

# A robust framework for governance



**The Company complied with all provisions set out in the Code for the period "**

**Ed Williams**  
Chairman



**I am pleased to introduce our corporate governance statement which incorporates reports from the Chair 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 and succession planning**

As we announced on 29 April 2019, Trevor Mather has decided to retire as CEO and Director and will leave the Board on 31 March 2020. We had a robust succession plan in place and we were pleased to be able to put this into practice by appointing Nathan Coe as CEO-designate, whilst retaining his CFO responsibilities during the transition period. As part of this plan, Catherine Faiers was appointed as Chief Operating Officer and joined the Board on 1 May 2019.

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

#### **New Corporate Governance Code**

The Board has completed a review of the 2018 Corporate Governance Code and assessed the impact on our current governance arrangements.

For the majority of the changes, we were already in line with the new requirements. Where we identified gaps, proposals have been considered by the Board and its Committees, and we have already adopted some of the new requirements:

- Terms of Reference of the Remuneration Committee have been updated
- We have decided to introduce a post-employment shareholding guideline in line with best practice and the requirements of the 2018 Code. Further details are set out on page 67. After this change, our Remuneration Policy will comply with the expanded requirements of the 2018 Code
- We have already introduced a Cultural Scorecard to assist the Board in assessing and monitoring the culture of the organisation
- Proposals have been considered in respect of the method of workforce engagement, and the Board has decided that it will adopt an approach that builds on the extensive engagement mechanisms that are already in place in the business

– A suggested framework has been agreed to assist the Board in ensuring that the views of and impact on the wider stakeholders are taken into account in decision making and discussions.

These changes will be implemented over the coming months and reported upon in the 2020 Annual Report. Further details are included within the relevant sections of this report.

#### **Remuneration Policy review**

We carried out a review of our Remuneration Policy during 2018, and we were pleased to have received approval for the new policy at our 2018 AGM. The policy has been implemented in this financial year, as described more fully in the Directors' remuneration report on pages 64 to 74.

#### **Annual General Meeting**

Our Annual General Meeting ('AGM') will be held at 10.00 am on Thursday 19 September 2019 at 4th Floor, 1 Tony Wilson Place, Manchester, M15 4FN and we expect that all Directors will be in attendance.

**Ed Williams**  
Chairman  
6 June 2019



## 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](http://plc.autotrader.co.uk/investors)

### Board of Directors

Nomination Committee	Audit Committee	Remuneration Committee	Disclosure Committee
<p><b>Members</b></p> <ul style="list-style-type: none"> <li>- Ed Williams (Chair)</li> <li>- David Keens</li> <li>- Jill Easterbrook</li> <li>- Jeni Mundy</li> </ul>	<p><b>Members</b></p> <ul style="list-style-type: none"> <li>- David Keens (Chair)</li> <li>- Jill Easterbrook</li> <li>- Jeni Mundy</li> </ul>	<p><b>Members</b></p> <ul style="list-style-type: none"> <li>- Jill Easterbrook (Chair)</li> <li>- David Keens</li> <li>- Jeni Mundy</li> </ul>	<p><b>Members</b></p> <ul style="list-style-type: none"> <li>- Trevor Mather</li> <li>- Nathan Coe</li> <li>- Claire Baty</li> </ul>
<p><b>Role and Terms of Reference</b></p> <p>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.</p>	<p><b>Role and Terms of Reference</b></p> <p>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.</p>	<p><b>Role and Terms of Reference</b></p> <p>Responsible for all elements of the remuneration of the Executive Directors, the Chairman and senior employees.</p>	<p><b>Role and Terms of Reference</b></p> <p>Assists the Board in discharging its responsibilities relating to monitoring the existence of inside information and its disclosure to the market.</p>
<p><a href="#">Read more page 58</a></p>	<p><a href="#">Read more page 60</a></p>	<p><a href="#">Read more page 64</a></p>	<p><a href="http://plc.autotrader.co.uk/investors">Read more plc.autotrader.co.uk/investors</a></p>

## Board of Directors



**Ed Williams**  
Chairman

### Biography

Ed was appointed as Chairman of Auto Trader Group plc in February 2015. Prior to this, Ed was a Non-Executive Director of Auto Trader Holding Limited from November 2010 and Chairman from 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.

As announced in April 2019, Trevor will retire from the Board on 31 March 2020.

**Appointed to PLC Board**  
February 2015

**Independent on appointment**  
Yes

**External appointments**  
Idealista S.A.

**Committee memberships**  
Nomination (Chair)



**Trevor Mather**  
Chief Executive Officer

### Biography

Trevor joined Auto Trader as Chief Executive Officer ('CEO') in June 2013, and was appointed as a director of Auto Trader Group plc in February 2015. 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.

As announced in April 2019, Trevor will retire from the Board on 31 March 2020.

**Appointed to PLC Board**  
February 2015

**Independent on appointment**  
N/A

**External appointments**  
Matches Fashion Limited; Forever Manchester

**Committee memberships**  
Disclosure



**Nathan Coe**  
Chief Financial Officer and  
Chief Executive Officer - designate

### 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. Prior to his appointment to the Board, Nathan was 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).

As announced in April 2019, Nathan will become CEO on 1 April 2020.

**Appointed to PLC Board**  
April 2017

**Independent on appointment**  
N/A

**External appointments**  
None

**Committee memberships**  
Disclosure



**Catherine Faiers**  
Chief Operating Officer

### Biography

Catherine joined Auto Trader in August 2017 and was appointed as Chief Operating Officer in May 2019. Catherine is responsible for the day-to-day operations of Auto Trader's business. She is also focused on guiding the Group's strategy and development.

Prior to this, Catherine was Chief Operating Officer at Addison Lee where she was responsible for all aspects of operations with a team of over 750 employees, management of the base of 6,000 driver partners, fleet logistics and customer operations. She was previously Corporate Development Director at Trainline with responsibility for strategy, change management and M&A and a Director at Close Brothers Corporate Finance responsible for the origination and execution of M&A and Debt Advisory mandates in the technology sector.

Catherine graduated from the University of Durham with a BA in Economics and is a qualified Chartered Accountant, training at PwC.

**Appointed to PLC Board**  
May 2019

**Independent on appointment**  
N/A

**External appointments**  
None

**Committee memberships**  
None



### 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 PLC Board**  
July 2015

**Independent on appointment**  
Yes

**External appointments**  
Boden Limited

**Committee memberships**  
Remuneration (Chair), Nomination, Audit



### 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 PLC Board**  
May 2015

**Independent on appointment**  
Yes

**External appointments**  
J Sainsbury plc.

**Committee memberships**  
Audit (Chair), Nomination, Remuneration



### Jeni Mundy

Independent  
Non-Executive Director

#### Biography

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

Jeni is currently the Regional Managing Director UK & Ireland of Visa Inc.

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 PLC Board**  
March 2016

**Independent on appointment**  
Yes

**External appointments**  
Visa UK Limited

**Committee memberships**  
Remuneration, Nomination, Audit



### Claire Baty

Company Secretary

#### Biography

Claire joined Auto Trader in July 2015 and is Company Secretary and Director of Governance.

Claire was previously Deputy Company Secretary at Betfair Group plc and prior to that was Company Secretary at Centaur Media plc.

Claire is a qualified accountant, a member of the Institute of Chartered Secretaries and Administrators and holds an MBA from Manchester Business School.

The dates of appointment shown are the dates on which the Directors were first appointed to the Board of Auto Trader Group plc. Any reference pre February 2015 refer to the Group's previous parent company, Auto Trader Holding Limited.

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](http://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:

## 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.

### Attendance at meetings

	Board	Audit	Remuneration	Nomination
<b>Number of scheduled meetings held</b>	9	3	6	3
<b>Director</b>				
Ed Williams	9	n/a	n/a	3
Trevor Mather	9	n/a	n/a	n/a
Nathan Coe	9	n/a	n/a	n/a
David Keens	9	3	6	3
Jill Easterbrook	9	3	6	3
Jeni Mundy	9	3	6	3

### 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](http://plc.autotrader.co.uk/investors)

### 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 2019.

### Impact of the 2018 Corporate Governance Code

The new Code contains various new provisions that will have an impact on our governance arrangements

- The requirement for the Board to assess and monitor culture
- Understand the views of the Company's key stakeholders and other matters under s172 Companies Act 2006, and consider these in Board discussions and decision-making
- Engage with the workforce using one of the prescribed methods or an alternative arrangement.

The Board has assessed the impact of the new Code and has considered and approved proposals to ensure that we will be in a position to comply with these new provisions.

- A Cultural Scorecard has been designed to allow monitoring of various cultural indicators such as staff retention, diversity, investment in training, absences, employee engagement and customer feedback. The Board now receives and discusses this on a regular basis during Board meetings.
- The Board already takes into consideration in its decision making the interests of wider stakeholders, such as employees, consumers, customers and suppliers, and other factors as required of them under s172 of Companies Act 2006. However, in order to formalise this process, the Board has established a framework which will be applied to all Board papers and discussions.
- There are already a number of established ways in which the Company engages with the workforce, for example, an annual employee engagement survey; an annual conference; regular sharing of information from the CEO via regular business updates, emails and videos; and informal open forums such as breakfast forums. The Board intends to utilise these existing mechanisms and increase the level of informal and formal interaction with the workforce through these channels.
- There are also a number of employee "guilds" which have been established to drive changes forward in areas such as family & wellbeing; diversity & inclusion; recognition and career development. The Company will establish a "guild of guilds" which will act as a quasi-formal workforce advisory panel and use this as a mechanism for the Board to engage with the workforce.
- The Board has decided that it is not appropriate to designate a specific NED to carry out this role; instead this should be shared across all NEDs.

Full details of the actions and their implementation will be included in the 2020 Annual Report.

**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 three 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 page 69, and they received no additional remuneration from the Company during the year.

Therefore, at 31 March 2019 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 48 and 49.

### 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 58 and 59.

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 Matches Fashion Limited, a global luxury shopping online company. 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. Neither Nathan Coe or Catherine Faiers 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 interest 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, or to take part or observe focus groups with consumers who use our website. All Directors 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, information security and other relevant subjects.

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 2019

	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, out-turn 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.	
2018	April	Maintain the best consumer experience for buying and selling cars: focus on private car sales.	Quarterly financial review.	Approval of new Single Incentive Plan for senior managers (below Board level).	Finalise shareholder consultation for new Remuneration Policy.	Follow up on external Board evaluation recommendations. Legal and regulatory update. Review of GDPR compliance.	
	June	Review and approval of the mid-term financial plan.	Improve stock choice, volumes, accuracy and transparency.	Approval of Annual Report and Preliminary Results Announcement. Approval of new £400m revolving credit agreement.	Approval of 2018 Bonus out-turn. PSP and Single Incentive Plan targets and grants.	Approval of dividend policy, capital structure and share buyback programme. Recommendation of final dividend.	Review and approval of Group risk register. Review and approval of viability statement.
	July	Review of progress on the joint venture with Cox Automotive.		Quarterly financial review.	Introduction of new Culture Scorecard.	Review of feedback from analysts and investors from results roadshows.	Review of risk management process.
	August	Approval of the Dealer Auction joint venture with Cox Automotive.					
	September		Grow ARPR in a balanced and sustainable way.	Quarterly financial review.		Reviewed feedback from investors and proxy advisory agencies in advance of Annual General Meeting ('AGM').	Review and approval of modern slavery statement. Insurance programme.
	October	Strategy off-site - understanding our consumers.	Extend our product offering further down the buying funnel: Pricing and product strategy for 2020.		Diversity and inclusion. Succession planning. Talent development.	Consideration of the impact of the 2018 Corporate Governance Code.	
	November			Approval of half-yearly report.	Approval of interim dividend.	Review and approval of Group risk register. Business continuity. Supplier risk.	
2019	February	2020 operating plan.	Develop a more efficient way for retailers to source vehicles.	Review of tax compliance. Quarterly financial review.	Review of remuneration framework. Gender pay gap reporting.	Review of feedback from analysts and investors from results roadshows. Review of internal and risk management framework. Review of external audit effectiveness.	
	March		Large customer update.	Approval of 2020 financial plan.	Salary reviews and bonus targets for 2020. Approval of planned approach to workforce engagement.	Internal Board evaluation feedback and action plan. Agreement on s172 framework for decision making.	



**Board evaluation and effectiveness**

In 2018, the Board engaged Independent Audit Limited to facilitate an external evaluation of the Board, Committees and individual Directors.

This year, an internal evaluation was conducted. The internal review included the completion of a detailed questionnaire by each of the Board Directors, covering the following areas:

- Board meetings and information flows
- The Board’s role, knowledge and skills
- Board composition and succession planning
- Business strategy, performance and culture
- Risk management
- Engagement with shareholders and other stakeholders
- The operation of each of the Board’s Committees
- Follow up of the recommendations raised by the external review

The results were reviewed by the Chairman and then discussed with the Board in March 2019.

**Actions arising from the 2018 external review**

<b>The Board and Committees operate with a relatively informal and high trust approach, and should monitor that this continues to function well.</b>	This is kept under continuous review, and was 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.
<b>The Board should develop a systematic approach to building a view of and measuring the culture of the business.</b>	A cultural scorecard has been developed and is used by the Board to formally measure and track culture.
<b>The Nomination Committee should focus on succession planning and motivation of senior managers beyond the Board.</b>	The Terms of Reference of the Nomination Committee were broadened to explicitly include talent development and succession planning below Board level, and these items were discussed during the 2018/19 meeting cycle.
<b>The Board should consider opportunities for deeper and wider contact between the Non-Executive Directors and the wider workforce.</b>	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. This will be further increased during 2019/20 as the Board starts to implement the requirements of the 2018 Corporate Governance Code around workforce engagement (see below).
<b>Board papers should be reviewed to ensure they are consistent and concise, and address the desired areas.</b>	The Company Secretary reviews all Board papers to ensure that every paper has a clear purpose and positioning to give focus to Board discussions. This will be further strengthened during 2019/20 as the Board implements a framework for ensuring that due consideration is given to all stakeholders under s172.

**Actions arising from the 2019 internal review**

<b>Although Board papers are published on a timely basis, there is often a large volume of pre-reading in a short space of time.</b>	More discipline in ensuring the papers are as concise as possible without losing the detail required. Papers are now published individually on a secure board portal when ready, rather than in a “pack”.
<b>As the Terms of Reference of each Committee expand, the agendas for each meeting become very full.</b>	Additional Committee meetings to be scheduled to spread the agenda items and enable more time for focus areas and discussions.
<b>As the induction process has not been needed for a number of years, this becomes out of date and should be refreshed.</b>	The induction process will be reviewed and refreshed to ensure that it continues to provide Directors with the information and knowledge they need about the business and their role.

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 60 to 63.

### Financial and business reporting

Assisted by the Audit Committee, the Board has carried out a review of the 2019 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 60 for details of the review process.

See pages 12 to 19 in the Strategic report for a description of our business model, strategy and focus areas.

See page 34 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 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 processes in place for assessment, management and monitoring of risks are described below.

### Risk management process

We recognise that effective risk management is critical to enable us to meet our strategic objectives and to achieve sustainable long-term growth. A four-step process has been adopted to identify, monitor and manage the risks to which the Group is exposed:

#### 1. Identify risks

A top-down and bottom-up approach is used to identify principal risks across the business. Whilst the Board has overall responsibility for the effectiveness of internal control and risk management, the detailed work is delegated to the Operational Leadership Team ('OLT').

#### 2. Assess and quantify risks

Risks and controls are analysed and evaluated to establish the root causes, financial impact and likelihood of occurrence. The Group categorises risks into six areas:

- economy, market and business environment;
- financial and compliance risk;
- asset risk;
- operational risk;
- competitive risk; and
- product specific risk.

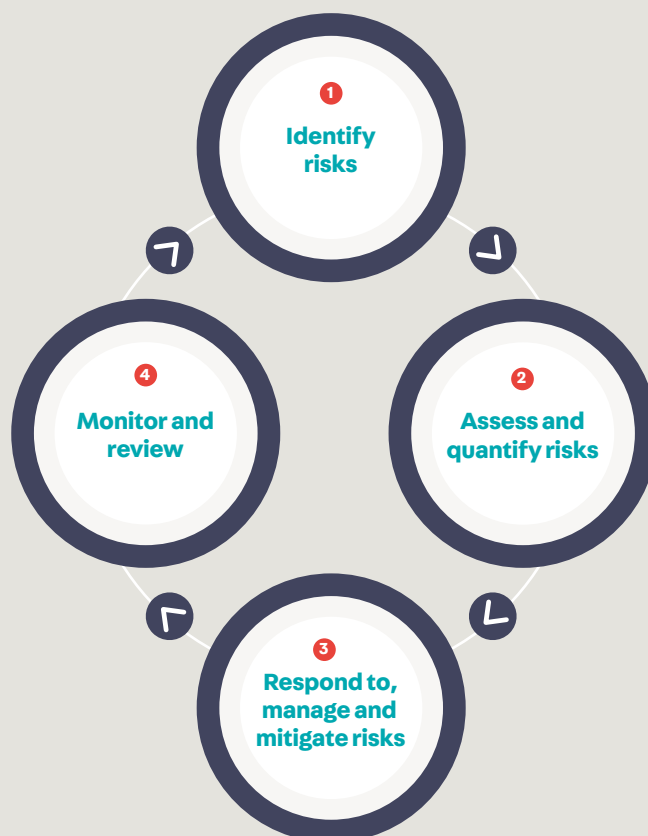
#### 3. Respond to, manage and mitigate risks

The effectiveness and adequacy of controls in place are assessed. If additional controls are required to mitigate identified risks then these are implemented and responsibilities assigned.

#### 4. Monitor and review

The OLT is responsible for monitoring progress against principal risks in a continual process. They are assisted by the Group's internal audit programme run in conjunction with Deloitte.

The Board reviews the Group's risk register and assesses the adequacy of the principal risks identified and the mitigating controls and procedures adopted.



**Our framework**

Risks are reviewed on an ongoing basis and are captured in a risk register, identifying the risk area, the likelihood of the risk occurring, the impact if it does occur and the actions being taken to manage the risk to the desired level. The Board's role is to consider whether, given the risk appetite of the Group, the level of risk is acceptable within its strategy.

**Responsibilities:**

**Board's responsibilities**

- Overall responsibility for overseeing the Group's risk management and internal control process
- Determines the Group's risk appetite
- Ensuring appropriate and robust systems of risk management and internal controls are in place to identify, manage and mitigate the risks to the overall viability of the Group

**Audit Committee's responsibilities**

- Assessing the scope and effectiveness of the Group's internal controls and risk management systems
- Agreeing the scope of the internal audit and external audit functions, and reviewing their work

**Operational Leadership Team's responsibilities**

- Identify, assess, monitor, manage and mitigate risks and exploit opportunities
- Embedding risk management and internal controls as business as usual
- Ensuring actions to mitigate risks are implemented

**Lines of defence:**

**1. First line**

**Operational Leadership Team**

- Primary responsibility for day-to-day risk management
- Risk identification, analysis, evaluation and mitigation
- Design and execution of appropriate mitigations and internal controls
- Self-certification of operation of processes and controls

**2. Second line**

**Oversight functions and committees**

- Functions: Risk and Compliance, Legal, HR, Security, Internal Controls
- Groups: Governance and Risk steering group; FCA Governance group, Trust Council
- Establish appropriate policies, provide guidance, advice and direction on implementation
- Monitor the first line of defence

**3. Third line**

- Independent assurance-internal audit, PCI compliance assessors, external auditors
- Provide independent assurance that risk is being appropriately managed
- Identify process improvements and efficiencies

**Our framework**



The Audit Committee reviews the system of risk management and 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 2019 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 64 to 74.

### Impact of the 2018 Corporate Governance Code

The Board has assessed the impact of the changes to the 2018 Corporate Governance Code and has already adopted updated Terms of Reference for the Remuneration Committee that incorporate some of these changes.

The Remuneration Committee has already decided to introduce a post-employment shareholding guideline in line with best practice and the requirements of the 2018 Code. Further details are set out on page 67. After this change, our Remuneration Policy will comply with the other expanded requirements of the 2018 Code – our pension provision for Executive Directors is aligned with our broader employee population, we operate a post-vesting holding period for the PSP and malus and clawback provisions apply.

## 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.

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](mailto: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 and Numis, on the views of institutional investors on a non-attributed and attributed basis, and on the views of analysts from its financial 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 19 September 2019 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](http://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](http://plc.autotrader.co.uk/investors)

### Three meetings were held during the year:

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

### Our progress in 2019:

- Renewal of additional three-year term for two Non-Executive Directors.
- Follow up on the recommendations of the 2018 external Board evaluation, and review the results of the 2019 internal evaluation
- Continued monitoring of succession planning for the Board and senior management and, in April 2019, putting this into practice
- Adopted the recommendations of the Hampton-Alexander review and increased the target for women on our Board to 33%

### In 2020 we will:

- Continue to monitor Board and senior management succession in the context of the Company's long-term strategy.
- Support management and the Board in promoting diversity in senior management and across the workforce.

## Dear shareholders,

I present the Report of the Nomination Committee for 2019.

### Role of the Committee

The Committee reviews the structure, size and composition of the Board and its Committees, and makes recommendations to the Board for appointments to the Board. The Committee is responsible for ensuring that there are formal and orderly succession plans in place for the members of the Board.

The Committee oversees diversity and inclusion across the whole Group and monitors succession planning and 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 or such other matters in which he may have a potential conflict of interest. For those meetings, the Senior Independent Director ('SID') is invited to take the Chair unless the SID is in contention for the role or also has a potential conflict of interest.

The Committee meets at least twice a year, and on an ad hoc basis as required. 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

The Committee believes that effective succession planning is critical to the Company's long-term success. We have a continual formal succession planning process to ensure orderly succession for the Board and senior management. This was put into practice in April 2019 when Trevor Mather informed the Board of his intention to retire as CEO. Our long-term succession plan meant that we had already identified Nathan Coe as a natural successor to Trevor. Catherine Faiers was promoted to the Board as Chief Operating Officer with effect from 1 May 2019, and Jamie Warner was promoted to CFO-designate, with the intention that he will join the Board on or before the date that Trevor retires in March 2020.

In the coming year, the Committee will update and develop our formal succession plan for the new Board, taking into account future skills required 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

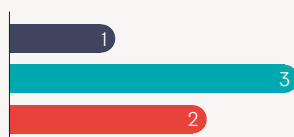
A priority for the Committee has been, and will continue to be, ensuring that members of the Board collectively possess the broad range of skills, expertise and industry knowledge, and business and other experience necessary for the effective oversight of the Group.

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 and ethnic diversity.

Taking into consideration the recommendations of the Hampton-Alexander review, we have revised our target for women representation on our Board to 33%. We already exceed this target, as three of our seven Board members are women. Our longer-term goal, as it is for the organisation as a whole, is to achieve an equal number of men and women. We acknowledge the recommendations of the Parker review, but have not at this stage set a target, and do not currently meet the recommendations.

## Board composition

As at 31 March 2019



- Chairman
- Independent Non-Executive Directors
- Executive Directors

As at 6 June 2019



## Gender diversity

As at 31 March 2019



% of women on Board 33%

- Men
- Women

As at 6 June 2019



% of women on Board 43%

## Board tenure\*

As at 31 March 2019



- 0-3 years
- 3-6 years

\*Refers to period since appointment to the PLC Board

As at 6 June 2019



## Diversity and inclusion

The Nomination Committee's Terms of Reference 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.

We are committed to more women at senior management level and throughout the organisation, particularly in parts of the business where women are currently underrepresented, such as technology. Throughout most of the year, 50% of our Operational Leadership Team ('OLT') were women, and we were delighted to be able to promote Le Etta Pearce to Chief Executive Officer of our new joint venture with Cox Automotive UK, which meant that she leaves our OLT to take up this opportunity. At the end of our financial year, 42% of the OLT were women, and 36% of the OLT's direct reports were women, which means that we have already met the Hampton-Alexander Review recommendations.

## Board evaluation

We carried out an internal Board evaluation during the year, which included following up on the recommendations of the 2018 externally facilitated Board evaluation. This is described in detail on page 54 of the corporate governance statement. Our next external Board evaluation will be in 2021.

## Election and re-election of Directors

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 2019 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

6 June 2019

## Impact of the 2018 Corporate Governance Code

The 2018 UK Corporate Governance Code applies to us from 1 April 2019. The new Code contains a provision that the Chairman should not remain in post beyond nine years from the date of their first appointment to the Board.

Ed Williams joined the Auto Trader business as a Non-Executive Director in November 2010 when it was under private ownership. He joined the Auto Trader Group plc Board in February 2015 and the Company listed on the London Stock Exchange in March 2015.

The Committee, led by David Keens as Senior Independent Director, has considered this change in the Code and has consulted with the FRC. The understanding of the Committee and the Board is that the nine year period commences on the date that Auto Trader listed on the London Stock Exchange. The nine year period for Ed Williams therefore runs to March 2024. However, it should be noted that these comments are made in reference to the maximum term stipulated in the new Code and do not commit the Company or Ed Williams to him remaining as Chairman until 2024.



## 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](http://plc.autotrader.co.uk/investors)

### Three meetings were held during the year:

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

### Our progress in 2019:

- Focus on key areas of judgement, including joint venture accounting for Dealer Auction.
- Review the impact of changes to accounting policies for IFRS 9, IFRS 15 and IFRS 16.
- Review of effectiveness of internal audit function, internal controls and risk management framework.
- Evaluate effectiveness and independence of external audit.

### In 2020 we will:

- Agree with KPMG any changes for their 2020 audit.

## Dear shareholders,

I am pleased to introduce the Audit Committee report for 2019.

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 Board has adopted defined Terms of Reference for the Committee to assist the Board in discharging many of its responsibilities. This includes 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 met three times during the year, arranged around our external reporting and external and internal audit cycle. Our external auditors, KPMG and internal auditors, Deloitte regularly attend meetings, as does the CFO/COO and other members of management attend by invitation.

During the year, the Company adopted new accounting standards IFRS 9, IFRS 15 and IFRS 16. The Committee reviewed the impact of these changes and other significant accounting matters with an appropriate level of challenge and debate. The Committee has reviewed the content in the Annual Report and we believe that this 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 2018 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 2019 AGM.

**David Keens**  
Chairman of the Audit Committee

6 June 2019

## 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 2019 half-year statement and 2019 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
<p><b>Revenue recognition</b></p> <p>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.</p> <p>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.</p> <p>KPMG also reviewed the impact of IFRS 15 which was adopted from 1 April 2018 (see below).</p>	<p>The Committee was satisfied with the explanations provided and conclusions reached.</p>
<p><b>Adoption of new accounting standards</b></p> <p>The Group has adopted IFRS 9 (Financial Instruments), IFRS 15 (Revenue) and IFRS 16 (Leases) with effect from 1 April 2018. The adoption of these new standards involves the use of judgements and assumptions and requires significant changes to disclosures.</p>	<p>The Committee has reviewed the key assumptions and impact of the adoption of the new accounting standards and is satisfied that these are appropriate. The Committee has also reviewed the disclosures, and has received reports from KPMG which include technical review of the new disclosures, and is satisfied that these are in accordance with accounting standards.</p>
<p><b>Share-based payments</b></p> <p>The Company has a number of share-based payment arrangements, accounted for under IFRS 2, including a new Single Incentive Plan. These require the use of valuation models and certain assumptions in determining their fair value at grant and in the recognition of charges and, as such, this is an area of judgement for management.</p>	<p>The Committee reviewed the assumptions made by management, particularly in relation to profit forecasts that determine the proportion of shares granted under the PSP, DABP and new Single Incentive Plan. 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.</p>
<p><b>Joint venture accounting</b></p> <p>The Group has entered into a joint venture agreement with Cox Automotive UK during the year. This was a material transaction; however the accounting treatment is not deemed to be complex or involve a high degree of management judgement.</p>	<p>The Committee has reviewed the accounting treatment and disclosure for the new joint venture and is satisfied that this is appropriate and in accordance with accounting standards.</p>
<p><b>Going concern and viability statement</b></p> <p>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.</p>	<p>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 2022. 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 30-33. The feasibility of mitigating actions and the potential speed of implementation to achieve any flexibility required were 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.</p>



### Fair, balanced and understandable

At the request of the Board, the Committee has reviewed the content of the 2019 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:

<b>Is the report fair?</b>	<ul style="list-style-type: none"> <li>– Is a complete picture presented and has any sensitive material been omitted that should have been included?</li> <li>– Are key messages in the narrative aligned with the KPIs and are they reflected in the financial reporting?</li> <li>– Are the revenue streams described in the narrative consistent with those used for financial reporting in the financial statements?</li> </ul>
<b>Is the report balanced?</b>	<ul style="list-style-type: none"> <li>– Is there a good level of consistency between the reports in the front and the reporting in the back of the Annual Report?</li> <li>– Do you get the same messages when reading the front end and the back end independently?</li> <li>– Is there an appropriate balance between statutory and adjusted measures and are any adjustments explained clearly with appropriate prominence?</li> <li>– 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?</li> <li>– How do these compare with the risks that KPMG are planning to include in their report?</li> </ul>
<b>Is the report understandable?</b>	<ul style="list-style-type: none"> <li>– Is there a clear and cohesive framework for the Annual Report?</li> <li>– Are the important messages highlighted and appropriately themed throughout the document?</li> <li>– Is the report written in accessible language and are the messages clearly drawn out?</li> </ul>

Following the Committee's review, the Directors confirm that, in their opinion, the 2019 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
<b>Risk management</b>	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.
<b>Financial reporting</b>	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.
<b>Budgeting and reforecasting</b>	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.
<b>Delegation of authority and approval limits</b>	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.
<b>Segregation of duties</b>	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 2019 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:

- Tax governance
- Cyber resilience and application security
- GDPR operating effectiveness
- Review of FCA regulated activity

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 2018, and in respect of the audit of the financial statements for the year ended 31 March 2019. 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
<p><b>Audit-related services directly related to the audit</b> For example, the review of interim financial statements, compliance certificates and reports to regulators.</p>	<p>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.</p>
<p><b>Acceptable non-audit services</b> Including, but not limited to: work related to mergers, acquisitions, disposals, joint ventures or circulars; benchmarking services; and corporate governance advice.</p>	<p>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.</p>
<p><b>Prohibited services</b> 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.</p>	<p>Prohibited, with the exception of certain services which are subject to derogation if certain conditions are met, in accordance with the EU Audit Reform.</p>

Refer to [plc.autotrader.co.uk/investors](http://plc.autotrader.co.uk/investors) for full details of the policy. During the year, KPMG charged the Group £34,396 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

6 June 2019

# Annual statement

by the Chairman of the Remuneration Committee



**Jill Easterbrook**

Chairman of the Remuneration Committee

**Composed of three independent Non-Executive Directors.**

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](http://plc.autotrader.co.uk/investors)

**Six meetings were held during the year:**

	Meetings attended/ total meetings held	Percentage of meetings attended
<b>Jill Easterbrook</b> (Chairman)	6/6	100%
<b>David Keens</b>	6/6	100%
<b>Jeni Mundy</b>	6/6	100%

In addition, Ed Williams was in attendance at all six meetings by invitation.

**Key highlights for 2019:**

- Shareholder approval received for our revised Directors' Remuneration Policy at the 2018 AGM and pay was implemented in line with this policy during the year.
- The Committee reviewed developments in UK corporate governance and shareholder guidance and considered its approach to the 2018 Code.
- The Committee considered and agreed remuneration arrangements for the CEO in respect of his retirement and other changes to the Board announced on 29 April 2019.

**In 2020 we will:**

- Continue to monitor Remuneration Policy to ensure it is aligned with strategy and the creation of suitable long-term value creation and that it is appropriate in the context of evolving shareholder guidance and corporate governance.

## Dear shareholders,

I am pleased to present, on behalf of the Board, the Report of the Remuneration Committee (the 'Committee') for the year ended 31 March 2019.

**Board changes**

On 29 April 2019 we announced that Trevor Mather had notified the Board of his intention to retire as CEO and that he will step down from his role and as a Director on 31 March 2020. At the same time we announced that Nathan Coe has been promoted to CEO-designate and that Catherine Faiers will join the Board in the role of Chief Operating Officer "COO" from 1 May 2019. Details of their remuneration arrangements are provided below and in the remainder of this report.

**Remuneration Policy and approach for 2020**

During 2018 the Committee undertook a review of our Directors' Remuneration Policy. No changes were made to the remuneration framework as it was considered that it had been successful in driving performance and that it continued to be appropriate for the Executive Directors. The Committee, 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 the approach to assessing performance and setting targets. I am pleased that our revised Policy was approved by 95% of shareholders at the 2018 AGM. Thank you to our shareholders for the time you took to consult with us in the development of this Policy.

The Remuneration Committee continues to believe the Policy is appropriate and our approach to Executive Directors remuneration is unchanged for 2020. The maximum opportunity will continue to be 150% of base salary for the CEO and the CFO & CEO-designate. The COO's maximum bonus opportunity will be 130% of base salary. Annual bonuses will continue to be based 75% on Operating profit and 25% on strategic objectives. For 2020 the strategic measures will be based on stock on site, and adoption of our new car proposition. The new car measure has been introduced for 2020 reflecting our strategic focus on generating value through this market offering.

PSP awards will be granted in June 2019 and these will continue to be based 75% on Operating profit growth and 25% on total Group revenue growth. The CFO & CEO-designate will receive an award of 200% of salary and the COO will receive an award of 150% of salary. In light of his announced retirement the CEO will not receive a PSP award in June 2019.

Salaries for the CEO and CFO & CEO-designate were increased by c.2% with effect from 1 April 2019 in line with the general increase received for other senior employees across the Group. Pension and benefits are unchanged for 2019. The COO's salary was set at £350,000 from the date of her appointment to the Board (1 May 2019).

The CFO & CEO-designate's remuneration arrangements remain unchanged at present but will be reviewed in advance of him being appointed to the role of CEO with effect from 1 April 2020.

**Performance and reward in 2019**

2019 has been another good year, with revenue growth of 8% and Operating profit growth of 10%. We have also continued to make good progress against our purpose to lead the future of UK's digital automotive marketplace and have delivered excellent returns for shareholders through dividends and share buybacks.

Further details can be found on pages 24 to 29 of the Strategic report.

### Annual bonus

The annual bonus for 2019 was based 75% on Operating profit and 25% on strategic targets (average live car stock and average full page advert views). As outlined on page 70, the total bonus for 2018/19 was therefore 76.75% of maximum, resulting in payments of £641,401 for the CEO and £425,963 for the CFO & CEO-designate. Half of this bonus will be deferred into shares for a two-year period.

### Performance Share Plan ('PSP')

PSP awards granted in June 2016 will vest in June 2019 based on performance over the three years to 31 March 2019. 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). As detailed on page 70, actual performance resulted in a payout of 41.7% of the maximum 75% in respect of Cumulative Underlying operating profit performance, and 9.5% of the maximum 25% in respect of TSR, giving an overall total performance of 51.2%. The net value of vested awards is subject to a two-year holding period.

The Committee carefully considered the level of payout and concluded that annual bonus plan payouts and the level of PSP award vesting appropriately reflected the underlying performance of the Company and the strategic progress and therefore it was not necessary to exercise discretion to adjust payouts.

### UK Corporate Governance Code and amended disclosure requirements

During the year, the Committee has monitored developments in the 2018 UK Corporate Governance Code and emerging guidance from investors. The Committee has decided to introduce a post-employment shareholding guideline in line with best practice and the requirements of the 2018 Code. Any Executive Director who leaves from 1 April 2019 will be expected to retain an interest in shares with a value of 200% of salary (or their actual shareholding if lower) for a period of two years following departure. Further details are set out on page 67. Our Remuneration Policy already complies with the other expanded requirements of the 2018 Code – our pension provision for Executive Directors is aligned with our broader employee population, we operate a post-vesting holding period for the PSP and malus and clawback provisions apply.

In line with best practice we have also disclosed our CEO pay ratio a year in advance of being required to under the regulations. Our median all employee to CEO pay ratio is 42:1, which the Committee considers is within a reasonable range taking into account the structure and nature of our business.

The Committee will undertake a review of the practices in place in the coming year to ensure that they are aligned with the new Code and reporting regulations.

In light of the new Code, the Committee has also updated its Terms of Reference to formalise many of the Committee's existing practices to align with the expanded requirements of the Code. The updated Terms of Reference can be found [plc.autotrader.co.uk/investors](http://plc.autotrader.co.uk/investors).

### Retirement arrangements for Trevor Mather

Trevor will continue to receive his normal base salary, pension and benefits until his retirement and he will remain eligible for an annual bonus in respect of FY20. The Committee has determined that Trevor will be treated as a 'good leaver' in respect of outstanding share incentives. Trevor Mather has undertaken to retain shares equivalent to 200% of his salary for a minimum of two years post leaving when he retires from the Board on 31 March 2020. Further details are provided on page 72.

I look forward to receiving your support on the Directors' remuneration report at the 2019 AGM where I shall be available to answer any specific questions that you may have.

**Jill Easterbrook**

**Chairman of the Remuneration Committee**

6 June 2019

# Annual remuneration report

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. This report is subject to an advisory shareholder vote at the AGM on 19 September 2019.

## Summary of Directors' Remuneration Policy (Policy) and implementation for 2020

Our Policy was put to shareholders for approval at the AGM on 20 September 2018 and applies to payments made from this date. The following provides a summary of the Policy along with details of how the Policy will be implemented during 2020. For full details of the Policy approved by shareholders please refer to the 2018 Annual Report and Accounts which can be found at [plc.autotrader.co.uk/investors](http://plc.autotrader.co.uk/investors).

Element	Overview of operation	Maximum opportunity	Performance conditions	Implementation for 2020
Salary	Salaries are normally reviewed annually with changes effective from 1 April.	No 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.	N/A	<p>The Executive Directors' salaries were increased by c.2% from 1 April 2019 to:</p> <ul style="list-style-type: none"> <li>– CEO – £568,000 (2018/19: £557,134)</li> <li>– CFO &amp; CEO-designate – £377,000 (2018/19: £370,000)</li> </ul> <p>The increase for the CEO and CFO &amp; CEO-designate 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 3.75% (reflecting both general market, promotions and individual rewards for performance).</p> <p>The COO's salary was set at £350,000 from the date of her appointment to the Board (1 May 2019).</p> <p>The CEO-designate's remuneration arrangements will be reviewed in advance of him being appointed to the role of CEO with effect from 1 April 2020 to ensure they appropriately reflect the size and scope of the role.</p>
Benefits	Benefits include private medical cover, life assurance and income protection insurance.	The value of benefits is not capped as it is determined by the cost to the Company, which may vary.	N/A	No changes.
Pension	Directors are eligible to receive employer contributions to the Company's defined contribution pension plan, a salary supplement in lieu of pension benefits (or combination of the above).	Maximum contribution in line with the contribution of other employees in the Group, currently 5% of salary.	N/A	<p>No changes.</p> <p>Our pension policy is in line with the wider workforce and therefore we already comply with the 2018 Code in this area.</p>
Annual bonus	<p>Based on the achievement of performance over the financial year.</p> <p>Half of the bonus is paid in cash with half deferred into shares for two years under the Deferred Annual Bonus Plan ('DABP') subject to continued employment only.</p> <p>Dividend equivalents accrue on deferred shares.</p> <p>Recovery and withholding provisions apply, as described below.</p>	Maximum of 150% of salary.	<p>Performance measures for the year ended 31 March 2020 are as follows:</p> <ul style="list-style-type: none"> <li>– 75% based on Operating profit</li> <li>– 25% based on strategic measures</li> </ul> <p>Strategic measures are based on stock (average live car stock) and new cars (live retailers paying for our new car package) (12.5% weighting each).</p> <p>See below for further details on performance measures.</p> <p>The targets are considered to be commercially sensitive, but the Committee intends to disclose them in the next Annual Report provided they are no longer considered to be commercially sensitive.</p>	<p>For 2020 the Committee has replaced the audience (average full page advert views) measure with a new car measure.</p> <p>The Committee considered it was appropriate to introduce a new car measure reflecting our strategic focus on generating value through this market offering.</p> <p>While a focus on audience remains fundamental to everything we do at Auto Trader, given the challenges of consistently measuring performance year on year the Committee considered that it was no longer appropriate that full page advert views is included as a performance measure in the annual bonus.</p>

Element	Overview of operation	Maximum opportunity	Performance conditions	Implementation for 2020									
Performance Share Plan ('PSP')	<p>Awards vest after three years subject to performance conditions and continued employment.</p> <p>Awards are normally in the form of nil-cost options.</p> <p>Executive Directors are required to retain vested shares for at least two years from the point of vesting.</p> <p>A dividend equivalent accrues on awards.</p> <p>Recovery and withholding provisions apply, as described below.</p> <p>A dividend equivalent provision applies, as described below.</p>	<p>Normal circumstances: maximum of 200% of salary.</p> <p>Exceptional circumstances: maximum of 300% of salary.</p> <p>The CFO &amp; CEO-designate will receive an award of 200% of salary in June 2019. The COO will receive an award of 150% of salary.</p> <p>In light of his announced retirement the CEO will not receive a PSP award in 2019.</p>	<p>For 2020, performance measures and targets will be as follows:</p> <table border="1"> <thead> <tr> <th></th> <th>Threshold (25% vesting)</th> <th>Stretch (100% vesting)</th> </tr> </thead> <tbody> <tr> <td>Operating profit (75% weighting)</td> <td>6.5% p.a.</td> <td>11% p.a.</td> </tr> <tr> <td>Total Group revenue (25% weighting)</td> <td>5% p.a.</td> <td>8% p.a.</td> </tr> </tbody> </table> <p>Vesting is on a straight-line basis between threshold and stretch.</p> <p>Performance will be assessed based on the compound annual growth rate for the three years ending 31 March 2022.</p> <p>See below for further details on performance measures.</p>		Threshold (25% vesting)	Stretch (100% vesting)	Operating profit (75% weighting)	6.5% p.a.	11% p.a.	Total Group revenue (25% weighting)	5% p.a.	8% p.a.	<p>There will be no changes to the structure of the award; the targets have been raised to reflect the impact of the joint venture.</p>
	Threshold (25% vesting)	Stretch (100% vesting)											
Operating profit (75% weighting)	6.5% p.a.	11% p.a.											
Total Group revenue (25% weighting)	5% p.a.	8% p.a.											
All-employee Share Plans – SIP & SAYE	<p>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.</p> <p>Executive Directors will be eligible to participate on the same basis as other employees.</p>	<p>Maximum permitted based on HMRC limits from time to time.</p>	N/A	No changes.									
Share ownership guidelines	<p>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.</p>	<p>The minimum share ownership guideline is 200% of salary for current Executive Directors.</p>	N/A	<p>The Committee has decided to introduce a post-employment shareholding guideline in line with best practice and the requirements of the 2018 Code.</p> <p>Any Executive Director who leaves from 1 April 2019 will normally be expected to retain an interest in shares with a value of 200% of salary (or their actual shareholding if lower) for a period of two years following departure.</p> <p>This guideline will apply to any shares acquired from incentive plans from 1 April 2019 and may include the net value of outstanding DABP awards and PSP awards subject only to a holding period.</p> <p>The Committee will have discretion to operate the policy flexibly and may waive part or all of the requirement where considered appropriate, for example in compassionate circumstances.</p> <p>Trevor Mather has undertaken to retain shares equivalent to 200% of his salary for a minimum of two years post leaving when he retires from the Board on 31 March 2020.</p>									

### Additional information

#### 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.

#### Selection of performance measures

##### Annual bonus

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 2019 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 2020 of stock (average live car stock) and new cars (live retailers paying for the new car package) are aligned with our Group KPIs and are the key metrics 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 Committee sets 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.

##### PSP

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 is 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.

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.

#### 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.

- Pay increases for Executive Directors are 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 3.75% (reflecting both general market, promotions and individual rewards for performance).
- Pension contributions for Executive Directors are also in line with the wider workforce. The Executive Directors have the same access to benefits as all other members of the workforce.

However, there are some differences.

- '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.

#### 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 Executive Directors are subject to annual re-election at the AGM. Service contracts are available for inspection at the Company's registered office. The CEO's service contract date is 6 March 2015 and the CFO & CEO-designate's service contract date is 1 April 2016. The COO's service contract date is 1 May 2019.

## Remuneration Policy for the Chairman and Non-Executive Directors

Element	Overview of operation	Implementation for 2020
Fees	<p>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.</p> <p>The Chairman receives a single fee covering all of his duties.</p> <p>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.</p>	<p>Fees were reviewed and increased by c.2% with effect from 1 April 2019.</p> <p><b>Base fees</b></p> <ul style="list-style-type: none"> <li>– Chairman – £184,013 (2019: £180,405)</li> <li>– Non-Executive Directors – £56,827 (2019: £55,713)</li> </ul> <p><b>Additional fees</b></p> <ul style="list-style-type: none"> <li>– SID – £9,742 (2019: £9,551)</li> <li>– Audit Committee Chairman – £9,742 (2019: £9,551)</li> <li>– Remuneration Committee Chairman – £9,742 (2019: £9,551)</li> </ul> <p>There is no additional fee payable to the Chairman of the Nomination Committee. The Company Chairman is currently Chair of the Nomination Committee.</p>

## 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-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 2018	30 June 2021
Jeni Mundy	1 March 2019	28 February 2022

## Single figure of remuneration for the year ended 31 March 2019 (Audited)

The table below shows the aggregate emoluments earned by the Directors of the Company in the year ended 31 March 2019.

£'000	Salary and fees	Benefits	Annual bonus	Long-term incentives <sup>1</sup>	Pension	Total
<b>Executive</b>						
Trevor Mather	557	1	641	683	28	1,910
Nathan Coe	370	1	426	292	19	1,109
<b>Non-Executive</b>						
Ed Williams	180	–	–	–	–	180
David Keens	75	–	–	–	–	75
Jill Easterbrook	65	–	–	–	–	65
Jeni Mundy	56	–	–	–	–	56

<sup>1</sup> 51.2% of PSP awards granted in 2016 will vest in June 2019. For the purpose of the single figure the vested shares have been valued based on the three-month average share price to 31 March 2019 of 467.88p. Dividend equivalents to the value of £23,778 for Trevor Mather and £10,176 for Nathan Coe have also been included. 17% of the vested value is due to share price growth of 20% since the date of award.

The following table shows the aggregate emoluments earned in the year ended 31 March 2018.

£'000	Salary and fees	Benefits	Annual bonus	Long-term incentives <sup>2</sup>	Pension	Total
<b>Executive</b>						
Trevor Mather	546	1	412	1,943	27	2,929
Nathan Coe	350	1	229	833	18	1,431
<b>Non-Executive</b>						
Ed Williams	176	–	–	–	–	176
David Keens	73	–	–	–	–	73
Jill Easterbrook	64	–	–	–	–	64
Jeni Mundy	55	–	–	–	–	55

<sup>2</sup> 100% of PSP awards granted in 2015 vested in June 2018 for performance over the three-year period to 31 March 2018. In last year's report, for the purpose of the single figure the vested shares were valued based on the three-month average share price to 31 March 2018 of 359.58p giving a value of £1,644k for Trevor Mather and £705k for Nathan Coe including dividend equivalents. The amounts disclosed in the table have been revalued based on the share price on the date of vesting of 424.90p.



### 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 in line with those received for the wider UK employee population.

#### Annual bonus for the year ended 31 March 2019

The performance measures, targets and actual outcomes for the annual bonus for the year ended 31 March 2019 are shown in the following table:

Performance measures		Weighting	Threshold	Target	Stretch	Actual performance	Payout (as a % of maximum)
Financial	Operating profit	75%	£228m	£233m	£248m	£243.7m	64.2% of the 75%
Strategic targets	Stock - average live car stock	12.5%	438,000	441,000	456,000	462,000	12.5% of the 12.5%
	Audience - average full page advert views	12.5%	246m	248m	253m	<246m	0% of the 12.5%
<b>Total</b>		<b>100%</b>					<b>76.75% of the 100%</b>

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

Whilst average full page advert views showed a modest decline, our strong audience position was maintained during the year in comparison to the market as a whole.

This level of performance resulted in a bonus payout of £641,401 for Trevor Mather (CEO) and of £425,963 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.

The Committee considered the underlying financial performance during the year as well as the progress achieved against strategic objectives and considered the level of annual bonus payout to be appropriate.

#### Performance Share Plan vesting for year ended 31 March 2019

The PSP award granted in 2016 and will vest in June 2019 based on performance to 31 March 2019. 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%	£660m	Equal to or above £710m	£680.4m	41.7% of the 75%
TSR compared to the FTSE 250 Index (excluding investment trusts) <sup>1</sup>	25%	Equal to Index TSR	Equal to Index TSR plus 25% or above	Index TSR plus 4%	9.5% of the 25%
<b>Total vesting</b>					<b>51.2% of the 100%</b>

<sup>1</sup> TSR performance is calculated based on a three-month average to the beginning and end of the performance period.

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.

The Committee considered the underlying financial performance over the past three years as well as the progress achieved against strategic objectives and considered the level of annual bonus payout to be appropriate.

#### Scheme interests awarded during the year (Audited)

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

Executive Director	Number of shares awarded	Face/maximum value of awards at grant date <sup>2</sup>
<b>DABP awards<sup>1</sup></b>		
Trevor Mather	46,004	£205,914
Nathan Coe	25,548	£114,353

Awards are granted as nil-cost options.

<sup>1</sup> DABP awards were granted in respect of the annual bonus for the year to 31 March 2018. The awards will normally be eligible to vest two years from grant (17 August 2020) based on continuous employment.

<sup>2</sup> Face/maximum value was calculated based on the closing share price on the day before grant date (17 August 2018) of £4.476.

Executive Director	Number of shares awarded	Multiple of salary	Face/maximum value of awards at grant date <sup>4</sup>	% award vesting at threshold (% maximum)	Performance period <sup>2</sup>
<b>PSP awards<sup>3</sup></b>					
Trevor Mather	248,942	200%	£1,114,264	25%	1 April 2018 to 31 March 2021
Nathan Coe	165,326	200%	£738,999		

Awards are granted as nil-cost options.

<sup>3</sup> PSP awards will normally be eligible to vest three years from grant (17 August 2021) based on performance over the three years to 31 March 2021 and continuous employment.

<sup>4</sup> Face/maximum value was calculated based on the closing share price on the day before grant date (17 August 2018) of £4.476.

The performance conditions applying to the 2018 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)
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 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)

Executive Directors are required to maintain 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 2019.

Director	Beneficially owned shares <sup>1</sup>	Number of awards held under the PSP conditional on performance	Number of vested but unexercised nil cost options	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 2019 <sup>2</sup>
<b>Executive Directors</b>						
Trevor Mather	11,594,704	797,572	446,808	98,066	200%	11,274%
Nathan Coe	2,910,340	414,668	191,489	51,331	200%	4,373%
<b>Non-Executive Directors</b>						
Ed Williams	6,875,444	-	-	-	N/A	N/A
David Keens	25,000	-	-	-	N/A	N/A
Jill Easterbrook	-	-	-	-	N/A	N/A
Jeni Mundy	-	-	-	-	N/A	N/A

<sup>1</sup> Includes shares owned by connected persons and shares vesting under the PSP subject to a holding period. Only beneficially owned shares count towards the shareholding guideline.

<sup>2</sup> Based on the Director's salary and the mid-market price at close of business on 31 March 2019 of 521.6p.

## Trevor Mather

Scheme	No. of shares/ options at 31 March 2018	Shares/options granted in the year	Shares/options lapsed in the year	Options exercised in the year	No. of shares/ options at 31 March 2019	Date of grant	Date from which exercisable	Expiry date
PSP <sup>1</sup>	446,808	-	-	-	446,808	19/6/2015	19/6/2018	19/6/2025
PSP <sup>2</sup>	275,321	-	-	-	275,321	17/6/2016	17/6/2019	17/6/2026
PSP <sup>3</sup>	273,309	-	-	-	273,309	16/6/2017	16/6/2020	16/6/2027
PSP <sup>4</sup>	-	248,942	-	-	248,942	17/8/2018	17/8/2021	17/8/2028
DABP	101,221	2,236 <sup>5</sup>	-	103,457	-	17/6/2016	17/6/2018	17/6/2026
DABP	52,062	-	-	-	52,062	16/6/2017	16/6/2019	16/6/2027
DABP	-	46,004	-	-	46,004	17/8/2018	17/8/2021	17/8/2028
<b>Total</b>	<b>1,148,721</b>	<b>317,307</b>	<b>-</b>	<b>103,457</b>	<b>1,342,446</b>			

## Nathan Coe

Scheme	No. of shares/ options at 31 March 2018	Shares/options granted in the year	Shares/options lapsed in the year	Options exercised in the year	No. of shares/ options at 31 March 2019	Date of grant	Date from which exercisable	Expiry date
PSP <sup>1</sup>	191,489	-	-	-	191,489	19/6/2015	19/6/2018	19/6/2025
PSP <sup>2</sup>	117,994	-	-	-	117,994	17/6/2016	17/6/2019	17/6/2026
PSP <sup>3</sup>	131,348	-	-	-	131,348	16/6/2017	16/6/2020	16/6/2027
PSP <sup>4</sup>	-	165,326	-	-	165,326	17/8/2018	17/8/2021	17/8/2028
DABP	50,128	1,107	-	51,235	-	17/6/2016	17/6/2018	17/6/2026
DABP	25,783	-	-	-	25,783	16/6/2017	16/6/2019	16/6/2027
DABP	-	25,548	-	-	25,548	17/8/2018	17/8/2021	17/8/2028
<b>Total</b>	<b>516,742</b>	<b>191,981</b>	<b>-</b>	<b>51,235</b>	<b>657,488</b>			

- 100% of the PSP award granted in 2015 vested 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.
- 51.2% of the PSP award granted in 2016 will vest in June 2019 based on Cumulative Underlying operating profit and relative TSR performance compared to the FTSE 250 (excluding investment trusts) to 31 March 2019.
- 2017 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 2020. For the Cumulative Underlying operating profit portion, 25% will vest if Cumulative Underlying operating profit is £690m or greater. 100% will vest if Cumulative Underlying operating profit is £750m 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.
- Performance measures for the 2018 PSP awards are set out on page 67.
- Dividend equivalents have been added on vesting.

### Payments to former Directors (Audited)

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

### Retirement arrangements for Trevor Mather

Trevor Mather will step down as CEO and from the Board on 31 March 2020. Trevor will continue to receive his normal base salary, pension and benefits until his retirement on 31 March 2020. He will not receive any payment in lieu of notice under his contract as he will work substantially all of his notice.

On the recommendation of the Remuneration Committee, the Board has determined that Trevor will be treated as a "good leaver" in respect of the Annual Bonus, the Company's Performance Share Plan (PSP) and the Deferred Annual Bonus Plan (DABP).

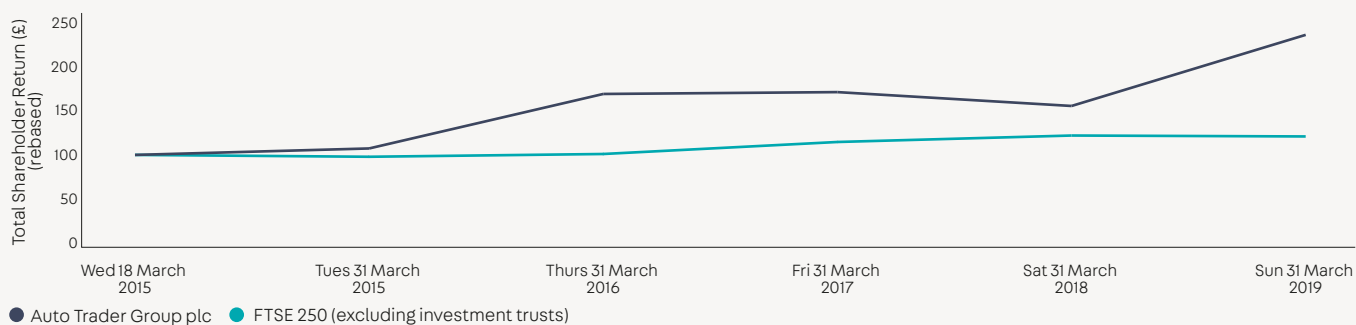
In accordance with the scheme rules, outstanding PSP awards will vest to the extent that targets are met. They will be pro-rated for time elapsed since grant and will vest on the normal vesting dates. By mutual agreement, Trevor has asked to waive any entitlement to receive further awards under the PSP and will not therefore receive a PSP award in June 2019. Outstanding DABP awards will vest in full on the normal vesting dates.

Trevor will be eligible to receive an Annual Bonus in relation to the financial year ending on 31 March 2020, payable to the extent that targets set out in the bonus plan are met and paid on the date when paid to other members of the bonus scheme. He will not be required to convert part of the 2020 bonus into shares in the Company, as specified in the scheme. However, Trevor has voluntarily undertaken to retain shares equivalent to 200% of his salary, for a minimum of two years post leaving, in line with the newly adopted post employment shareholding guidelines.

### 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



● Auto Trader Group plc ● FTSE 250 (excluding investment trusts)

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.

	2019	2018	2017	2016	2015 <sup>1</sup>
CEO total remuneration (£'000)	1,910	2,929	980	1,339	20
Annual bonus (% of maximum)	76.75	50.3%	51.8%	100%	N/A <sup>2</sup>
PSP vesting (% of maximum)	51.2%	100%	N/A <sup>3</sup>	N/A <sup>3</sup>	N/A <sup>3</sup>

<sup>1</sup> From the date of Admission in March 2015.

<sup>2</sup> Private company when bonus plan implemented in 2015.

<sup>3</sup> 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 2018 to 2019.

Component	Change in remuneration levels	
	CEO	Average employee
Salary	+2%	3.3%
Benefits <sup>1</sup>	-7%	-6%
Bonus <sup>2</sup>	56%	n/a%

<sup>1</sup> The average value of benefits has decreased due to a reduction in the cost of private medical insurance.

<sup>2</sup> There are no employees participating in the Annual Bonus scheme other than the CEO and COO & CFO as all other employee variable pay schemes are now settled in shares.

#### CEO pay ratio

In line with best practice we have also disclosed our CEO pay ratio a year in advance of being required to under the regulations. The table below shows the ratio between the CEO's total single figure calculated as set out above on page 69 and the median, lower and upper quartile total remuneration for our UK based workforce. Our median all employee to CEO pay ratio is 42:1 which the Committee considers is within a reasonable range taking into account the structure and nature of our business.

A significant proportion of the CEO's pay is in the form of variable pay through the annual bonus and the PSP. CEO pay will therefore vary year on year based on Company and share price performance. The CEO to all-employee pay ratio will therefore also fluctuate taking this into account.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019	A	59.4:1	42.0:1	30.3:1

Notes:

- Method A has been used to determine the relevant employees on the basis that this approach is in line with the approach used to calculate the single total figure for the CEO and therefore is the most robust.

- The salary for the P25 employee was £30,000 and total remuneration was £32,180. The salary for the P50 employee was £38,340 and total remuneration was £45,440. The salary for the P75 employee was £53,570 and total remuneration was £62,940.

- The P25, P50 and P75 employees were determined as at 31 March 2019 based on full-time equivalent remuneration. Only employees who were employed as at the end of the financial year were included; salaries were annualised, taking account of mid-year increases. The total remuneration includes salary, allowances, taxable benefits, pension contributions and share-based payments. Taxable benefits are based on the previous tax year (2018) with estimates used for those employees who joined part way through the year. Options under the SAYE scheme are included as at the date of grant, based on the difference between the market value at grant date and the exercise price. Options under discretionary plans (PSP and Single Incentive Plan) are based on the date that the performance conditions were achieved, and valued using the three-month average share price to 31 March 2019 of 467.88p.

### 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.

	2019 £m	Restated 2018 £m	% change
Employee costs (see note 7 to the consolidated financial statements)	56.0	54.5	3%
Average number of employees (see note 6 to the consolidated financial statements)	802	822	3%
Revenue (see Consolidated income statement)	355.1	330.1	8%
Operating profit	243.7	221.3	10%
Dividends paid and proposed and share buybacks (see notes 26 and 27 to the consolidated financial statements)	156.4	152.8 <sup>1</sup>	2%

<sup>1</sup> 2018 comparatives have been restated to reflect the adoption of IFRS 9, IFRS 15 and IFRS 16, and to include share buybacks.

### 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. 0.74% 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 2019 the Trust held 565,555 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 was appointed as a director on the board of Matches Fashion Limited, a fashion retail business, on 9 September 2018. From the period from appointment until 31 March 2019, fees of £35k were payable to Trevor for this appointment, and which he was entitled to retain. 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 pages 47 and 64 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 received advice from Deloitte who were appointed in October 2017 following a competitive tender process. Deloitte are founding members of the Remuneration Consultants Code of Conduct and adhere to this Code in their 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 £23,200 for advice provided to the Committee. Deloitte provided additional services to the Company in relation to internal audit and tax services.

### 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
2018 AGM: Remuneration Policy (binding)	746,257,288	94.93%	39,870,834	5.07%	152,057
2018 AGM: Annual Report on Remuneration (advisory)	758,354,603	96.47%	27,773,520	3.53%	152,057

### 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

6 June 2019

## Directors' report

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 2019.

### 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 36)
Employees with disabilities	Strategic report; Corporate social responsibility (page 38)
Financial instruments	Note 2 to the consolidated financial statements
Future developments of the business	Strategic report (pages 15 to 17)
Greenhouse gas emissions	Strategic report; Corporate social responsibility (page 41)
Non-financial reporting	Strategic report: Corporate social responsibility (pages 35 to 45)

### Information required by LR 9.8

Information required to be included in the Annual 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 25 to the consolidated financial statements
Directors' interests	Remuneration report (page 71)
Significant shareholders	Directors' report (page 77)
Going concern	Principal risks and uncertainties (page 34)
Long-term incentive schemes	Directors' remuneration report (pages 66 to 74)
Powers for the Company to buy back its shares	Directors' report (page 76)
Significant contracts	Directors' report (page 76)
Significant related party agreements	Directors' report (page 77)
Statement of corporate governance	Corporate governance statement (pages 50 to 74)

### Management report

This Directors' report, on pages 75 to 78, together with the Strategic report on pages 1 to 45, 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 45, 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 50 to 74, all of which form part of this Directors' report and are incorporated into it by reference.

### 2019 Annual General Meeting

The Annual General Meeting ('AGM') will be held at 10.00 am on 19 September 2019 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 2019, and to the date of approving this report unless otherwise stated:

- Ed Williams
- Trevor Mather
- Nathan Coe
- David Keens
- Jill Easterbrook
- Jeni Mundy
- Catherine Faiers (appointed 1 May 2019)

All Directors will stand for election or re-election at the 2019 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 83 to 136.

The Company declared an interim dividend on 8 November 2018 of 2.1 pence per share which was paid on 25 January 2019.

The Directors recommend payment of a final dividend of 4.6 pence per share (2018: 4.0 pence per share) to be paid on 27 September 2019 to shareholders on the register of members at 30 August 2019, subject to approval at the 2019 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 2018 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 £6,195,082 (619,508,165 shares, representing approximately two thirds of the Company's existing share capital at 6 June 2019), of which 309,707,622 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 2018 AGM the Company was authorised to make market purchases of up to 94,802,631 of its ordinary shares, subject to minimum and maximum price restrictions. A total of 20,229,881 ordinary shares of £0.01 each were purchased in the year to 31 March 2019, being 2.15% of the shares in issue at the time the authority was granted. The average price paid per share was 461.48p with a total consideration paid (inclusive of all costs) of £94.0 million. 1,266,000 shares were purchased for treasury, and the remaining 18,963,881 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 2019 and 6 June 2019 comprises 933,197,563 of £0.01 each. 3,996,041 shares were held in treasury at 31 March 2019. 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 25 to the Group's financial statements. All the information detailed in note 25 forms part of this Directors' report and is incorporated into it by reference.

Details of employee share schemes are provided in note 29 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 agreement to which the Company is a party that takes effect, alters or terminates upon a change of control of the Company following a takeover bid, and the effect thereof, is the Revolving Credit Facility agreement, which contains 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:

Shareholder	At 31 March 2019		At 6 June 2019	
	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.	93,700,025	10.01%	93,700,025	10.01%
Kayne Anderson Rudnick Investment Management LLC	76,198,852	8.03%	76,198,852	8.03%
Baillie Gifford & Co.	47,482,549	5.01%	47,482,549	5.01%

### Transactions with related parties

As described in note 28, during the year, the Group transacted with Burns Sheehan Limited, a third party in 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 £1,250 (2018: £35k). 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 8 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 2019. 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 41 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 5 June 2019, the Group extended the term for £316.5m of the Syndicated revolving credit facility for one year. The facility will now terminate in two tranches: £316.5m will mature in June 2024; and £83.5m will mature at the original termination date of June 2023. There is no change to the interest rate payable and there is no requirement to settle all, or part, of the debt earlier than the termination dates stated.

### 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 31 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 6 June 2019.

Approved by the Board and signed on its behalf.

**Claire Baty**  
Company Secretary  
6 June 2019