time at ThoughtWorks, Trevor spent almost 10 years at Andersen Consulting (now Accenture) focusing on e-business solutions. Trevor holds an MEng in Aeronautics and Astronautics from Southampton University.

Appointed to Board: June 2013.

Independent: N/A.

External appointments: Burns Sheehan Limited; Forever Manchester.

Committee memberships: Disclosure.

3. Nathan Coe

Chief Financial Officer and Chief Operating Officer

Biography

Nathan was appointed to the Board as Chief Operating Officer ('COO') in April 2017 and as Chief Financial Officer ('CFO') in July 2017. Nathan joined Auto Trader in 2007 to oversee the transition from a magazine business to being a pure digital company. He was responsible for launching a number of new business areas, and led the Company's early entry and subsequent growth in mobile and online. For the past two years, Nathan has been the joint Operations Director, sharing responsibility for the day-to-day operations of the business.

Prior to joining Auto Trader, Nathan was at Telstra, Australia's leading telecommunications company, where he led Mergers and Acquisitions and Corporate Development for its media and internet businesses. He was previously a consultant at PwC, having graduated from the University of Sydney with a B.Com. (Hons).

Appointed to Board: April 2017.

Independent: N/A.

External appointments: None.

Committee memberships: Disclosure.

4. David Keens

Senior Independent Non-Executive Director

Biography

David was appointed as a Non-Executive Director on 1 May 2015.

David was previously Group Finance Director of NEXT plc (1991 to 2015) and its Group Treasurer (1986 to 1991). Previous management experience includes nine years in the UK and overseas operations of multinational food manufacturer Nabisco (1977 to 1986) and prior to that seven years in the accountancy profession. David is a member of the Association of Chartered Certified Accountants and of the Association of Corporate Treasurers.

Appointed to Board: May 2015.

Independent: Yes.

External appointments: J Sainsbury plc.

Committee memberships: Audit (Chairman), Nomination, Remuneration.

5. Jill Easterbrook

Independent Non-Executive Director

Biography

Jill was appointed as a Non-Executive Director to the Board on 1 July 2015.

Jill is currently the CEO of Boden, the clothing retailer.

Jill was previously at Tesco PLC (2001-16) where she was a member of the Executive Committee, having held a variety of roles across Strategy and Operations.

Jill started her career at Marks & Spencer in buying and merchandising and also spent time as a management consultant with Capgemini Ernst & Young.

Appointed to Board: July 2015.

Independent: Yes.

External appointments: Boden Limited.

Committee memberships: Remuneration (Chairman), Nomination, Audit.

6. Jeni Mundy

Independent Non-Executive Director

Biography

Jeni was appointed as a Non-Executive Director on 1 March 2016.

Jeni was previously at Vodafone (1998 to 2017). Most recently she held Group Director roles across Product Management and Sales. Prior to that she was Chief Technology Officer on the UK and New Zealand Executive Boards.

Jeni started her career as a Telecommunications Engineer with BellSouth in New Zealand and holds an MSc in Electronic Engineering from Cardiff University.

Appointed to Board: March 2016.

Independent: Yes.

External appointments: None.

Committee memberships: Remuneration, Nomination, Audit.

This corporate governance statement explains key features of the Company's governance framework and how it complies with the UK Corporate Governance Code published in 2016 by the Financial Reporting Council.

Introduction

This statement also includes items required by the Listing Rules and the Disclosure Guidance and Transparency Rules ('DTRs'). The UK Corporate Governance Code (the 'Code') is available on the Financial Reporting Council website at **frc.org.uk**

Compliance with the 2016 Code

The Company has complied in full with all provisions of the 2016 Corporate Governance Code during the year.

This report is structured to follow each of the sections of the Code:

Governance

- **A Leadership** See page 54
- **B Effectiveness** See page 56
- **C Accountability** See page 58
- **D Remuneration** See page 59
- **E Relations with shareholders** See page 59

A Leadership

Board and Committee meetings and attendance
Board meetings are planned around the key events in the corporate calendar, including the half-yearly and final results and the Annual General Meeting ('AGM'), and a strategy meeting is held each year.

In months where there is no Board meeting, a financial update call is held at which the Board discusses results with operational management. Once a year, Directors spend a day visiting customers.

During the year, the Chairman and Non-Executive Directors have met without Executive Directors present. In addition, the Non-Executive Directors have met without the Chairman and the Executive Directors present.

Board responsibilities
The Board has adopted a formal schedule of matters reserved for its approval and has delegated other specific responsibilities to its Committees. The schedule sets out key aspects of the affairs of the Company which the Board does not delegate. It is reviewed at least annually, and is published on our website at **plc.autotrader.co.uk/investors**

Refer to page 51 for a summary of these matters.

Insurance
The Company maintains appropriate insurance to cover Directors' and officers' liability for itself and its subsidiaries and such insurance was in force for the whole of the financial year ending 31 March 2018.

	Board	Audit	Remuneration	Nomination
Number of scheduled meetings held	8	4	7	3
Director				
Ed Williams	8	n/a	n/a	3
Trevor Mather	8	n/a	n/a	n/a
Nathan Coe	8	n/a	n/a	n/a
David Keens	8	4	7	3
Jill Easterbrook	8	4	7	3
Jeni Mundy	8	4	7	3

Board roles

To ensure a clear division of responsibility at the head of the Company, the positions of Chairman and Chief Executive Officer are separate and not held by the same person.

The division of roles and responsibilities between the Chairman and the Chief Executive Officer is set out in writing and has been approved by the Board.

David Keens is the Senior Independent Director.

Chairman

- Leadership and governance of the Board.
- Creating and managing constructive relationships between the Executive and Non-Executive Directors.
- Ensuring ongoing and effective communication between the Board and its key shareholders.
- Setting the Board's agenda and ensuring that adequate time is available for discussions.
- Ensuring the Board receives sufficient, pertinent, timely and clear information.

Chief Executive Officer

- Responsible for the day-to-day operations and results of the Group.
- Developing the Group's objectives and strategy and successful execution of strategy.
- Responsible for the effective and ongoing communication with shareholders.
- Delegates authority for the day-to-day management of the business to the Operational Leadership Team (comprising the Executive Directors and senior management) who have responsibility for all areas of the business.

Non-Executive Directors

- Scrutinise and monitor the performance of management.
- Constructively challenge the Executive Directors.
- Monitor the integrity of financial information, financial controls and systems of risk management.

Senior Independent Director

- Acts as a sounding board for the Chairman.
- Available to shareholders if they have concerns which the normal channels through the Chairman, Chief Executive Officer or other Directors have failed to resolve.
- Meets with the other Non-Executive Directors without Executive Directors present.
- Leads the annual evaluation of the Chairman's performance.

Company Secretary

- Available to all Directors to provide advice and assistance.
- Responsible for providing governance advice.
- Ensures compliance with the Board's procedures, and with applicable rules and regulations.
- Acts as secretary to the Board and all Committees.

Overall authority for the management and conduct of the Group's business, strategy, objectives and development.

Monitoring delivery of business strategy and objectives; responsibility for any necessary corrective action.

Oversight of operations including effectiveness of systems of internal controls and risk management.

Board responsibilities

Providing leadership for the long-term success of the Group

Approval of changes to the capital, corporate and/or management structure of the Group.

Approval of the Annual Report and Financial Statements, communications with shareholders and the wider investment community.

Approval of the dividend policy.

B Effectiveness

Board composition, balance and independence
At the date of this report, the Board consists of the Non-Executive Chairman, three independent Non-Executive Directors and two Executive Directors.

All of the Non-Executive Directors (David Keens, Jill Easterbrook and Jeni Mundy) are considered to be independent in character and judgement, and free of any business or other relationship which could materially influence their judgement. Ed Williams was considered to be independent on appointment. The Chairman's fees and the Non-Executive Directors' fees are disclosed on pages 75 and 79, and they received no additional remuneration from the Company during the year.

Therefore, at 31 March 2018 and to the date of this report, the Company is compliant with the Code provision that at least half the Board, excluding the Chairman, should comprise independent Non-Executive Directors.

The Board and its Committees have an appropriate balance of skills, experience and knowledge of the Group to enable them to discharge their respective duties and responsibilities effectively in accordance with main principle B.1 of the Code. Biographies of all members of the Board appear on pages 52 and 53.

Appointments to the Board
The Board has established a Nomination Committee, chaired by Ed Williams, with all other members comprising independent Non-Executive Directors, and one of the main responsibilities of this Committee is to identify and nominate candidates for appointment as Directors to the Board. The work of the Committee is described on pages 60 and 61.

Non-Executive appointments to the Board are for an initial term of up to three years. Non-Executive Directors are typically expected to serve two three-year terms, although the Board may invite the Director to serve for an additional period.

Letters of appointment
The Chairman and the Non-Executive Directors have letters of appointment which are available for inspection at the registered office of the Company during normal business hours and at the place of the AGM from at least 15 minutes before and until the end of the meeting. These letters set out the expected time commitment from each Director.

External directorships
Any external appointments or other significant commitments of the Directors require the prior approval of the Board. Trevor Mather is a director on the board of Burns Sheehan Limited, a recruitment business, for which he does not receive any remuneration. The Board approved the appointment and confirmed that it was satisfied that there was no conflict of interest arising. Trevor is also Chair of Forever Manchester, a charity which Auto Trader supports through donations. Nathan Coe does not have any external directorships as at the date of this report. The Board is comfortable that external appointments of the Chairman and the Non-Executive Directors do not impact on the time that any Director devotes to the Company.

In accordance with the Company's Articles of Association, the Board has a formal system in place for Directors to declare conflicts of interests and for such conflicts to be considered for authorisation.

Induction and development
All newly appointed Directors receive an induction briefing on their duties and responsibilities as Directors of a publicly quoted company. There is a formal induction programme to ensure that newly appointed Directors familiarise themselves with the Group and its activities, either through reading, meetings with the relevant member of senior management or through sessions in the Board meetings.

Each Board meeting contains a presentation from senior management on one of the focus areas for the year. Specific business-related presentations are given to the Board by senior management and external advisors when appropriate – refer to the table of activities opposite.

All Directors are offered the opportunity to meet with customers and take part in sales calls to understand the business from a customer's perspective. There is a formal day of 'dual calling' where Board members accompany the sales force on their visits to customers. All Directors now receive a weekly newsletter from our sales and service team to ensure they are kept informed of the latest customer dialogue and sentiment.

The Board as a whole is updated, as necessary, in light of any governance developments as and when they occur, and there is an annual Legal and Regulatory Update provided as part of the Board meeting. All Directors are required to complete our annual compliance training modules covering anti-bribery, anti-money laundering, data protection and information security.

As part of the Board evaluation, the Chairman meets with each Director to discuss any individual training and development needs.

Information and support available to Directors
Full and timely access to all relevant information is given to the Board. For Board meetings, this consists of a formal agenda, minutes of previous meetings and a comprehensive set of papers including regular operational and financial reports, provided to Directors in a timely manner in advance of meetings.

All of the Directors have the right to have their opposition to, or concerns over, any Board decision noted in the minutes. Directors are entitled to take independent professional advice at the Company's expense in the furtherance of their duties, where considered necessary.

All Directors have access to the advice and services of the Company Secretary, Claire Baty.

Election of Directors
The Board can appoint any person to be a Director, either to fill a vacancy or as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next AGM and shall then be eligible for election by the shareholders.

Board and Committee activities in 2018

	Strategy	Operational	Financial	People	Shareholders	Risk and governance
Regular reports received		**Monthly operational report with key achievements and issues in the month, view of the industry, competitors and customers.**	**Monthly financial report with results, KPIs, outturn and external view.**	**Monthly report of people changes, recruitment, resourcing needs and employee engagement.**	**Regular feedback from investor meetings.** **Quarterly shareholder analysis.**	**Approval of material contracts.** **Governance and regulatory updates.**
2017 April	Acquisition of Motor Trade Delivery Limited. Accelerate audience, ad views and valuations growth.					Annual review of governance framework. Business continuity planning and disaster recovery.
2017 June			Approval of Annual Report and Preliminary Results Announcement.	Bonus approval for 2017 PSP targets and grants.	Confirmation of Group's capital structure and the dividend policy. Approval of final dividend.	Review and approval of Group risk register. Review and approval of viability statement.
2017 July	Improve stock choice, volumes and accuracy.			Appointment of Nathan Coe as joint CFO/COO. Develop consistently high-performing, data-oriented teams AT-wide.	Reviewed feedback from analysts and investors from results roadshow.	
2017 September	Become known by consumers, retailers and manufacturers as a new car destination.			Appointment of Deloitte as Remuneration Committee advisors.	Reviewed feedback from investors and proxy advisory agencies in advance of Annual General Meeting ('AGM').	Review and approval of Modern Slavery Statement. Criminal offence of tax evasion. Insurance programme.
2017 October	Strategy off-site including customer visits. Pricing and product strategy for 2018.			Diversity and inclusion. Succession planning.		Review approach to risk management.
2017 November			Approval of half-yearly report. Capital strategy and refinancing.	Initial review of Remuneration Policy.	Approval of interim dividend.	Review and approval of Group risk register.
2018 February	2019 Operating plan.	ROI on marketing activity.	Review of tax compliance.	Gender Pay Gap reporting and action plan. Approval of changes to Remuneration Policy to be proposed to shareholders.	Reviewed feedback from analysts and investors from results roadshow.	Legal and regulatory update. Review of internal control framework. Review of progress towards GDPR compliance.
2018 March		Large customers update.	2019 Financial plan.	Salary reviews and bonus targets for 2019.	Feedback from Capital Markets Day. Feedback from shareholder consultation on Remuneration review.	External Board evaluation feedback and action plan.

Board evaluation and effectiveness

In the third year as a listed company, the Board engaged Independent Audit Limited to facilitate an external evaluation of the Board, Committees and individual Directors during the year.

This included interviews with each of the Board Directors and members of senior management, review of Board and Committee papers and observation of Board and Committee meetings. The draft findings were discussed with the Chairman and then presented to the Board in March 2018.

Actions arising from the review	
The Board and Committees operate with a relatively informal and high trust approach, and should monitor that this continues to function well.	This will be kept under continuous review, and specifically focused on during meetings of the Chairman and Non-Executive Directors, including review of any behavioural early warnings, weakening business performance relative to the economic cycle, and retrospective review of major decisions taken.
The Board should develop a systematic approach to building a view of and measuring the culture of the business.	A cultural scorecard will be developed and used by the Board to formally measure and track culture.
The Nomination Committee should focus on succession planning and motivation of senior managers beyond the Board.	The Terms of Reference of the Nomination Committee have been broadened to explicitly include talent development and succession planning below Board level.
The Board should consider opportunities for deeper and wider contact between the Non-Executive Directors and the wider workforce.	More opportunities for contact are being developed, including employee forums, attendance at all-employee events and greater exposure to areas of the business on an ad hoc and informal basis.
Board papers should be reviewed to ensure they are consistent and concise, and address the desired areas.	The Company Secretary will review all Board papers to ensure that every paper has a clear purpose and positioning to give focus to Board discussions.

In addition, an assessment of the Chairman's performance was carried out, led by the Senior Independent Director, and feedback was provided to him individually.

Overall, the results showed that the Board and its Committees continue to operate well, and that each individual Director continues to make an effective contribution.

C Accountability

The Board has established an Audit Committee, chaired by David Keens and comprised entirely of Independent Non-Executive Directors. The Committee has defined Terms of Reference which include assisting the Board in discharging many of its responsibilities with respect to financial and business reporting, risk management and internal control. The work of the Committee is described on pages 62 to 65.

Financial and business reporting

Assisted by the Audit Committee, the Board has carried out a review of the 2018 Annual Report and considers that, in its opinion, the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Refer to the Audit Committee report on page 63 for details of the review process.

See pages 18 to 21 in the Strategic report for a description of our business model, strategy and focus areas.

See page 38 for the Board's statement on going concern and the viability statement.

Risk management and internal control

The Company does not have a separate Risk Committee; the Board is collectively responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The processes in place for assessment, management and monitoring of risks are described in a separate section on pages 32 to 33.

The Board acknowledges its responsibility for establishing and maintaining the Group's system of risk management and internal controls and it receives regular reports from management identifying, evaluating and managing the risks within the business. The system of internal controls is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss. The Audit Committee reviews the system of internal controls through reports received from management, along with others from internal and external auditors. Management continues to focus on how internal controls and risk management can be further embedded into the operations of the business and on how to deal with areas of improvement which come to the attention of management and the Board.

The Board, assisted by the Audit Committee, has carried out a review of the effectiveness of the system of risk management and internal controls during the year ended 31 March 2018 and for the period up to the date of approval of the consolidated financial statements contained in the Annual Report. The review covered all material controls, including financial, operational and compliance controls and risk management systems. The Board considered the weaknesses identified and reviewed the developing actions, plans and programmes that it considered necessary. The Board confirms that no significant weaknesses or failings were identified as a result of the review of effectiveness.

D Remuneration

The Board has established a Remuneration Committee, chaired by Jill Easterbrook and comprised entirely of Independent Non-Executive Directors. The work of the Committee is described on pages 66 to 80.

E Relations with shareholders

The Board has a comprehensive investor relations programme to ensure that existing and potential investors understand the Company's strategy and performance. As part of this programme, the Executive Directors give formal presentations to investors and analysts on the half-year and full-year results in November and June respectively. These updates are webcast live and then posted on the Group's website and are available to all shareholders.

The results presentations are followed by formal investor roadshows in the UK and overseas.

In March 2018, a Capital Markets Day was held, attended by institutional investors, buy-side and sell-side analysts. During the Capital Markets Day, the Executive Directors presented an update on progress made since the IPO, information about long-term risks and opportunities, the automotive market and the competitive environment. Members of senior management also presented more detail on the Company's customers, consumers and products, including product demonstrations.

All announcements, investor presentations, the Capital Markets Day presentations and the Annual Report are on the Company's website: **plc.autotrader.co.uk/investors**

During the year, the Company carried out an extensive consultation process in relation to the Remuneration Policy to be proposed at the 2018 AGM, which included contact with the top 30 investors, and with proxy advisory agencies.

There is also an ongoing programme of attendance at conferences, one-to-one meetings and group meetings with institutional investors, fund managers and analysts. These meetings cover a wide range of issues, including strategy, performance and governance, but care is exercised to ensure that any price-sensitive information is released to all shareholders, institutional and private, at the same time. Meetings which relate to governance are attended by the Chairman or another Non-Executive Director as appropriate. Private shareholders are encouraged to give feedback and communicate with the Board through **ir@autotrader.co.uk**

The Board receives regular reports on issues relating to share price, trading activity and movements in institutional investor shareholdings. The Board is also provided with current analyst opinions, forecasts and feedback from its joint corporate brokers, Bank of America, Merrill Lynch and Numis, on the views of institutional investors on a non-attributed and attributed basis, and on the views of analysts from its finance PR agency, Powerscourt. Any major shareholders' concerns are communicated to the Board by the Executive Directors.

The Chairman, the Senior Independent Director and other Non-Executive Directors are available to meet with shareholders and arrangements can be made through the Company Secretary.

Annual General Meeting

The AGM of the Company will take place at 10.00 am on Thursday 20 September 2018 at the Company's registered office at 4th Floor, 1 Tony Wilson Place, Manchester, M15 4FN. All shareholders have the opportunity to attend and vote, in person or by proxy, at the AGM.

All proxy votes received in respect of each resolution at the AGM are counted and the balance for and against, and any votes withheld, are indicated. At the meeting itself, voting on all the proposed resolutions is conducted on a poll rather than a show of hands, in line with recommended best practice. The Chairman, the Chair of each of the Committees and the Executive Directors are present at the AGM and available to answer shareholders' questions.

The Notice of the AGM can be found in a booklet which is being mailed out at the same time as this Annual Report. The Notice of the AGM sets out the business of the meeting and an explanatory note on all resolutions. Separate resolutions are proposed in respect of each substantive issue. Results of resolutions proposed at the AGM will be published on the Company's website: **plc.autotrader.co.uk/investors** following the AGM.

Ed Williams
Chairman of the Nomination Committee

Composed of the Chairman and three independent Non-Executive Directors.

At least one meeting held per year.

Meetings are attended by the Chief Executive Officer and other relevant attendees by invitation.

For more information on the Committee's Terms of Reference visit **plc.autotrader.co.uk/investors**

Three meetings were held during the year:

	Meetings attended/ total meetings held	Percentage of meetings attended
Ed Williams (Chairman)	3/3	100%
David Keens	3/3	100%
Jill Easterbrook	3/3	100%
Jeni Mundy	3/3	100%

Our progress in 2018:

- Appointment of Nathan Coe in joint role of Chief Financial Officer and Chief Operating Officer and continued monitoring of succession planning.
- Further focus on diversity and inclusion.
- Renewal of additional three-year term for the Chairman and Senior Independent Director.
- Engagement of external Board evaluators and review of the recommendations.

In 2019 we will:

- Continue to monitor Board and senior management succession in the context of the Company's long-term strategy.
- Renewal of additional three-year terms for Non-Executive Directors.
- Support management and the Board in promoting diversity in senior management and across the workforce.

Dear shareholders,

I am pleased to present the Report of the Nomination Committee for 2018.

Role of the Committee
The Committee reviews the structure, size and composition of the Board and its Committees, and makes appropriate recommendations to the Board for appointments to the Board.

The Committee also has specific responsibility to oversee diversity and inclusion across the whole Group; and as a result of the external Board evaluation, now monitors talent development below Board level.

How the Committee operates
All members of the Committee are independent Non-Executive Directors. The Chairman of the Board chairs all meetings of the Committee unless they relate to the appointment of his successor; for these meetings, the Senior Independent Director ('SID') is invited to take the Chair unless the SID is in contention for the role.

The Committee meets at least annually, and on an ad hoc basis as required throughout the year. Only members of the Committee have the right to attend meetings; however, the Chief Executive Officer attends for all or part of meetings so that the Committee can understand his views, particularly on key talent within the business.

Succession planning in action
The Committee recognises that effective succession planning is critical to the Company's long-term success.

Our succession plans were put into action when Sean Glithero announced his intention to resign in July 2017. The Committee considered the options for replacing Sean, and agreed that, in line with the succession plan, Nathan Coe was the most suitable candidate for CFO in addition to his existing role as COO, and so was appointed as joint CFO/COO with effect from 21 September 2017.

Following Nathan's appointment and Sean's departure, the Committee reviewed and updated the succession plan to ensure orderly succession for the Board and senior management, in the context of the Group's strategy. The succession plan takes into account future skills requirements in the context of the Group's strategy, as well as recognising the importance of growing and developing our internal talent.

Policy on appointments to the Board
The most important priority of the Committee has been, and will continue to be, ensuring that members of the Board should collectively possess the broad range of skills, expertise and industry knowledge, and business and other experience necessary for the effective oversight of the Group.

Appointments are made on merit, against objective criteria and with due regard to the benefits of diversity on the Board. The Committee takes account of a variety of factors before recommending any new appointments to the Board, including relevant skills to perform the role, experience, knowledge and diversity, including gender diversity.

We have a target of women representation on our Board of 25%, and we continue to meet this target, as two of our six Board members are women.

Diversity and inclusion
The Nomination Committee's Terms of Reference also include the responsibility to oversee diversity and inclusion across the whole Group, not just at Board and senior management level.

The Company has established a Diversity and Inclusion Guild, with representation from across all parts of the business and led by members of our Operational Leadership Team. This guild is responsible for developing and driving our strategy to create a diverse, inclusive and conscious Auto Trader, and reports to the Nomination Committee on its activities and progress.

Diversity at Auto Trader means respect for and appreciation of differences in: gender, age, sexual orientation, disability, race and ethnic origin, religion and faith, marital status, social, educational background and way of thinking. We do not set targets but we do aim for our employee workforce to be reflective of the communities in which we operate, across all aspects of diversity.

We acknowledge the recommendations of the Hampton-Alexander Review and we are committed to strengthening women representation at senior management level and throughout the organisation, particularly in parts of the business where women are currently unrepresented, such as technology.

We are pleased to report that 50% of our Operational Leadership Team ('OLT') and 27% of the OLT's direct reports are women.

External Board evaluation
During the year, there was an externally facilitated Board evaluation. This is described in detail on page 58 of the corporate governance statement.

Independence and re-election to the Board
In accordance with the UK Corporate Governance Code, all Directors will retire and offer themselves for election or re-election to the Board.

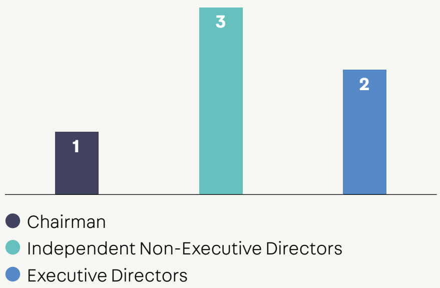
The Directors who have been in post throughout the year have been subject to a formal evaluation process, and both the Committee and the Board are satisfied that all Directors continue to be effective in, and demonstrate commitment to, their respective roles on the Board and that each makes a valuable contribution to the leadership of the Company.

The Board therefore recommends that shareholders approve the resolutions to be proposed at the 2018 AGM relating to the election and re-election of the Directors.

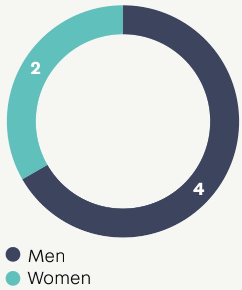
I will be available at the AGM to answer any questions on the work of the Committee.

Ed Williams
Chairman of the Nomination Committee
7 June 2018

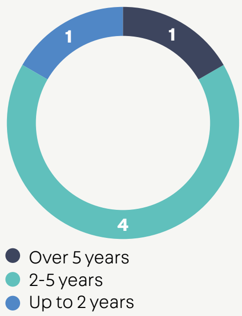
Board composition
As at 31 March 2018



Board diversity
As at 31 March 2018



Board tenure
As at 31 March 2018



David Keens
Chairman of the Audit Committee

Composed of three independent Non-Executive Directors.

David Keens is considered by the Board to have recent and relevant experience. All members have significant commercial and operating experience in consumer and digital businesses.

At least three meetings held per year.

Meetings are attended by the Chief Financial Officer and Chief Operating Officer, Chief Executive Officer, internal auditors and external auditors by invitation.

For more information on the Committee's Terms of Reference visit **plc.autotrader.co.uk/investors**

Four meetings were held during the year:

	Meetings attended/ total meetings held	Percentage of meetings attended
David Keens (Chairman)	4/4	100%
Jill Easterbrook	4/4	100%
Jeni Mundy	4/4	100%

Our progress in 2018:

- Focus on key areas of judgement, including acquisition accounting for Motor Trade Delivery and treatment of contingent liability for VAT treatment of insurance revenue.
- Review of effectiveness of internal audit function, internal controls and risk management framework.
- Evaluate effectiveness and independence of external audit.
- Review of GDPR compliance.

In 2019 we will:

- Agree with KPMG any changes for their 2019 audit.
- Review the impact of changes to accounting policies for IFRS 9, IFRS 15 and IFRS 16.
- Continue to review the effectiveness of the internal audit function and risk management framework.

Dear shareholders,

I am pleased to introduce the Audit Committee report for 2018.

The Committee operates under defined Terms of Reference and assists the Board in discharging many of its responsibilities over monitoring the integrity of the Group's financial reporting; the effectiveness of the internal control and risk management framework; the internal audit function; and the independence and effectiveness of the external auditors. The Committee is comprised entirely of independent Non-Executive Directors. I fulfil the requirement for a Committee member to have recent and relevant financial experience, and all members (and therefore the Committee as a whole) have competence in consumer and digital businesses.

The Committee met four times during the year, arranged around our external reporting and audit cycle and with an additional meeting this year in relation to GDPR compliance. Meetings are attended by the CFO/COO and other members of management by invitation, and with representation from KPMG and Deloitte. The Committee reviewed significant accounting matters with an appropriate level of challenge and debate. We believe that the information in this Annual Report clearly explains progress against our strategic objectives and is fair, balanced and understandable.

The Committee plays a key role in ensuring that we continue to have a robust internal control and risk management process. Our internal audit function is outsourced to Deloitte LLP, who continue to provide us with specialist expertise in delivering a risk-based rolling review programme.

At the 2017 AGM, shareholders approved the Board's recommendation to re-appoint KPMG LLP as our external auditors. The Committee has carried out a review of the effectiveness and independence of KPMG and has recommended to the Board that they are re-appointed at the 2018 AGM.

David Keens
Chairman of the Audit Committee
7 June 2018

Financial reporting

The primary role of the Committee in relation to financial reporting is to review and monitor the integrity of the financial statements, including annual and half-year reports, result announcements, dividend proposals and any other formal announcement relating to the Group's financial performance.

The Committee assessed the quality and appropriateness of the accounting principles and policies adopted, and whether management had made appropriate underlying estimates and judgements. In doing so, the Committee reviewed management reports in respect of the main financial reporting issues and judgements made, together with reports prepared by the external auditor on the 2018 half-year statement and 2018 Annual Report.

The Committee, with assistance from management and KPMG, identified areas of financial statement risk and judgement as described below.

Description of focus area	Audit Committee action
Revenue recognition	
Revenue recognition for the Group's revenue streams is not complex. However, this remained an area of focus for KPMG due to the large volume of transactions and as revenue is the most material figure in the financial statements. KPMG carried out a review of our revenue recognition policies; performed detailed analytical procedures; tested completeness and existence of revenue by matching sales information from sales systems to the financial systems and to cash receipts; reviewed customer contracts; tested revenue cut-off and assessment of deferred and accrued revenue; and carried out other computer-assisted audit techniques. KPMG also reviewed the Group's assessment of IFRS 15 which will be adopted from 1 April 2018 when it becomes mandatory.	The Committee was satisfied with the explanations provided and conclusions reached.
Share-based payments	
The Company has a number of share-based payment arrangements, accounted for under IFRS 2, which requires the use of valuation models and certain assumptions in determining their fair value at grant and in the recognition of charges and, as such, is an area of judgement for management.	The Committee reviewed the assumptions made by management, particularly in relation to profit forecasts that determine the proportion of shares granted under the PSP and DABP. The Committee reviewed the comments within KPMG's report into the calculation of the charge and satisfied itself that the share-based payment accounting is appropriate and in accordance with accounting standards.
Acquisition accounting	
Management's assessment of the allocation of goodwill and intangible assets as part of the acquisition of Motor Trade Delivery requires significant judgement. KPMG evaluated the process and models used, challenged the assessment of the identification of intangible assets and verified the reliability and relevance of the data used.	The Committee reviewed the assumptions made by management in respect of the identification and valuation of intangible assets, and the allocation of consideration, and was satisfied that these were appropriately accounted for under IFRS 3.
Going concern and viability statement	
The Directors must satisfy themselves as to the Group's viability and confirm that they have a reasonable expectation that it will continue to operate and meet its liabilities as they fall due. The period over which the Directors have determined it is appropriate to assess the prospects of the Group has been defined as three years. In addition, the Directors must consider if the going concern assumption is appropriate.	The Committee reviewed management's schedules supporting the going concern assessment and viability statements. These included the Group's medium-term plan and cash flow forecasts for the period to March 2021. The Committee discussed with management the appropriateness of the three-year period, and discussed the correlation with the Group's principal risks and uncertainties as disclosed on pages 34 to 37. The feasibility of mitigating actions and the potential speed of implementation to achieve any flexibility required was discussed. The Committee evaluated the conclusions over going concern and viability and the proposed disclosures in the financial statements and satisfied itself that the financial statements appropriately reflect the conclusions.

Fair, balanced and understandable

At the request of the Board, the Committee has reviewed the content of the 2018 Annual Report and considered whether, taken as a whole, in its opinion it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy. The Committee was provided with an early draft of the Annual Report, and provided feedback on areas where further clarity or information was required in order to provide a complete picture of the Group's performance. The final draft was then presented to the Audit Committee for review before being recommended for approval by the Board. When forming its opinion, the Committee reflected on discussions held during the year and reports received from the external auditor and considered the following main areas:

Is the report fair?	– Is a complete picture presented and has any sensitive material been omitted that should have been included? – Are key messages in the narrative aligned with the KPIs and are they reflected in the financial reporting? – Are the revenue streams described in the narrative consistent with those used for financial reporting in the financial statements?
Is the report balanced?	– Is there a good level of consistency between the reports in the front and the reporting in the back of the Annual Report? – Do you get the same messages when reading the front end and the back end independently? – Is there an appropriate balance between statutory and adjusted measures and are any adjustments explained clearly with appropriate prominence? – Are the key judgements referred to in the narrative reporting and significant issues reported in the Report of the Audit Committee consistent with disclosures of key estimation uncertainties and critical judgements set out in the financial statements? – How do these compare with the risks that KPMG are planning to include in their report?
Is the report understandable?	– Is there a clear and cohesive framework for the Annual Report? – Are the important messages highlighted and appropriately themed throughout the document? – Is the report written in accessible language and are the messages clearly drawn out?

Following the Committee's review, the Directors confirm that, in their opinion, the 2018 Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Risk management and internal control

The Committee's responsibilities include a review of the risk management systems and internal controls to ensure that they remain effective and that any identified weaknesses are properly dealt with. The Committee:

- reviews annually the effectiveness of the Group's internal control framework;
- receives reports from the Group's outsourced internal audit function and ensures recommendations are implemented where appropriate; and
- reviews reports from the external auditors on any issues identified in the course of their work, including any internal control reports received on control weaknesses, and ensures that there is an appropriate response from management.

The Group has internal controls and risk management systems in place in relation to its financial reporting processes and preparation of consolidated accounts. These systems include policies and procedures to ensure that adequate accounting records are maintained and transactions are recorded accurately and fairly to permit the preparation of financial statements in accordance with IFRS. The internal control systems include the elements described below.

Element	Approach and basis for assurance
Risk management	Whilst risk management is a matter for the Board as a whole, the day-to-day management of the Group's key risks resides with the Operational Leadership Team ('OLT') and is documented in a risk register. A review and update of the risk register is undertaken twice a year and reviewed by the Board. The management of identified risks is delegated to the OLT, and regular updates are given to executive management at quarterly steering group meetings.
Financial reporting	Group consolidation is performed on a monthly basis with a month-end pack produced that includes an income statement, balance sheet, cash flow statement and detailed analysis. The month-end pack also includes KPIs and these are reviewed each month by the OLT and the Board. Results are compared against the Plan or Reforecast and narrative provided by management to explain significant variances.
Budgeting and reforecasting	An annual Plan is produced and monthly results are reported against this. A half-year Reforecast is produced. The Plan and the Reforecast are prepared using a bottom up approach, informed by a high-level assessment of market and economic conditions. Reviews are performed by the OLT and the Board whilst the Plan is also compared to the top down Medium Term Plan ('MTP') as a sense check. The Plan is approved by the OLT and the Board, and the Reforecast is approved by the OLT and reported to the Board.
Delegation of authority and approval limits	A documented structure of delegated authorities and approval for transactions is maintained beyond the Board's Terms of Reference. This is reviewed regularly by management to ensure it remains appropriate for the business.
Segregation of duties	Procedures are defined to segregate duties over significant transactions, including procurement, payments to suppliers, payroll and discounts/refunds. Key reconciliations are prepared and reviewed on a monthly basis to ensure accurate reporting.

Internal audit
Deloitte has been appointed as the Group's outsourced internal audit function. They are accountable to the Audit Committee and use a risk-based approach to provide independent assurance over the adequacy and effectiveness of the control environment. The internal audit work plan for 2018 was approved by the Audit Committee and covers a broad range of core financial and operational processes and controls, focusing on specific risk areas, including:

- FCA compliance framework
- Fraud risk management
- Business continuity planning
- GDPR readiness
- Key financial controls

Management actions that are recommended following the audits are tracked to completion and reviewed by the Committee to ensure that identified risks are mitigated appropriately.

The Committee met with representatives from Deloitte without management present and with management without representatives of Deloitte present. There were no issues of significance raised during these meetings.

Whistleblowing
A whistleblowing policy has been adopted which includes access to a whistleblowing telephone service run by an independent organisation, allowing employees to raise concerns on an entirely confidential basis. The Committee receives regular reports on the use of the service, any significant reports that have been received, the investigations carried out and any actions arising as a result.

External auditors
One of the Committee's roles is to oversee the relationship with the external auditor, KPMG, and to evaluate the effectiveness of the service provided and their ongoing independence. The Committee has carried out a review based on discussion of audit scope and plans, materiality assessments, review of auditors' reports and feedback from management on the effectiveness of the audit process, and has concluded that the external auditor remains effective and independent.

During the year the Committee reviewed KPMG's findings of the external auditor in respect of their review of the half-yearly report for the six-month period ending 30 September 2017, and in respect of the audit of the financial statements for the year ended 31 March 2018. The Committee met with representatives from KPMG without management present and with management without representatives of KPMG present, to ensure that there were no issues in the relationship between management and the external auditor which it should address. There were none.

The Committee has reviewed, and is satisfied with, the independence of KPMG as the external auditor.

Non-audit services provided by the external auditor
The external auditor is primarily engaged to carry out statutory audit work. There may be other services where the external auditor is considered to be the most suitable supplier by reference to their skills and experience. It is the Group's practice that it will seek quotes from several firms, which may include KPMG, before engagements for non-audit projects are awarded. Contracts are awarded based on individual merits. A policy is in place for the provision of non-audit services by the external auditor, to ensure that the provision of such services does not impair the external auditor's independence or objectivity, in accordance with the EU Audit Reform.

Non-audit service	Policy
Audit-related services directly related to the audit For example, the review of interim financial statements, compliance certificates and reports to regulators.	Considered to be approved by the Committee up to a level of £100,000 for each individual engagement, and to a maximum aggregate in any financial year of the higher of £200,000 and 70% of the average audit fees paid to the audit firm in the last three consecutive years.
Acceptable non-audit services Including, but not limited to: work related to mergers, acquisitions, disposals, joint ventures or circulars; benchmarking services; and corporate governance advice.	Any engagement of the external auditor to provide permitted services over these limits is subject to the specific approval in advance by the Audit Committee.
Prohibited services In line with the EU Audit Reform, services where the auditor's objectivity and independence may be compromised by the threat of self-interest, self-review, management, advocacy, familiarity or intimidation – for example, tax services, accounting services, internal audit services, valuation services and financial systems consultancy.	Prohibited, with the exception of certain services which are subject to derogation if certain conditions are met, in accordance with the EU Audit Reform.

Refer to **plc.autotrader.co.uk/investors** for full details of the policy. During the year, KPMG charged the Group £37,575 for audit-related assurance services.

The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 – statement of compliance
As a competitive tender was carried out in 2016, and KPMG LLP were first appointed as statutory auditors in the financial year to March 2017, we have complied with the requirement that the external audit contract is tendered within the 10 years prescribed by EU and UK legislation and the Code's recommendation. The Company confirms that it complied with the provisions of the Competition and Markets Authority's Order for the financial year under review.

David Keens
Chairman of the Audit Committee
7 June 2018

Annual statement
by the Chairman of the Remuneration Committee

Jill Easterbrook
Chairman of the Remuneration Committee

Composed of three independent Non-Executive Directors.

At least two meetings held per year.

The Company Chairman, Chief Executive Officer, the Chief Financial Officer and Chief Operating Officer and other relevant individuals are invited to attend the meetings – no person is present during any discussion relating to their own remuneration.

The Company Secretary acts as secretary to the Committee.

For more information on the Committee's Terms of Reference visit **plc.autotrader.co.uk/investors**

Three meetings were held during the year:

	Meetings attended/ total meetings held	Percentage of meetings attended
Jill Easterbrook (Chairman)	3/3	100%
David Keens	3/3	100%
Jeni Mundy	3/3	100%

Our progress in 2018:

- Reviewed our remuneration framework to ensure it remains aligned with our strategy in advance of submitting a revised Directors' Remuneration Policy for approval at the 2018 AGM.
- Consulted with shareholders in relation to this revised framework, the most notable aspect of which is the replacement of TSR with Total Group revenue growth in our PSP.
- Assessed the achievement of targets for the 2018 annual bonus and 2015 PSP awards.
- Determined the remuneration packages in respect of the exit of Sean Glithero and the change in role of Nathan Coe.
- Set appropriate targets for 2019 bonuses and PSP awards to be granted in 2018.
- Gave consideration to the approach to equity participation across the workforce and launched our second SAYE scheme in 2018.
- Approved the 2017/18 Directors' remuneration report.

In 2019 we will:

- Continue to monitor the executive pay environment, governance developments and market practice.
- Determine how pay should be implemented for 2019/20 and set appropriate targets for annual bonus and long-term awards.
- Assess the achievement of targets for the 2019 annual bonus and 2016 PSP awards.

Dear shareholders,

I am pleased to present, on behalf of the Board, the Report of the Remuneration Committee (the 'Committee') in respect of the year ended 31 March 2018.

Performance and reward in 2018

2018 has been another strong year, with revenue growth of 7% and Operating profit growth of 10%. We have also continued to deliver good progress against our strategy. Further details can be found on pages 20 to 21 of the Strategic report.

Annual bonus

The annual bonus for 2018 was based 75% on Operating profit and 25% on strategic targets (growth in full page advert views and penetration of managing products). Operating profit was £220.6m, slightly above our target of £219.0m, which resulted in a payout of 62% of maximum for this element. Full page advert views showed a slight decline, which was below the threshold for this element. Managing forecourts grew by a further 20% to 3,000 which was just below our target of 3,100. Total bonus for 2017/18 was therefore 50.3% of maximum, resulting in payments of £411,830 for the CEO and £228,706 for the CFO & COO. Half of this bonus will be deferred into shares for a two-year period.

Performance Share Plan ('PSP')

Our first PSP award following IPO was awarded in 2015 and will vest in June 2018 based on performance over the three years to 31 March 2018. The award was based 75% on Cumulative Underlying operating profit performance and 25% on Total Shareholder Return ('TSR') relative to the FTSE 250 (excluding investment trusts). Cumulative Underlying operating profit performance for the three years to 31 March 2018 was £603m, which was above the maximum of £550m. TSR performance exceeded the index by 27%, which is again above the maximum target of 25%, and so overall, this award will vest in full in June 2018. Under the terms of the PSP holding period, the Directors will retain the vested shares received for at least two years from the point of vesting.

The Committee judged that annual bonus plan payouts and the level of PSP award vesting appropriately reflected the underlying performance of the Company.

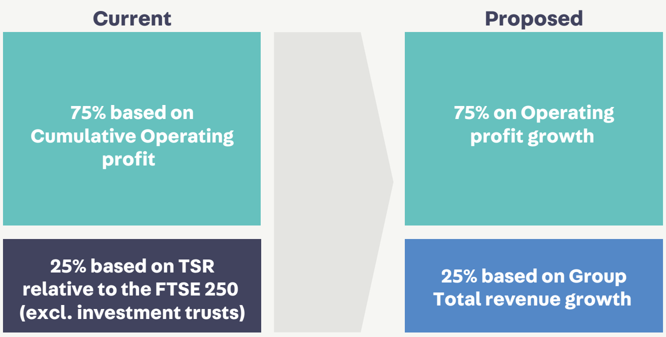
Remuneration review

In light of the requirement to seek shareholder approval for a new policy at the 2018 AGM, during 2017/18 the Committee undertook a thorough review of our current remuneration arrangements. The Committee considered a range of options for the structure of remuneration going forward, but ultimately concluded that our current remuneration framework has been successful and continues to be appropriate for the Executive Directors.

The Committee has, however, made some modifications to the structure and assessment of performance measures for the PSP to better align performance measures with our strategy as well as to simplify and increase the transparency of our approach to assessing performance and setting targets. These modifications are as follows:

- Total Group revenue growth will replace relative TSR as a performance measure for 25% of the PSP award from 2018 onwards. Revenue growth is an important performance indicator of the business and the Committee believes that incentivising management to continue to grow revenue performance through our three business lines – Trade, Consumer services and Manufacturer and Agency – will support long-term profit growth and shareholder value creation.

- To ensure revenue performance is aligned with long-term value creation the vesting for the revenue portion of the award will be subject to an 'underpin' whereby the Operating profit measure must be at least at threshold levels of performance for any portion of the Total Group revenue element to pay out.
- To ensure sustained long-term value creation for shareholders, a further underpin will apply to the two-year post-vesting holding period, whereby the Committee has discretion to make a downward adjustment if there has been a material subsequent deterioration in underlying performance which significantly departs from any market deterioration.
- The Committee reconfirmed that Operating profit remains the most appropriate profit measure for the remainder of the PSP. Although EPS is widely used by other companies for long-term incentives, the Committee believes that the method by which cash may be returned to shareholders (e.g. through share buybacks) should not affect executive compensation and therefore believes that Operating profit is a more appropriate performance measure for the PSP.
- Operating profit will be assessed based on growth over the three-year performance period rather than Cumulative Operating profit as used previously, aligning with the way revenue growth is assessed.
- Taking into account shareholder feedback and to increase transparency, we will disclose Total Group revenue and Operating profit PSP targets at the time of award rather than with a one-year delay. Targets for 2018 PSP awards are set out on page 70.



Other elements of our policy will continue unchanged.

Board changes

Sean Glithero left the Board on 21 September 2017. He received salary, benefits and pension to this date. No further payments were made in lieu of notice. On his departure all his long-term incentives and deferred bonus shares lapsed.

Implementation of policy for 2018/19

Salary and incentive opportunities

On 3 July 2017, it was announced that following Sean Glithero's departure, Nathan Coe would be taking on the role of Chief Financial Officer in addition to his existing role of Chief Operating Officer. The Committee reviewed Nathan's package and agreed the following changes to reflect the significant increase in the size and the scope of his responsibilities given his combined CFO & COO role:

- His base salary was increased to £370,000 with effect from 1 April 2018. This is an increase of 5.7% on his current salary and represents both an annual adjustment and an increment to reflect his promotion to CFO, in addition to his previous COO responsibilities. For reference, across the Group for the 2018/19 financial year, the average increase in salary was around 3.5%, reflecting both the general market, promotions and individual rewards for performance.
- His annual bonus opportunity will be increased, subject to the approval of our new Remuneration Policy, to 150% of base salary (from 130%). His PSP opportunity will be increased to 200% of base salary (from 150%). This brings his incentive package in line with the current award opportunities for the CEO.
- Note that Nathan's shareholding guideline will also increase from 150% to 200% of salary, in line with the increase to the PSP award.

This approach creates a market competitive total package, but with the increase to quantum driven primarily via the annual bonus and PSP, which are subject to the achievement of stretching short and long-term performance targets, which is best aligned to the interests of our investors. Fixed pay would continue to be positioned towards the lower end of market practice compared to companies of a similar size and complexity to Auto Trader. Following this increase the Committee believes that Nathan's salary and total compensation package will be appropriately positioned to reflect the size and scope of his dual role and it is intended that any future salary increases will be in line with those awarded to other employees in the business.

For our CEO, Trevor Mather, his salary was increased by 2% to £557,134 with effect from 1 April 2018 in line with the general increase for other employees across the Group. His maximum bonus opportunity and his PSP award will continue to be 150% and 200% of salary, respectively, in line with the Policy.

Annual bonus

75% of the maximum bonus opportunity will be based on Operating profit with the remaining 25% being based on two strategic metrics (based on stock and audience targets, which underpin the core health and position of our business). Targets will be disclosed retrospectively in next year's report.

PSP

For the 2018 award, 75% will be based on Operating profit growth, requiring compound annual growth over a three-year period of 10% for maximum vesting. As outlined above, the remaining 25% will be based on Total Group revenue growth, requiring 8% growth for maximum vesting. The targets are disclosed in full on page 70.

The Committee consulted with our main shareholders regarding the proposed changes set out above and was pleased with the level of support received.

This remuneration report is in three parts.

- This Annual Statement by the Chairman of the Remuneration Committee.
- The Directors' Remuneration Policy (set out on pages 68 to 73), which sets out our Policy for Executive Director and Non-Executive Director remuneration. The Policy will be subject to a binding shareholder vote at the AGM on 20 September 2018.
- The Annual Report on Remuneration (set out on pages 74 to 80), which sets out how the Policy has been implemented during 2017/18 and how we intend to implement the Policy for 2018/19. The Annual Statement by the Chairman, together with the Annual Report on Remuneration, will be subject to an advisory vote at the AGM on 20 September 2018.

This report has been prepared in accordance with the Companies Act 2006, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended in 2013) and the UKLA's Listing Rules.

I hope that you will be supportive of the AGM resolutions to approve our Directors' Remuneration Policy and our Annual Report on Remuneration for 2017/18. I shall be available at the AGM to answer any specific questions that you may have.

Jill Easterbrook
Chairman of the Remuneration Committee
7 June 2018

Directors' Remuneration Policy

This Remuneration Policy will be put to shareholders for approval in a binding vote at the AGM on 20 September 2018 and will be effective from this date.

Policy overview

As outlined in the Remuneration Committee Chairman's statement, in light of the requirement to seek shareholder approval for a new Remuneration Policy, the Committee undertook a thorough review of the current remuneration arrangements for Executive Directors, considering a range of potential approaches. The Committee concluded that the current framework remains appropriate and therefore the Policy will be re-submitted to shareholders largely unchanged from the version approved by shareholders at the 2015 AGM. Minor changes have been made to the Policy to clarify its practical operation and to reflect prevailing market practice.

The Policy is structured so as to ensure that the main elements of remuneration are linked to Company strategy, in line with best practice and aligned with shareholders' interests. The Policy is designed to reward Executive Directors by offering competitive remuneration packages, which are prudently constructed, sufficiently stretching and linked to long-term profitability. In promoting these objectives, the Policy aims to be simple in design, transparent and structured so as to adhere to the principles of good corporate governance and appropriate risk management.

A further aim of the Remuneration Policy is to encourage a culture of share ownership by colleagues throughout the Company, and in support of this we have both a SIP, under which an award of free shares to commemorate the Admission was granted, and a SAYE scheme. In November 2017 we launched our second SAYE programme.

How the views of shareholders and employees are taken into account

Whilst the Committee does not consult directly with employees on the Directors' Remuneration Policy, the Committee does receive regular updates regarding remuneration arrangements across the Group. These updates are taken into consideration when determining the Remuneration Policy for the Executive Directors and in particular when considering any changes to policy and increases in the level of fixed remuneration. The Company regularly undertakes an employee engagement survey which includes questions to understand employees' views on their own remuneration and benefits, which the Committee also reviews.

The Committee is committed to a constructive dialogue with our shareholders in order to ensure that our Remuneration Policy is aligned with their views. The Committee consulted with shareholders in advance of submitting our revised Policy to the shareholder vote and carefully considered the feedback received. In conjunction with any additional feedback received from time to time, this will be considered as part of the Committee's annual review of how we intend to implement our Remuneration Policy.

If any significant changes to our Remuneration Policy which require shareholder approval are proposed, the Committee will seek to engage with major shareholders to explain our proposals and obtain feedback.

Remuneration Policy for Executive Directors

Our Policy is designed to offer competitive, but not excessive, remuneration structured so that there is a significant weighting towards performance-based elements. A significant proportion of our variable pay is delivered in shares with deferral and holding periods being mandatory, and with appropriate recovery and withholding provisions in place to safeguard against overpayments in the event of certain negative events occurring. The table below provides a full summary of the Policy elements for Executive Directors.

Element	Purpose and link to strategy	Operation and performance conditions	Maximum opportunity	Performance assessment
Salary	To recruit and reward executives of high calibre. Recognises individual's experience, responsibility and performance.	Salaries are normally reviewed annually with changes effective from 1 April but may be reviewed at other times if considered appropriate. Salary reviews will consider: – personal performance; – Group performance; – the nature and scope of the role; – the individual's experience; and – increases elsewhere in the Company. Periodic reviews of market practice (for example, in comparable companies in terms of size and complexity) will also be undertaken. The Committee considers the impact of any salary increase on the total remuneration package.	There is no prescribed maximum salary level or salary increase; however, any base salary increases will normally be in line with the percentage increases awarded to other employees of the Group. However, increases may be made outside of this policy in appropriate circumstances, such as: – Where a Director is appointed on a salary that is at the lower end of the market practice range, larger increases may be awarded as the executive gains experience to move the salary closer to a more typical market level. – Where there has been a change in the nature and scope of the role. – Where there has been a significant and sustained change in the size and complexity of the business. – Where there has been a significant change in market practice.	The Committee reviews the salaries of Executive Directors each year taking due account of all the factors described in how the salary policy operates.

Element	Purpose and link to strategy	Operation and performance conditions	Maximum opportunity	Performance assessment
Benefits	To provide competitive benefits to ensure the wellbeing of employees.	Executive Directors are entitled to the following benefits: – life assurance; – income protection insurance; and – private medical insurance. The Committee may determine that Executive Directors should receive additional reasonable benefits if appropriate, taking into account typical market practice and practice throughout the Group. Executive Directors may be reimbursed for all reasonable expenses and the Company may settle any tax incurred in relation to these. Where an Executive Director is required to relocate to perform their role, they may be provided with reasonable benefits as determined by the Committee in connection with this relocation (on either a one-off or ongoing basis), including any benefits such as housing, travel or education allowances.	The value of benefits is not capped as it is determined by the cost to the Company, which may vary.	N/A
Pension	To provide retirement benefits for employees.	Directors are eligible to receive employer contributions to the Company's pension plan (which is a defined contribution plan), a salary supplement in lieu of pension benefits (or combination of the above) or similar arrangement.	Maximum contribution in line with the contribution of other employees in the Group, currently 5% of salary.	N/A
Annual bonus	To incentivise and reward the achievement of annual financial and operational objectives which are closely linked to the corporate strategy.	The annual bonus is based predominantly on stretching financial and operational objectives set at the beginning of the year and assessed by the Committee following the year end. Half of any bonus earned is normally subject to deferral into shares under the Deferred Annual Bonus Plan ('DABP'), typically for a period of two years from the date of award. The deferred shares will vest subject to continued employment, but there are no further performance targets. A dividend equivalent provision applies, as described below. Recovery and withholding provisions apply, as described below. Participation in the bonus plan, and all bonus payments, are at the discretion of the Committee.	Maximum of 150% of salary.	Financial measures will normally represent the majority of bonus, with strategic or operational non-financial targets representing the balance (if any). Not more than 20% of each part of the bonus will be payable for achieving the relevant threshold hurdle. Measures and weightings may change each year to reflect any year-on-year changes to business priorities. The Committee has the discretion to adjust targets for any exceptional events including acquisitions or disposals that may occur during the year.

Element	Purpose and link to strategy	Operation and performance conditions	Maximum opportunity	Performance assessment
Performance Share Plan ('PSP') Note, PSP awards granted in June 2018 will take effect under this Policy.	To incentivise and recognise successful execution of the business strategy over the longer term. To align the long-term interests of Executive Directors with those of shareholders.	Awards will normally be made annually under the PSP, and will take the form of nil-cost options or conditional share awards. Participation and individual award levels will be determined at the discretion of the Committee within the Policy. Awards normally vest after three years subject to the extent to which the performance conditions specified for the awards are satisfied, and continued service. Recovery and withholding provisions apply, as described below. Executive Directors are required to retain vested shares delivered under the PSP for at least two years from the point of vesting, subject to the terms of the holding period described below. A dividend equivalent provision applies, as described below.	Normal: maximum of 200% of salary. Exceptional circumstances: maximum of 300% of salary.	The vesting of awards will be subject to the achievement of performance metrics which may be financial, share price or strategic in nature. The metrics and weightings for each award will be set out in the Annual Report on Remuneration. Any strategic measure(s) will account for no more than 25% of the award. The Committee has the discretion to adjust targets for any exceptional events (including acquisitions and disposals) that occur during the performance period. No more than 25% of the award vests for achieving threshold performance.
All-employee Share Plans – SIP & SAYE	To encourage Group-wide equity ownership across all employees, and create a culture of ownership.	The Company operates two all-employee tax-advantaged plans, namely a Save As You Earn ('SAYE') and a Share Incentive Plan ('SIP') for the benefit of Group employees. The operation of these plans will be at the discretion of the Committee, and Executive Directors will be eligible to participate on the same basis as other employees.	Maximum permitted based on HMRC limits from time to time.	N/A
Share ownership guidelines	To increase alignment between executives and shareholders.	Executive Directors are expected to build and maintain a holding of shares in the Company. This is expected to be built through retaining a minimum of 50% of the net of tax vested PSP and DABP shares, until the guideline level is met.	The minimum share ownership guideline is 200% of salary for current Executive Directors.	N/A

Notes to the Policy table

Recovery and withholding provisions

Recovery and withholding provisions apply to variable pay, to enable the Company to recover amounts paid under the annual bonus and PSP in the event of the following negative events occurring within three years of the payment of a cash bonus, the grant date of an award under the DABP or the vesting date of PSP awards:

- a material misstatement of or restatement to the audited financial statements or other data;
- an error in calculation leading to over-payment of bonus; or
- individual gross misconduct.

Should such an event be suspected, there will be a further two years in which the Committee may investigate the event. The amount to be recovered would generally be the excess payment over the amount which would otherwise be paid, and recovery may be satisfied in a variety of ways, including through the reduction of outstanding deferred awards, reduction of the net bonus or PSP vesting and seeking a cash repayment.

Dividend equivalents

Under the DABP and the PSP, the Committee may also pay the value of dividends, at the Committee's discretion, on vested shares (in cash or shares) which may assume the reinvestment of dividends on a cumulative basis.

Discretion available under the Policy

In order to ensure that the Remuneration Policy is capable of achieving its intended aims, the Committee retains certain discretions over the operation of the variable pay policy. These include the ability to vary the operation of the plans in certain circumstances (such as a change of control, rights issue, corporate restructuring event, special dividend or acquisition or disposal) including the timing and determination of payouts/vesting; and making appropriate adjustments to performance measures or targets as necessary to ensure that performance conditions remain appropriate. However, it should be noted that in the event that the measures or targets are varied for outstanding awards in the light of a corporate event, the revised targets may not be materially less difficult to satisfy. Should these discretions be used, they would be explained in the Annual Report on Remuneration and may be subject to consultation with shareholders as appropriate.

Operation of the PSP holding period
Executive Directors are required to retain vested shares delivered under the PSP (on a net of tax basis, where applicable) for at least two years from the point of vesting. In exceptional circumstances, the Committee may at its discretion allow participants to sell, transfer, assign or dispose of some or all of the PSP shares before the end of the holding period.

Previously agreed payment
The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed (i) before 17 September 2015 (the date the Company's first shareholder-approved Directors' Remuneration Policy came into effect); (ii) before the Policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' Remuneration Policy in force at the time they were agreed; or (iii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes, 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

Selection of performance measures

Annual bonus performance measures are selected annually to reflect the Group's key strategic initiatives for the year and include both financial and strategic or operational non-financial objectives. A majority weighting will be placed on financial performance, ensuring that payouts are closely linked to the Group's performance and the execution of strategy.

PSP awards to be granted in 2018/19 will be subject to the achievement of Operating profit growth and Total Group revenue measures. The Committee believes this combination of measures ensures that rewards are linked to long-term shareholder value creation. The performance metrics used and their weighting may differ for awards to ensure they continue to support the Company's long-term growth strategy.

Differences in Remuneration Policy between Executive Directors and other employees

Whilst the Policy described above applies specifically to the Company's Executive Directors, the Policy principles are designed with due regard to employees across the Group.

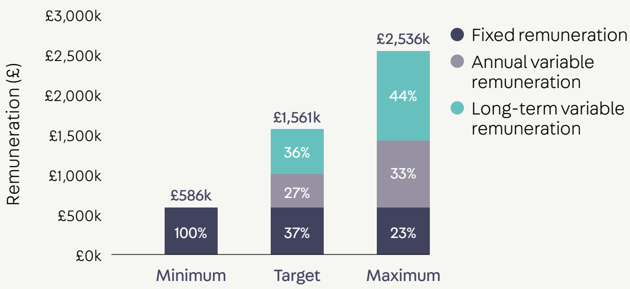
'At risk, performance-linked pay' is restricted to the most senior employees in the Company, as it is this group that is most influential in driving corporate performance.

The Committee is committed to promoting a culture of widespread share ownership across all levels of the organisation. At senior levels this will predominantly be achieved through participation in performance-based incentive plans, whilst across the rest of the workforce it will be supported via all-employee share plans.

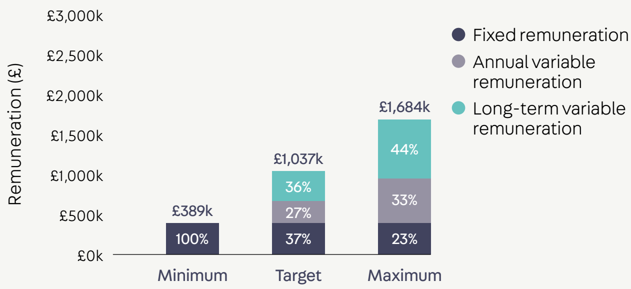
Illustration of application of Remuneration Policy

The chart below illustrates how the composition of the Executive Directors' remuneration packages varies under three different performance scenarios: threshold, on-target and maximum, both as a percentage of total remuneration opportunity and as a total value.

Chief Executive Officer



CFO & COO



Assumptions
- Minimum = fixed pay (base salary, benefits and pension)
- Target = fixed pay plus 50% of maximum bonus payout and 50% vesting under the PSP
- Maximum = fixed pay plus 100% of bonus payout and 100% PSP vesting

Salary levels (on which other elements of the package are calculated) are based on those applying on 1 April 2018. The value of taxable benefits is as disclosed in the single figure for the year ending 31 March 2018.

No share price increase is assumed and any dividend equivalents payable are not included.

Service contracts and policy for payments on loss of office

The service contracts for the Executive Directors are terminable by either the Company or the Executive Director on 12 months' notice and make provision for early termination by way of payment of a cash sum equal to 12 months' salary and pension. The Company may continue to provide benefits until the end of the notice period or may make a payment to the value of 12 months' contractual benefits.

Payment in lieu of notice can be paid either as a lump sum or in equal monthly instalments over the notice period and will normally be subject to mitigation. The Committee will consider the particular circumstances of each leaver and retains flexibility as to at what point, and the extent to which, payments are reduced.

The Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a Director's office or employment or for any fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with his cessation of office or employment. SAYE options will become exercisable on cessation of employment to the extent permitted in accordance with the rules of the SAYE scheme, which does not provide for the exercise of discretion by the Committee. On cessation, a payment may be made in respect of accrued but untaken holiday.

Relevant details will be provided in the Annual Report on Remuneration should such circumstances apply.

In summary, the contractual provisions on termination where the Company elects to make a payment in lieu of notice are as follows:

Provision	Detailed terms
Notice period	12 months by either party.
Termination payments over the notice period	100% of salary and pension contribution for the relevant period. The Company may continue to provide benefits until the end of the notice period or may make a payment to the value of 12 months' contractual benefits.
Change of control	No enhanced provisions on a change of control.

The Executive Directors are subject to annual re-election at the AGM. Service contracts are available for inspection at the Company's registered office.

Annual bonus on termination

There is no automatic or contractual right to bonus payment. At the discretion of the Committee, for certain leavers, a bonus may become payable at the normal payment date based on performance. Such bonus would normally be pro-rated for time in employment unless the Committee determines otherwise. At its discretion the Committee may also pay such bonus at the time of cessation of employment based on performance to that date. Any bonus paid may be paid 100% in cash for the year of departure or preceding financial year if the bonus for that year has not yet been awarded. Should the Committee decide to make a payment in such circumstances, the rationale would be fully disclosed in the Annual Report on Remuneration.

DABP awards on termination

Any existing awards under the DABP will lapse on termination unless the termination is due to death, the sale of the employing company from the business or otherwise at the discretion of the Committee. Where an award does not lapse it will vest on cessation (or on such later date as the Committee determines), to the extent determined by the Committee.

PSP on termination

Share-based awards are outside of service contracts provisions. Normally, PSP awards will lapse upon a participant ceasing to hold employment. However, under the rules of the PSP, in certain prescribed circumstances (namely death, sale of employing company from the business or otherwise at the discretion of the Committee), 'good leaver' status can be applied. In exercising its discretion as to whether an Executive Director should be treated as a good leaver, the Committee will take into account the performance of the individual and the reasons for their departure and, in the event of this determination being made, will set out its rationale in the following Annual Report on Remuneration. Awards will typically vest on the originally anticipated date, although the Committee has discretion to vest awards sooner (and to assess performance conditions accordingly if vesting occurs before the end of the performance period).

The extent to which PSP awards will vest in good leaver circumstances will depend on:

(i) the extent to which the performance conditions have been satisfied at the end of the performance period (or such other relevant time as the Committee determines); and

(ii) unless the Committee determines otherwise, the pro-rating of the award determined by the period of time served in employment during the vesting period.

Change of control

In the event of a change of control of the Company or other relevant event, awards under the PSP, DABP and SIP and options under the SAYE scheme will vest early. Vesting of awards under the PSP will be determined by applying any relevant performance condition and, unless the Committee determines otherwise, pro-rating the award by reference to the period of time from grant to vest as a proportion of a period of three years. DABP award shall vest in full, and the extent to which an SAYE option can be exercised will be determined by the Committee in accordance with the rules of the SAYE scheme on the same basis as for other employees.

Approach to recruitment and promotions

The recruitment package for a new Executive Director would normally be set in accordance with the terms of the Company's approved Remuneration Policy. Currently, this would include an annual bonus opportunity of up to 150% of salary and policy PSP award of up to 200% of salary (other than in exceptional circumstances where up to 300% of salary may be made). The Committee, however, retains discretion to include any other remuneration component or award which it feels is appropriate taking into account the specific circumstances of the recruitment, subject to the limit on variable remuneration of 350% of salary (450% of salary in exceptional circumstances) which is in line with current Policy limits. This limit does not include any payment(s) or award(s) made to 'buy-out' remuneration forfeited on leaving a previous employer. The key terms and rationale for any such component would be disclosed as appropriate in that year's Annual Report on Remuneration.

On recruitment, salary will be set so as to reflect the individual's experience and skills. It may be set at a level below the normal market rate, with phased increases greater than those received by others as the Executive Director gains experience.

Where an individual forfeits outstanding variable pay opportunities or contractual rights at a previous employer as a result of appointment, the Committee may offer compensatory payments or awards, in such form as the Committee considers appropriate taking into account relevant factors which may include the form of awards, expected value and vesting timeframe of forfeited opportunities. When determining any such 'buyout', the principle would be that awards would be on a 'like-for-like' basis unless this is considered by the Committee not to be practical or appropriate.

Where an Executive Director is required to relocate from their home location to take up their role, the Committee may provide assistance with relocation (either via one-off or ongoing payments or benefits).

If an internal candidate is promoted to the Board, legacy terms and conditions would normally be honoured, including pension entitlements and any outstanding incentive awards.

In the event of recruitment, the Committee may grant awards to a new Executive Director relying on the exemption in the Listing Rules which allows for the grant of awards, to facilitate, in unusual circumstances, the recruitment of an Executive Director, without seeking prior shareholder approval or under any other appropriate Company incentive plan.

Policy on external appointments

Subject to Board approval, Executive Directors are permitted to take on one non-executive position with another company and to retain their fees in respect of such position. Additional appointments may be undertaken in exceptional circumstances. Details of outside directorships held by the Executive Directors and any fees that they received are provided in the Annual Report on Remuneration.

Remuneration Policy for the Chairman and Non-Executive Directors

The Non-Executive Directors do not have service contracts with the Company, but instead have letters of appointment.

Element	Purpose and link to strategy	Operation	Maximum opportunity
Fees	To attract and retain a high-calibre Chairman and Non-Executive Directors by offering a market competitive fee level.	Fees are reviewed periodically and approved by the Board, with Non-Executive Directors abstaining from any discussion in relation to their fees. Both the Chairman and the Non-Executive Directors are paid annual fees and do not participate in any of the Company's incentive arrangements, or receive any pension provision or other benefits. The Chairman receives a single fee covering all of his duties. The Non-Executive Directors receive a basic Board fee, with additional fees payable for chairing the Audit and Remuneration Committees and for performing the Senior Independent Director role. Additional fees may be paid to reflect additional Board or Committee responsibilities or an increased time commitment as appropriate. The Chairman and Non-Executive Directors shall be entitled to have reimbursed all expenses that they reasonably incur in the performance of their duties. The Company may meet any tax liabilities that may arise on such expenses. The Board may introduce benefits for the Chairman or Non-Executive Directors if it is considered appropriate to do so.	There is no prescribed maximum annual increase or fee level. The fee levels are reviewed on a periodic basis, with reference to the time commitment of the role and market levels (for example in companies of comparable size and complexity).

Letters of appointment

All Non-Executive Directors have letters of appointment with the Company for an initial period of three years, subject to annual re-election at the AGM. Appointment is terminable on six months' written notice. The appointment letters for the Non-Executive Directors provide that no compensation is payable upon termination of employment.

Letters of appointment are available for inspection at the Company's registered office.

Approach to recruitment

For the appointment of a new Chairman or Non-Executive Director, the fee arrangement would be set in accordance with the approved remuneration policy in force at that time.

Annual Report on Remuneration

Implementation of the Remuneration Policy for the year ending 31 March 2019

The following sets out a summary of how our Remuneration Policy will be implemented for the year ended 31 March 2019.

Base salary

The Executive Directors' salaries were reviewed in early 2018 with the changes becoming effective from 1 April 2018. The following table sets out the new salaries effective 1 April 2018 (financial year 2019) compared to those which applied in financial year 2018:

	2019	2018	Percentage change
Trevor Mather	£557,134	£546,210	+2.0%
Nathan Coe	£370,000	£350,000	+5.7%

On 3 July 2017, it was announced that following Sean Glithero's departure, Nathan Coe would be taking on the role of Chief Financial Officer in addition to his existing role of Chief Operating Officer. With effect from 1 April 2018 the Committee reviewed and increased Nathan's salary (as shown above) and his incentive award levels to reflect the significant increase in the size and the scope of his role. Following these increases, the Committee believes that his salary and total compensation package are appropriately positioned.

The increase for the CEO is in line with the general increase received for other senior employees across the Group, and lower than the average increase in salary across the wider employee population of around 3.5% (reflecting both general market, promotions and individual rewards for performance).

Pension and benefits

Executive Directors will continue to receive a pension contribution at the rate of 5% of base salary (in line with pensions offered to other employees), payable into the Company pension scheme or as a cash alternative. Ancillary benefits are provided in the form of private medical cover, life assurance and income protection insurance.

Annual bonus

The maximum annual bonus opportunity will be 150% of base salary in line with the Policy. Half of any bonus earned will be payable in shares, deferred for two years under the DABP. The metrics and their weightings for the year ending 31 March 2019 are:

Metric	Percentage of total bonus
Operating profit	75%
Strategic objectives – Stock – average live car stock – Audience – average full page advert views	25%

Operating profit is a key performance indicator of the business and the Board believes continuing to deliver Operating profit performance will generate long-term value for shareholders. For the Operating profit measure, for achievement of the threshold target, 20% of this part of the bonus opportunity becomes payable with the maximum becoming payable for outperforming the 2018 business plan.

The Committee believes that it is important to incentivise executives to deliver key strategic objectives to ensure that the business is well positioned to deliver profit growth and shareholder value in future. The strategic targets selected for 2018/19 are aligned with our Group KPIs and are the key metric that underpin our core business. The strategic objectives are equally weighted, accounting for 12.5% of the bonus each. A financial underpin will apply to the strategic targets, such that no bonus will be payable unless a threshold level of Operating profit is exceeded.

The targets are commercially sensitive, but the Committee intends to disclose them in the next Annual Report on Remuneration provided they are no longer considered to be commercially sensitive at that time.

PSP

In line with the Policy, PSP awards will be made at the level of 200% of base salary. Awards will be subject to the following performance measures and targets:

The performance conditions applying to the 2018 PSP awards are set out below. Each element will be assessed independently of the other:

Measure	Weighting	Basis	Threshold (25% vesting)	Stretch (100% vesting)
Operating profit	75%	Operating profit compound annual growth rate for the three years ended 31 March 2021	6% p.a.	Equal to or above 10% p.a.
Total Group revenue	25%	Total Group revenue compound annual growth rate for the three years ended 31 March 2021	5% p.a.	Equal to or above 8% p.a.

For performance between the threshold and stretch targets, vesting will be calculated on a pro-rata basis. There is no vesting for performance below the threshold target.

Revenue growth is a key performance indicator of the business and the Committee believes that incentivising management to continue to grow revenue performance through our three business lines – Trade, Consumer services and Manufacturer and Agency – will support long-term profit growth and shareholder value creation. To ensure revenue performance is aligned with long-term value creation the vesting for the revenue portion of the award will be subject to an 'underpin' whereby the Operating profit measure must be at least at threshold levels of performance for any portion of the Total Group revenue element to pay out.

Continuing to drive Operating profit is a key strategic objective of the business. Though EPS is widely used by other companies, we believe that the method by which the Company returns cash to shareholders should not affect executive compensation and therefore for Auto Trader the Committee believes that Operating profit is a more appropriate performance measure.

To align with the approach being used to assess revenue performance, Operating profit will be assessed based on percentage growth over the three-year period rather than Cumulative Operating profit as previously used (for example, see the table on page 76).

The Committee set Operating profit and Total Group revenue growth targets taking into account internal and external expectations of performance and organic growth of the business. The Committee believes that these targets are appropriately stretching.

In line with the Policy, Executive Directors will be required to hold any vested shares for a further period of two years under the terms of the PSP holding period.

Single figure of remuneration for the year ended 31 March 2018 (Audited)

The table below shows the aggregate emoluments earned by the Directors of the Company in the year ended 31 March 2018.

£'000	Salary and fees	Benefits	Annual bonus	Long-term incentives[3]	Pension	Total
Executive						
Trevor Mather	546	1	412	1,644	27	2,630
Nathan Coe[1]	350	1	229	705	18	1,302
Sean Glithero[2]	143	–	–	–	7	150
Non-Executive						
Ed Williams	176	–	–	–	–	176
David Keens	73	–	–	–	–	73
Jill Easterbrook	64	–	–	–	–	64
Jeni Mundy	55	–	–	–	–	55

The following table shows the aggregate emoluments earned in the year ended 31 March 2017.

£'000	Salary and fees	Benefits	Annual bonus	Long-term incentives[4]	Pension	Total
Executive						
Trevor Mather	536	1	416	–	27	980
Sean Glithero	296	1	199	–	15	511
Non-Executive						
Ed Williams	173	–	–	–	–	173
David Keens	72	–	–	–	–	72
Jill Easterbrook	63	–	–	–	–	63
Jeni Mundy	54	–	–	–	–	54

1 Nathan Coe was appointed to the Board on 1 April 2017.
2 Sean Glithero stepped down from the Board on 21 September 2017.
3 100% of PSP awards granted in 2015 will vest in June 2018. For the purpose of the single figure the vested shares have been valued based on the three-month average share price to 31 March 2018 of 359.58p. Dividend equivalents to the value of £37,386 for Trevor Mather and £16,019 for Nathan Coe have also been included.
4 There were no long-term incentives eligible to vest in respect of performance to 31 March 2017.

Additional information to support the single figure

Benefits

Benefits include: private healthcare, life assurance and income protection insurance.

Pension

Employer's pension contributions of 5% of salary were paid in respect of Executive Directors.

Annual bonus for the year ended 31 March 2018

The performance measures, targets and actual outcomes for the annual bonus for the year ended 31 March 2018 are shown in the following table:

Performance measures		Weighting	Threshold	Target	Stretch	Actual performance	Payout (as a % of maximum)
Financial	Operating profit	75%	£211m	£219m	£226m	£220.6m	46.3% of the 75%
Strategic targets	Growth in full page advert views	12.5%	>0%	>2%	>4%	<0%	0% of the 12.5%
	New product initiatives (the adoption of Managing products)	12.5%	>2,800	>3,100	>3,400	3,000	4% of the 12.5%
Total		**100%**					**50.3% of the 100%**

Payout for performance between threshold and stretch is calculated on a pro-rata basis. The payout at threshold is 20% of maximum for Financial measures and 32% for the Strategic measures. The payout at target is 50% of maximum for Financial measures and 64% for Strategic measures.

This level of performance resulted in a bonus payout of £411,830 for Trevor Mather (CEO) and of £228,706 for Nathan Coe (CFO & COO). Half of the bonus earned will be payable in shares, deferred for two years under the DABP in line with the Policy.

In light of the Company's performance during the year under review, the Committee was comfortable with the overall level of annual bonus payout.

Performance Share Plan vesting for year ended 31 March 2018

Our first PSP award following IPO was awarded in 2015 and will vest in June 2018 based on performance to 31 March 2018. The performance conditions this award was based on, the targets and performance delivered are set out in the table below:

Measure	Weighting	Threshold (25% vesting)	Stretch (100% vesting)	Actual performance	Payout (as a percentage of maximum)
Cumulative Underlying operating profit	75%	£510m	Equal to or above £550m	£603m	75% of the 75%
TSR compared to the FTSE 250 Index (excluding investment trusts)[1]	25%	Equal to Index TSR	Equal to Index TSR plus 25% or above	Index TSR plus 27%	25% of the 25%
				Total vesting	**100% of the 100%**

1 End average TSR performance is calculated based on a three-month average to 31 March 2018; start average TSR performance is the IPO price.

For performance between the threshold and stretch targets, vesting is calculated on a pro-rata basis.

Executive Directors will be required to retain vested shares delivered under this PSP for at least two years from the point of vesting, subject to the terms of the PSP holding period.

Scheme interests awarded during the year (Audited)

Awards granted in the year under the DABP and PSP are shown in the table below.

Executive Director	Number of shares awarded	Multiple of salary	Face/maximum value of awards at grant date[4]	% award vesting at threshold (% maximum)	Performance period[2]
DABP awards[1]					
Trevor Mather	52,062		£208,092		
Nathan Coe	25,783		£103,055		
Sean Glithero[3]	24,923		£99,617		
PSP awards[2]					
Trevor Mather	273,309	200%	£1,092,416	25%	1 April 2017 to 31 March 2020
Nathan Coe	131,348	150%	£524,998		
Sean Glithero[3]	113,228	150%	£452,572		

Awards are granted as nil-cost options.

1 DABP awards were granted in respect of the annual bonus for the year to 31 March 2017. The awards will normally be eligible to vest two years from grant (16 June 2019) based on continuous employment.
2 PSP awards will normally be eligible to vest three years from grant (16 June 2020) based on performance over the three years to 31 March 2020 and continuous employment.
3 Sean Glithero's award lapsed when he left the Company on 21 September 2017.
4 Face/maximum value was calculated based on the closing share price on the day before grant date (16 June 2017) of £3.997.

The performance conditions applying to the 2017 PSP awards shown in the table above are set out below. Each element will be assessed independently.

Measure	Weighting	Basis	Threshold (25% vesting)	Stretch (100% vesting)
Cumulative Operating profit	75%	The sum of the Group's Operating profit result over the three consecutive financial years ending on 31 March 2020	£690m	Equal to or above £750m
TSR	25%	Performance relative to the FTSE 250 Index (excluding investment trusts)[1]	Equal to Index TSR	Equal to Index TSR plus 25% or above

1 Start and end average TSR will be calculated based on the three-month average TSR to 31 March.

For performance between the threshold and stretch targets, vesting will be calculated on a pro-rata basis. There is no vesting below threshold performance.

Executive Directors will ordinarily be required to retain their net of tax number of vested shares delivered under the PSP for at least two years from the point of vesting.

Directors' shareholding and share interests (Audited)

The Group has adopted shareholding guidelines in order to encourage Executive Directors to maintain a shareholding in the Company equivalent in value to 200% of salary. If an Executive Director does not meet the guideline, they will be expected to retain at least half of the net shares vesting under the Company's discretionary share-based employee incentive schemes until the guideline is met. Both Executive Directors currently hold well in excess of this limit. Non-Executive Directors do not have shareholding guidelines.

The table below sets out the number of shares held or potentially held by Directors (including their connected persons where relevant) as at 31 March 2018.

Director	Beneficially owned shares[1]	Number of awards held under the PSP conditional on performance	Number of awards held under the DABP conditional on continued employment	Target shareholding guideline (as a % of salary)	Percentage of salary held in shares as at 31 March 2018[2]
Executive Directors					
Trevor Mather	12,000,000	995,438	153,283	200%	7,703%
Nathan Coe	2,883,252	440,831	75,911	200%	2,888%
Sean Glithero[3]	2,997,581	381,741	73,380	150%	N/A
Non-Executive Directors					
Ed Williams	6,875,444	–	–	N/A	N/A
Jill Easterbrook	–	–	–	N/A	N/A
David Keens	25,000	–	–	N/A	N/A
Jeni Mundy	–	–	–	N/A	N/A

1 Includes shares owned by connected persons. Only beneficially owned shares count towards the shareholding guideline.
2 Based on the Director's salary and the mid-market price at close of business on 31 March 2018 of 350.6p.
3 Sean Glithero stepped down from the Board on 21 September 2017 and his shareholding is shown at this date. Awards held by Sean under the PSP and DABP lapsed on the date he left the business.

Trevor Mather

Scheme	No. of shares/ options at 31 March 2017	Shares/options granted in the year	Shares/options lapsed in the year	Options exercised in the year	No. of shares/ options at 31 March 2018	Date of grant	Date from which exercisable	Expiry date
PSP[1]	446,808	–	–	–	446,808	19/6/2015	19/6/2018	19/6/2025
PSP[2]	275,321	–	–	–	275,321	17/6/2016	17/6/2019	17/6/2026
PSP[3]	–	273,309	–	–	273,309	16/6/2017	16/6/2020	16/6/2027
DABP	101,221	–	–	–	101,221	17/6/2016	17/6/2018	17/6/2026
DABP	–	52,062	–	–	52,062	16/6/2017	16/6/2019	16/6/2027
Total	**823,350**	**325,371**	**–**	**–**	**1,148,721**			

Nathan Coe

Scheme	No. of shares/ options at 31 March 2017	Shares/options granted in the year	Shares/options lapsed in the year	Options exercised in the year	No. of shares/ options at 31 March 2018	Date of grant	Date from which exercisable	Expiry date
PSP[1]	191,489	–	–	–	191,489	19/6/2015	19/6/2018	19/6/2025
PSP[2]	117,994	–	–	–	117,994	17/6/2016	17/6/2019	17/6/2026
PSP[3]	–	131,348	–	–	131,348	16/6/2017	16/6/2020	16/6/2027
DABP	50,128	–	–	–	50,128	17/6/2016	17/6/2018	17/6/2026
DABP	–	25,783	–	–	25,783	16/6/2017	16/6/2019	16/6/2027
Total	**359,611**	**157,131**	**–**	**–**	**516,742**			

1 As noted above, 100% of the PSP award granted in 2015 will vest in June 2018 based on Cumulative Underlying operating profit and relative TSR performance compared to the FTSE 250 (excluding investment trusts) to 31 March 2018.
2 2016 PSP awards are subject 75% to Cumulative Underlying Operating profit and 25% to relative TSR performance compared to the FTSE 250 (excluding investment trusts) over the three-year period to 31 March 2019. For the Cumulative Underlying operating profit portion, 25% will vest if Cumulative Underlying operating profit is £660m or greater. 100% will vest if Cumulative Underlying operating profit is £710m or above. For performance between these points, vesting will be calculated on a pro-rata basis. For the Relative TSR portion, 25% will vest if Auto Trader's TSR performance is equal to the FTSE 250 Index (excluding investment trusts). 100% will vest if Auto Trader's TSR performance exceeds the FTSE 250 Index (excluding investment trusts) by 25% or more. For performance between these points, vesting will be calculated on a pro-rata basis.
3 Performance measures for 2017 PSP awards are set out on page 76.

Remuneration on departure of Sean Glithero (Audited)

Sean Glithero left the Board on 21 September 2017. He received salary, benefits and pension to this date. No further payments were made in lieu of notice. On his departure all his long-term incentives and deferred bonus shares lapsed.

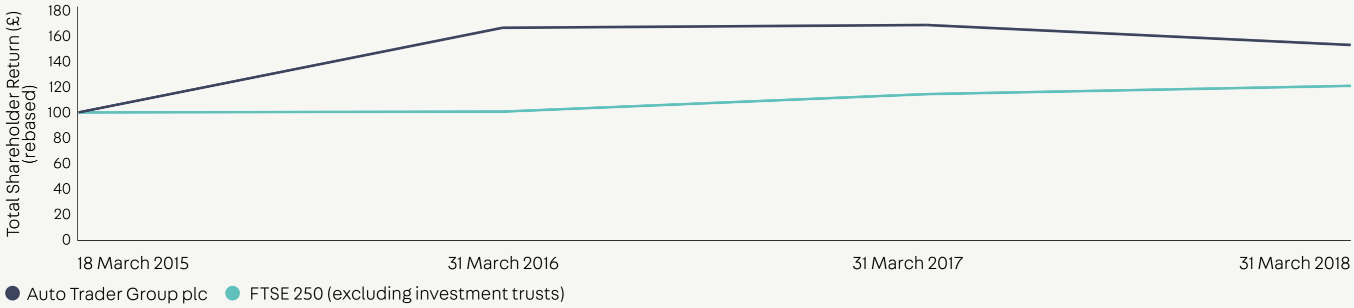
Payments to former Directors (Audited)

There were no payments made to former Directors during the year.

Performance graph and CEO remuneration table

The graph below illustrates the Company's TSR performance relative to the FTSE 250 Index (excluding investment trusts) of which the Company is a constituent, from the start of conditional share dealing on 18 March 2015. The graph shows the performance of a hypothetical £100 invested and its performance over that period.

Total Shareholder Return



Source: Datastream (Thomson Reuters).

CEO remuneration

The table below sets out the CEO's single figure of total remuneration together with the percentage of maximum annual bonus awarded over the same period.

	2018	2017	2016	2015[1]
CEO total remuneration (£'000)	2,630	980	1,339	20
Annual bonus (% of maximum)	50.3%	51.8%	100%	N/A[2]
PSP vesting (% of maximum)	100%	N/A[3]	N/A[3]	N/A[3]

1 From the date of Admission in March 2015.
2 Private company when bonus plan implemented in 2015.
3 No awards were eligible to vest in respect of long-term performance ending in 2015, 2016 or 2017.

Percentage increase in the remuneration of the CEO

The table below shows the average increase in each component between the CEO and the average employee in the Company from 2017 to 2018. The average value of benefits for employees has decreased due to a reduction in the cost of private medical insurance.

	Change in remuneration levels	
Component	**CEO**	**Average employee**
Salary	+2%	+4%
Benefits	0%	-15%
Bonus	-1%	-6%

Relative importance of the spend on pay

The following table shows the Group's actual spend on pay for all employees compared to distributions to shareholders. The average number of employees has also been included for context. Revenue and Operating profit have also been disclosed as these are two key measures of Group performance.

	2018 £m	2017 £m	% change
Employee costs (see note 5 to the consolidated financial statements)	54.5	53.6	2%
Average number of employees (see note 6 to the consolidated financial statements)	822	820	0%
Revenue (see consolidated income statement)	330.1	311.4	7%[1]
Operating profit	220.6	203.1	10%[1]
Dividends paid and proposed (see note 23 to the consolidated financial statements)	56.1	50.7	11%

1 Days adjusted.

Fees for the Chairman and Non-Executive Directors

The fees were reviewed in early 2018 and were increased by 2% with effect from 1 April 2018. The Chairman and Non-Executive Directors' fees will next be reviewed in early 2019, with any increase becoming effective from 1 April 2019.

The following table sets out the new fees effective from 1 April 2018 (financial year 2019) compared to those which applied in financial year 2018:

	2019	2018	Percentage change
Base fees			
Chairman	£180,405	£176,868	+2%
Non-Executive Director	£55,713	£54,621	+2%
Additional fees			
Senior Independent Director	£9,551	£9,364	+2%
Audit Committee Chairman	£9,551	£9,364	+2%
Remuneration Committee Chairman	£9,551	£9,364	+2%

There is no additional fee payable to the Chairman of the Nomination Committee. The Company Chairman is currently Chair of the Nomination Committee.

All Non-Executive Directors have letters of appointment with the Company for an initial period of three years, subject to annual re-appointment at the AGM. Appointment is terminable on six months' written notice. The appointment letters for the Non-Executive Directors provide that no compensation is payable upon termination of employment. The letters of appointment are available for inspection at the Company's registered office. Details of the appointment terms of the Non-Executive Directors are as follows:

	Start of current term	Expiry of current term
Ed Williams	6 March 2018	5 March 2021
David Keens	1 May 2018	30 April 2021
Jill Easterbrook	1 July 2015	30 June 2018[1]
Jeni Mundy	1 March 2016	28 February 2019

1 The Board has approved the renewal of this term with effect from 1 July 2018 to expire on 30 June 2021.

Funding of equity awards

Share awards may be funded by a combination of newly issued shares, treasury shares and shares purchased in the market. Where shares are newly issued or from treasury, the Company complies with Investment Association dilution guidelines on their issue. The current dilution usage of all share plans is c.0.53% of shares in issue.

Where shares are purchased in the market, these will be held by a trust, in which case the voting rights relating to the shares are exercisable by the Trustees in accordance with their fiduciary duties. At 31 March 2018 the Trust held 932,761 shares in respect of the Share Incentive Plan.

External directorships

Auto Trader recognises that its Executive Directors may be invited to become non-executive directors of other companies. Such non-executive duties can broaden a Director's experience and knowledge which can benefit Auto Trader. The Company Chairman would approve any such directorships in advance to ensure that there was no conflict of interest. Trevor Mather is a director on the board of Burns Sheehan Limited, a recruitment business, for which he does not receive any remuneration. The Board approved the appointment and confirmed that it was satisfied that there was no conflict of interest arising.

Membership of the Committee

Jill Easterbrook is the Committee Chairman, and its other members are David Keens and Jeni Mundy. Refer to page 66 to 67 for further details of the membership of the Committee, the Terms of Reference, the meetings held and activities during the year.

External advisors

During the year the Committee undertook a review of advisors and from October 2017 appointed Deloitte following a competitive tender process.

Deloitte are founding members of the Remuneration Consultants Code of Conduct and adhere to this Code in its dealings with the Committee. The Committee is satisfied that the advice provided by Deloitte is objective and independent. The Committee is comfortable that the Deloitte engagement partner and team that provide remuneration advice to the Committee do not have connections with the Company that may impair their independence. The Committee reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts.

Fees are charged on a time and materials basis. During the year Deloitte was paid £62,450 for advice provided to the Committee. Deloitte provided additional services to the Company in relation to internal audit and tax services.

Prior to this date, the Committee received advice from New Bridge Street ('NBS'), part of Aon plc. NBS are also a founding member of the Remuneration Consultants Code of Conduct and the Committee is satisfied that the advice received by NBS in relation to remuneration matters during the year was objective and independent. NBS did not provide any other services to the Company during the year. Aon currently provides actuarial, valuation and administration services in relation to the defined benefit pension scheme of the Company. The fees payable to NBS for providing advice in relation to executive remuneration over the financial year under review were £12,429, charged on a time-spent basis.

Statement of shareholder voting

Shareholder voting in relation to recent AGM resolutions is as follows:

	Votes for	% of votes cast for	Votes against	% of votes cast against	Abstentions
2015 AGM: Remuneration policy (binding)	797,281,130	98.20	14,637,737	1.80	7,139,212
2017 AGM: Annual Report on Remuneration (advisory)	809,249,426	99.12	7,198,204	0.88	51,313

Approval

This Directors' remuneration report has been approved by the Board of Directors.

Signed on behalf of the Board of Directors.

Jill Easterbrook
Chairman of the Remuneration Committee
7 June 2018

The Directors have pleasure in submitting their Report and the audited financial statements of Auto Trader Group plc (the 'Company') and its subsidiaries (together the 'Group') for the financial year to 31 March 2018.

Statutory information
Information required to be part of the Directors' report can be found elsewhere in this document, as indicated in the table below, and is incorporated into this Report by reference:

Section of Annual Report	Page reference
Employee involvement	Strategic report; Corporate social responsibility (page 44)
Employees with disabilities	Strategic report; Corporate social responsibility (page 45)
Financial instruments	Note 2 to the consolidated financial statements
Future developments of the business	Strategic report (pages 1 to 49)
Greenhouse gas emissions	Strategic report; Corporate social responsibility (page 47)
Non-financial reporting	Strategic report: Corporate social responsibility (page 39)

Information required by LR 9.8
Information required to be included in the Annual Financial Report by LR 9.8 can be found in this document as indicated in the table below:

Section of Annual Report	Page reference
Allotment of shares during the year	Note 21 to the consolidated financial statements
Directors' interests	Remuneration report (page 77)
Significant shareholders	Directors' report (page 82)
Going concern	Principal risks and uncertainties (page 38)
Long-term incentive schemes	Directors' remuneration report (pages 74 to 78)
Powers for the Company to buy back its shares	Directors' report (page 82)
Significant contracts	Directors' report (page 82)
Significant related party agreements	Directors' report (page 82)
Statement of corporate governance	Corporate governance statement (pages 50 to 80)

Management report
This Directors' report, on pages 81 to 83, together with the Strategic report on pages 1 to 49, form the Management Report for the purposes of DTR 4.1.5R.

Strategic report
The Strategic report, which can be found on pages 1 to 49, sets out the Group's strategy, objectives and business model; the development, performance and position of the Group's business (including financial and operating key performance indicators); a description of the principal risks and uncertainties; and the main trends and factors likely to affect the future development, performance and position of the Group's business.

UK Corporate Governance Code
The Company's statement on corporate governance can be found in the Corporate governance statement, the Report of the Nomination Committee, the Report of the Audit Committee and the Directors' remuneration report on pages 54 to 80, all of which form part of this Directors' report and are incorporated into it by reference.

2018 Annual General Meeting
The Annual General Meeting ('AGM') will be held at 10.00 am on 20 September 2018 at the Company's registered office at 4th Floor, 1 Tony Wilson Place, Manchester, M15 4FN. The Notice of Meeting sets out the resolutions to be proposed and specifies the deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the AGM. All proxy votes will be counted and the numbers for, against or withheld in relation to each resolution will be announced at the AGM and published on the Company's website.

Board of Directors
The following individuals were Directors of the Company for the whole of the financial year ending 31 March 2018, and to the date of approving this report unless otherwise stated:

- Ed Williams
- Trevor Mather
- Nathan Coe
- David Keens
- Jill Easterbrook
- Jeni Mundy

Sean Glithero resigned as a Director on 21 September 2017. All Directors will stand for election or re-election at the 2018 AGM in line with the recommendations of the Code.

Appointment and replacement of Directors
At each AGM each Director then in office shall retire from office with effect from the conclusion of the meeting. When a Director retires at an AGM in accordance with the Articles of Association of the Company, the Company may, by ordinary resolution at the meeting, fill the office being vacated by re-electing the retiring Director. In the absence of such a resolution, the retiring Director shall nevertheless be deemed to have been re-elected, except in the cases identified by the Articles.

Results and dividends
The Group's and Company's audited financial statements for the year are set out on pages 88 to 130.

The Company declared an interim dividend on 9 November 2017 of 1.9 pence per share which was paid on 26 January 2018.

The Directors recommend payment of a final dividend of 4.0 pence per share (2017: 3.5 pence per share) to be paid on 28 September 2018 to shareholders on the register of members at 31 August 2018, subject to approval at the 2018 AGM.

Amendment of the Articles
The Company's Articles of Association may only be amended by a special resolution at a general meeting of shareholders. No amendments are proposed to be made to the existing Articles of Association at the forthcoming AGM.

Authority to allot shares
Under the 2006 Act, the Directors may only allot shares if authorised to do so by shareholders in a general meeting. The authority conferred on the Directors at the 2017 AGM under section 551 of the 2006 Act expires on the date of the forthcoming AGM, and ordinary resolution 13 seeks a new authority to allow the Directors to allot ordinary shares up to a maximum nominal amount of £6,320,335 (632,033,500 shares, representing approximately two thirds of the Company's existing share capital at 7 June 2018), of which 315,969,350 shares (representing approximately one third of the Company's issued ordinary share capital) can only be allotted pursuant to a rights issue. The Directors have no present intention of exercising this authority which will expire at the conclusion of the AGM in 2019 or 19 December 2019 if earlier.

Authority to purchase own shares
The Company's share buyback programme continued during the year. By resolutions passed at the 2017 AGM the Company was authorised to make market purchases of up to 97,476,919 of its ordinary shares, subject to minimum and maximum price restrictions. A total of 26,809,702 ordinary shares of £0.01 each were purchased in the year to 31 March 2018, being 2.75% of the shares in issue at the time the authority was granted. The average price paid per share was 358.5p with a total consideration paid (inclusive of all costs) of £96.7 million, and all shares were purchased to be immediately cancelled. The Directors will seek authority from shareholders at the forthcoming AGM for the Company to purchase, in the market, up to a maximum of 10% of its own ordinary shares (excluding shares held in treasury) either to be cancelled or retained as treasury shares.

Share capital and control
The Company's issued share capital comprises ordinary shares of £0.01 each which are listed on the London Stock Exchange (LSE: AUTO.L). The ISIN of the shares is GB00BVYVFW23.

The issued share capital of the Company as at 31 March 2018 and 7 June 2018 comprises 952,161,444 of £0.01 each. 4,194,989 shares were held in treasury at 31 March 2018. Further information regarding the Company's issued share capital and details of the movements in issued share capital during the year are provided in note 21 to the Group's financial statements. All the information detailed in note 21 forms part of this Directors' report and is incorporated into it by reference.

Details of employee share schemes are provided in note 25 to the Group financial statements.

Rights attaching to shares
All shares have the same rights (including voting and dividend rights and rights on a return of capital) and restrictions as set out in the Articles, described below. Except in relation to dividends which have been declared and rights on a liquidation of the Company, the shareholders have no rights to share in the profits of the Company. The Company's shares are not redeemable. However, following any grant of authority from shareholders, the Company may purchase or contract to purchase any of the shares on or off market, subject to the Companies Act 2006 and the requirements of the Listing Rules.

No shareholder holds shares in the Company which carry special rights with regard to control of the Company. There are no shares relating to an employee share scheme which have rights with regard to control of the Company that are not exercisable directly and solely by the employees, other than in the case of the Auto Trader Group Share Incentive Plan, where share interests of a participant in such scheme can be exercised by the personal representatives of a deceased participant in accordance with the Scheme rules.

Voting rights
Each ordinary share entitles the holder to vote at general meetings of the Company. A resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is demanded. On a show of hands, every member who is present in person or by proxy at a general meeting of the Company shall have one vote. On a poll, every member who is present in person or by proxy shall have one vote for every share of which they are a holder. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting. No member shall be entitled to vote at any general meeting either in person or by proxy, in respect of any share held by him, unless all amounts presently payable by him in respect of that share have been paid. Save as noted, there are no restrictions on voting rights nor any agreement that may result in such restrictions.

Restrictions on transfer of securities
The Articles do not contain any restrictions on the transfer of ordinary shares in the Company other than the usual restrictions applicable where any amount is unpaid on a share. Certain restrictions are also imposed by laws and regulations (such as insider trading and marketing requirements relating to close periods) and requirements of the Company's share dealing code whereby Directors and certain employees of the Company require approval to deal in the Company's securities.

Change of control
Save in respect of a provision of the Company's share schemes which may cause options and awards granted to employees under such schemes to vest on takeover, there are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) because of a takeover bid.

Significant contracts
The only significant agreements to which the Company is a party that take effect, alter or terminate upon a change of control of the Company following a takeover bid, and the effect thereof, are the Term Loan and Revolving Credit Facility agreements, which contain customary prepayment, cancellation and default provisions including, if required by a lender, mandatory prepayment of all utilisations provided by that lender upon the sale of all or substantially all of the business and assets of the Group or a change of control.

Interests in voting rights
At the year end the Company had been notified, in accordance with Chapter 5 of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, of the following significant interests in the issued ordinary share capital of the Company:

	At 31 March 2018		At 7 June 2018	
Shareholder	Number of ordinary shares/ voting rights notified	Percentage of voting rights over ordinary shares of £0.01 each	Number of ordinary shares/ voting rights notified	Percentage of voting rights over ordinary shares of £0.01 each
BlackRock Inc.	100,307,795	10.55%	80,654,003	8.50%
Baillie Gifford & Co.	n/a	n/a	47,482,549	5.01%
Kayne Anderson Rudnick Investment Management LLC	26,770,275	2.82%	49,059,618	5.18%
CI Investments Inc.	37,805,677	3.93%	27,343,814	2.88%

Transactions with related parties
As described in note 28, during the year, the Group transacted with Burns Sheehan Limited, a third party which a Director holds a shareholding. This company is deemed to be a related party. Costs incurred were in respect of recruitment consultancy services which amounted to £35k (2017: £nil). There were no amounts outstanding at the year end. All transactions were completed at an arm's length basis.

Compensation paid to Directors and Key Management is as disclosed in note 6 to the Group financial statements.

Research and development
Innovation, specifically in software, is a critical element of Auto Trader's strategy and therefore of the future success of the Group. Accordingly, the majority of the Group's research and development expenditure is predominantly related to this area. Since 30 September 2013, the Group has changed its approach to technology development such that the Group now develops its core infrastructure through small-scale, maintenance-like incremental improvements, and as a result the amount of capitalised development costs has decreased as less expenditure meets the requirements of IAS 38 Intangible assets.

Indemnities and insurance
The Company maintains appropriate insurance to cover Directors' and officers' liability for itself and its subsidiaries and such insurance was in force for the whole of the financial year ending 31 March 2018. The Company also indemnifies the Directors under a qualifying indemnity for the purposes of section 236 of the Companies Act 2006: in the case of the Non-Executive Directors in their respective letters of appointment and in the case of the Executive Directors in a separate deed of indemnity. Such indemnities contain provisions that are permitted by the Director Liability provisions of the Companies Act and the Company's Articles.

Environmental
Information on the Group's greenhouse gas emissions is set out in the Corporate social responsibility section on page 47 and forms part of this Report by reference.

Political donations
There were no political donations made during the year or the previous year.

Post balance sheet events
On 6 June 2018 the Group signed into a new Revolving Credit Facility (the 'New RCF') to replace the existing Senior Syndicated Term Loan and revolving credit facility. The New RCF, which is unsecured, has total commitments of £400m and a termination date of June 2023.

External branches
The Group had no active registered external branches during the reporting period.

Financial instruments
Details of the financial risk management objectives and policies of the Group, including hedging policies and exposure of the entity to price risk, credit risk, liquidity risk and cash flow risk, are given in note 2 to the consolidated financial statements.

Disclosure of information to auditors
Each of the Directors has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director to make him/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Statement of Directors' responsibilities in respect of the Annual Report and Financial Statements
The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRSs as adopted by the EU') and applicable law, and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards, including FRS 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland'.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report
We confirm, to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Approval of Annual Report
The Strategic report and the Corporate governance report were approved by the Board on 7 June 2018.

Approved by the Board and signed on its behalf.

Claire Baty
Company Secretary
7 June 2018