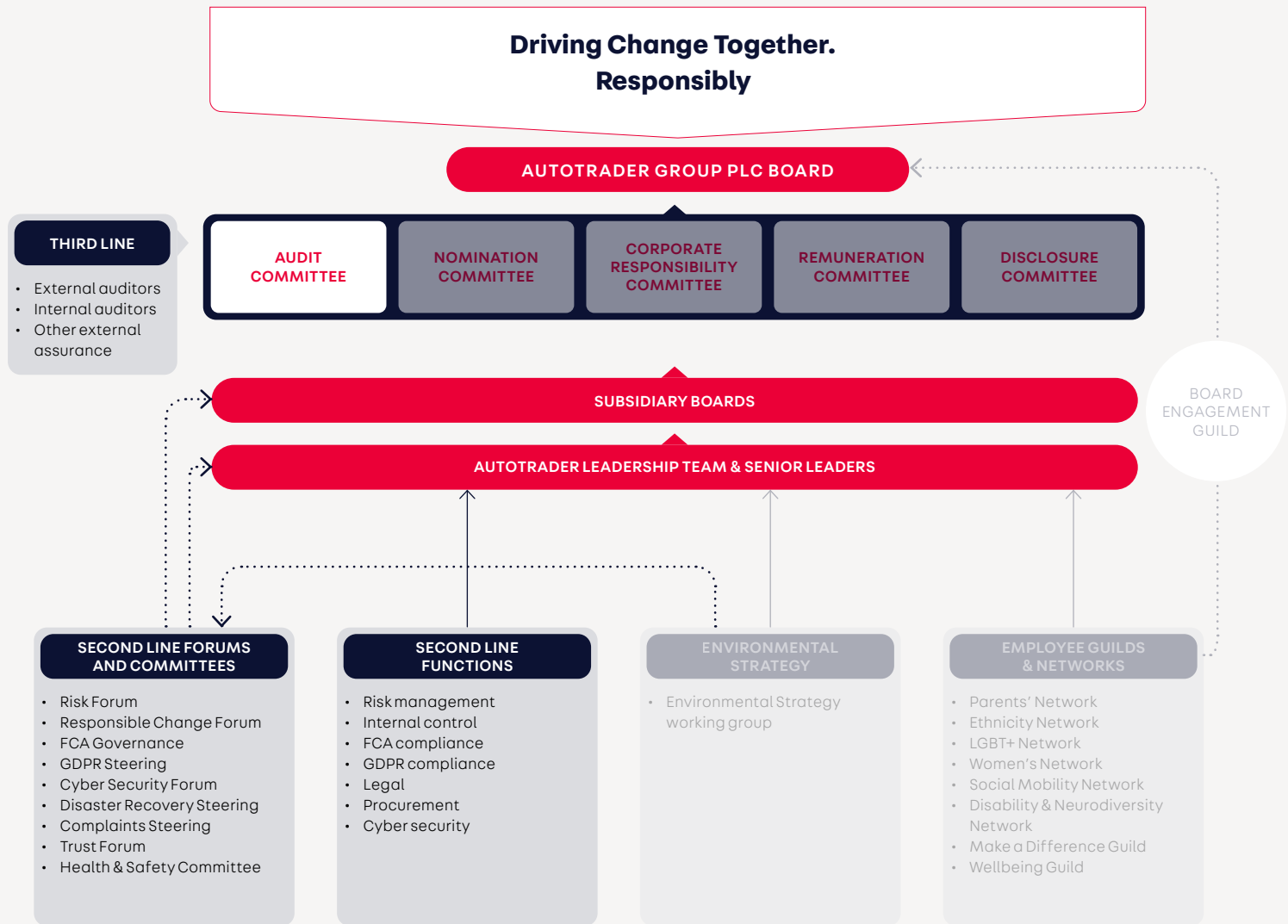


How we manage risk

# How we manage risk

Effective risk management supports sustainable long-term growth and it is an important part of our purpose of Driving Change Together. Responsibly.

The Board is responsible for determining the nature and extent of the risks the Group is willing to take to achieve its strategic objectives. The Board is responsible for establishing and maintaining effective risk and internal controls frameworks and the Audit Committee independently monitors the effectiveness of our frameworks.



[P24 Working responsibly](#)

[P55 Governance overview](#)

## How we manage risk continued

### RISK IN THE BOARDROOM

Our risk management process aligns to our strategy. Whilst the Board reviews the Group's risk register at least half-yearly, the Board also considers the risks associated with every Board agenda item. Board meetings over the last year have considered risks associated with topics such as technology and cyber security, automotive market health, artificial intelligence and employees.

The Board also considers emerging risks, including emerging risks that arise from material decisions. Within the Board's decision surrounding Deal Builder, for example, the Board considered risks such as competitive threats and legal and regulatory compliance.

### Adopting Provision 29

The Board is overseeing our adoption of Provision 29 of the UK Corporate Governance Code 2024. The change to the Code has been an opportunity to reflect on how the Board oversees risks and controls. Our approach is detailed in the Report of the Audit Committee.

[P66 Report of the Audit Committee](#) 

### Effective risk management

Our risk management process has four steps, all of which are overseen by the Board.

#### 1 IDENTIFY

Risks are identified using both a top-down and a bottom-up approach and risks are captured on the Group risk register. Identification of risks is achieved mainly via the following:

- The Board, ALT, senior managers and Group's Governance, Risk and Compliance ('GRC') team perform continuous horizon scanning.
- Embedding 2nd Line Functions into teams executing strategic initiatives.
- GRC-facilitated risk workshops with ALT and senior managers.

#### 2 ASSESS AND QUANTIFY

All risks are evaluated to establish their root causes, the impact, the likelihood of occurrence, and the time between the risk occurring and its impact being felt. Risk assessments consider financial, reputational, regulatory, customer, consumer, operational and cultural impacts. Risks are then categorised as:

- Existential risks: those with the potential to cause fundamental change within our organisation and wider industry.
- Operational risks: these tend to be the most prevalent risks and they arise out of day-to-day business activities.
- Emerging risks: risks which could have an impact in the future, including risks arising from new initiatives, new products and new laws and regulations.

#### 3 RESPOND AND MITIGATE

Risk owners then consider how best to mitigate or control risks. Proposed controls and mitigants are reviewed and challenged by 2nd Line Functions, Forums and Committees to ensure that the response is in line with our risk appetite. If the residual level of risk after mitigation remains above our risk appetite, then action plans are agreed to reduce the risk to an acceptable level.

#### 4 REVIEW, MONITOR AND ASSURE

The Board and/or Audit Committee monitor the effectiveness of our material mitigations and controls. Monitoring includes:

- Continuous monitoring by 2nd Line Functions.
- Oversight from 2nd Line Functions, Forums and Committees, including Risk Forum, Cyber Security Forum and FCA Compliance.
- An Internal Audit programme.
- Specialist monitoring and assurance from other third parties such as penetration tests.

### Risk appetite

The Board has assessed the principal risks Autotrader faces. It has set a risk appetite that informs our risk mitigation strategy. Our risk appetite can be summarised as follows:

#### FLEXIBLE

As we develop new products to meet changing customer needs and to stay ahead of our competitors, we acknowledge that there is a potential for financial loss. As an agile and fast-paced business, we are flexible about taking on these risks where the potential losses are outweighed by long-term upside opportunities.

Additionally, our business and strategy are both built on the foundations of longer-term, sustainable growth, and we acknowledge the threats to our short-term performance from short-term fluctuations in: the macro-economic environment, the geo-political landscape and societal expectations of employers.

#### CAUTIOUS

It is crucial to the long-term sustainability of our business that we achieve our strategy in a responsible manner. There are some areas where pursuit of our objectives will inevitably involve exposure to risks, including a requirement to balance the differing needs of our stakeholders.

When we identify such risks, we take a cautious approach and apply measures to avoid exposing ourselves, and our stakeholders, to harm. Areas where we adopt a cautious approach to taking risks include our reliance on third parties and critical suppliers; our brand activity and marketing; and use of debt.

Similarly, whilst we are averse to non-compliance with laws and regulations, when operating at the forefront of digital innovation we will often need to apply a degree of legal and/or regulatory judgement, for example where guidance and market practices are still developing. In such cases we adopt a cautious approach: continuous, active judgement is applied by specialists, and the 'compliance by design' principle is always applied.

#### AVERSE

There are certain risks that we are generally unwilling to accept as we work towards our objectives. In these areas we strive to take all reasonable steps to prevent their occurrence. In particular, we are averse to taking risks in relation to the following:

- Threats to the security of our website and technology infrastructure.
- Risks that users of our website and services lose trust in us, including in relation to preventing frauds and scams.
- Breaches of laws, regulatory non-compliance, enforcement and financial crimes.
- Threats to our financial security and our ability to accurately report to our stakeholders.
- Criminal acts such as fraud, bribery and tax evasion.

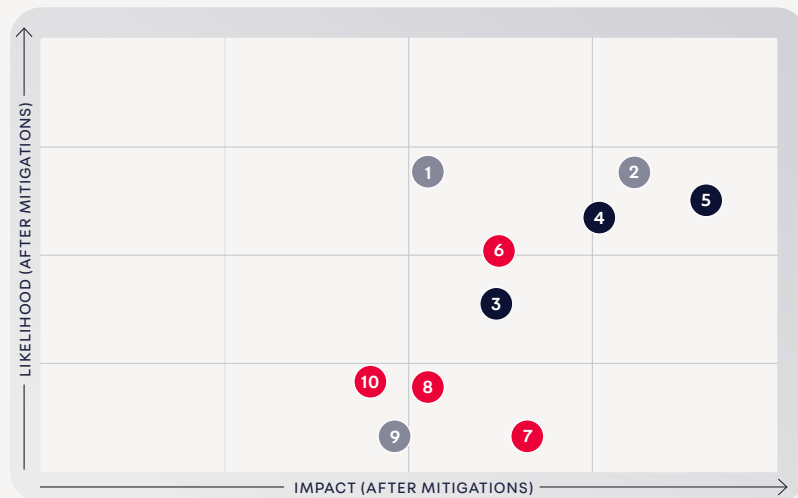
## How we manage risk continued

### Our principal risks in 2026

The risk landscape is always evolving. Our strategy is linked intrinsically to our principal risks and our principal risks can be grouped into three categories:

1. Risks we face which could affect the wider automotive industry.
2. Risks we face from external sources.
3. Risks we face from internal sources.

THE MATRIX BELOW SUMMARISES OUR VIEW OF THE PRINCIPAL RISKS WE CURRENTLY FACE:



- |   |  |
|---|--|
| 1 Macro risks   | 6 Employees  |
| 2 Automotive economy, market and business environment | 7 Brand and reputation                             |
| 3 Legal and regulatory compliance                     | 8 Failure to innovate continuously and responsibly |
| 4 Competition   | 9 Climate change                                   |
| 5 IT systems and cyber security                       | 10 Reliance on third parties and partners          |

Risks we face which could affect the wider industry  
 Risks we face from external sources  
 Risks we face from internal sources

### THE EVOLVING RISK LANDSCAPE AND EMERGING RISKS

Identification of new and emerging risks is crucial to our risk management process. Details of each of our principal risks can be found on pages 46 to 50. Below we have summarised the most significant emerging risks.

#### RISKS WE FACE WHICH COULD AFFECT THE WIDER AUTOMOTIVE INDUSTRY

- The automotive industry is exposed to geo-political and economic risk, both directly and indirectly. Global macro events, such as the recent conflict in the Middle East, can lead to supply chain disruption, trade tensions, inflation and heightened finance costs for both retailers and consumers. These risks have an impact on retailer profitability, and consumer demand and a latent impact on the used car pipeline.
- The last year has seen improved new car supply compared to recent years, including stimulated supply of EVs, which should flow through to used car supply in future years.
- The Government is reviewing the Zero Emissions Mandate, which is scheduled to be completed in early 2027. This policy has already changed numerous times, and further changes could heighten uncertainty and affect the EV transition.



#### RISKS WE FACE FROM EXTERNAL SOURCES

- AI is evolving at a rapid pace. Adopting it in a meaningful way that adds real value to consumers and customers is crucial. There are also opportunities to use AI to further improve the trust and security of our website.
- Additionally, whilst we are confident in the value of our propriety systems and data, there remains a threat that agentic AI could evolve in a way that disintermediates Autotrader. Embracing and engaging with how AI could change how consumers use the internet will therefore be vital to Autotrader.
- The competitive landscape includes the threat of big tech companies venturing into automotive marketplaces, such as Amazon Autos. We continuously monitor the activities of existing and future competitors.

#### RISKS WE FACE FROM INTERNAL SOURCES

- Our employees are crucial to the success of Autotrader. The last year has involved lots of change and it has been a challenging time for our employees. However, the foundations have been laid for continued success in the future, including a state-of-the-art office, refreshed hybrid-working model and restructured teams in parts of our business.
- AI poses risks in relation to how it is used by employees within their roles. AI tools can heighten efficiency, but using them in a responsible manner is key to safeguarding confidential and personal data. As AI technology evolves, investment in the right AI tools will be important in the years to come.