

# Committed to high standards of corporate governance

Dear shareholders,

I am pleased to introduce our corporate governance report for 2016, which includes a review of the corporate governance arrangements in place, and reports from each of our Board Committees.

### Compliance with Corporate Governance Code

I can confirm that the Company is now in full compliance with all provisions of the UK Corporate Governance Code 2014 (the 'Code').

As I reported in 2015, the Company was listed immediately before the end of the last financial year. At that time, the Company did not comply with all of the Code's provisions. We committed to take the necessary steps in order to fully comply within 12 months of joining the FTSE 250 Index, and we have achieved that goal, although we were not in compliance with the provisions surrounding the composition of the Board and its Committees for the whole of the year under review.

### Directors

As already outlined in my Chairman's statement on page 4, we appointed three new Independent Non-Executive Directors during the year. There was a rigorous process for the appointments as described in the report of the Nomination Committee on pages 52 to 53. The new Directors bring with them significant financial and commercial experience and I am confident they will support the executive team in their implementation of the Group's strategy.

Following the departure of Tom Hall, Nick Hartman and Chip Perry, our Board is now at the minimum number of Directors required to comply with the Code. We believe that the Board is an appropriate size for the Group, which is relatively lacking in complexity. However, we will keep this under continual review.

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

### Board evaluation

As well as ensuring that the Board includes the appropriate balance between Executive and Independent Non-Executive Directors, we also recognise the need to be effective as a Board. We carried out a thorough internal evaluation process during the year, which is described on page 51.

### External audit tender

The report of the Audit Committee is set out on pages 54 to 59. This includes a detailed description of the formal audit tender process that was carried out by the Committee during the year, leading to our recommendation to shareholders that KPMG LLP should be appointed as auditors at the next AGM, succeeding PwC.

### Annual General Meeting

Our Annual General Meeting will be held at 10.00am on 22 September 2016 at 1 Tony Wilson Place, Fourth Floor, Manchester, M15 4FN. We expect that all Directors will be in attendance.

**Ed Williams**  
Chairman  
9 June 2016



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**Board responsibilities**

The Board has adopted a formal schedule of matters reserved for its approval and has delegated other specific responsibilities to its Committees. This schedule sets out key aspects of the affairs of the Company which the Board does not delegate. It is reviewed on an annual basis and is available via our website at [about-us.autotrader.co.uk/investors](http://about-us.autotrader.co.uk/investors).

**Board activities in 2016 included:**

Appointment of three new Independent Non-Executive Directors

Investor relations strategy

Simplification of the corporate structure

Approval of dividend policy and capital structure

Appointment of new auditors

Approval of strategy, operating priorities and 2017 budget

Robust review of risks and approval of viability statement

Internal Board evaluation

**Committees of the Board**

The Board has delegated authority to its Committees to carry out certain tasks on its behalf, allowing the Board to operate efficiently and to give the right level of attention and consideration to relevant matters. A summary of the terms of reference of each Committee is set out in the table below and the full terms of reference for each Committee are available on the Company's website at [about-us.autotrader.co.uk/investors](http://about-us.autotrader.co.uk/investors).

	<b>Nomination Committee</b>	<b>Audit Committee</b>	<b>Remuneration Committee</b>
<b>Members</b>	<ul style="list-style-type: none"> <li>– Ed Williams (Chairman)</li> <li>– David Keens</li> <li>– Jill Easterbrook</li> <li>– Jeni Mundy</li> </ul>	<ul style="list-style-type: none"> <li>– David Keens (Chairman)</li> <li>– Jill Easterbrook</li> <li>– Jeni Mundy</li> </ul>	<ul style="list-style-type: none"> <li>– Jill Easterbrook (Chairman)</li> <li>– David Keens</li> <li>– Jeni Mundy</li> </ul>
<b>Role and terms of reference</b>	<ul style="list-style-type: none"> <li>– Reviews the structure, size and composition of the Board and its Committees.</li> <li>– Makes appropriate recommendations to the Board.</li> </ul>	<ul style="list-style-type: none"> <li>– 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.</li> </ul>	<ul style="list-style-type: none"> <li>– Responsible for all elements of the remuneration of the Executive Directors and the Chairman, and senior employees.</li> </ul>
<b>Activities in 2016</b>	<ul style="list-style-type: none"> <li>– Selection process and recommendation to the Board to appoint three new Non-Executive Directors.</li> <li>– Oversaw the first internal Board evaluation.</li> <li>– Reviewed succession planning for the Board, Executive Directors and the Senior Management team.</li> </ul>	<ul style="list-style-type: none"> <li>– Review of Annual Report and first PLC reporting cycle.</li> <li>– Appointment of internal auditors and approval of risk based programme.</li> <li>– External audit tender process and appointment of new auditors.</li> </ul>	<ul style="list-style-type: none"> <li>– Targets and structure of first PSP awards and bonus scheme targets.</li> <li>– Considering executive pay environment and confirming current remuneration policy.</li> <li>– Design of first Company-wide share schemes ('SIP' and 'SAYE').</li> </ul>

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**Read more on page 54**

**Read more on page 60**