

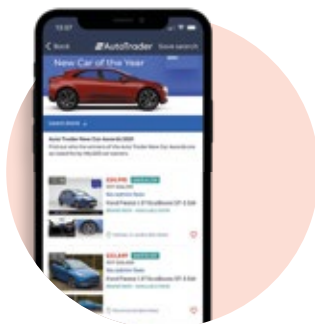
# Accelerating the digital car buying experience

The pandemic has led to an acceleration in online buying behaviours across all industries, and automotive is no exception. We aim to change how the UK shops for cars by providing the best online car buying experience, enabling all retailers to sell online.

## Strategic highlights

### Pricing event

We successfully executed our annual pricing event in April 2020 which gave retailers access to additional products, including a new Performance Dashboard, our entry level pricing tool Retail Check, and a new Market Insight tool.



### New car growth

We continue to grow our network effect model on new cars, closing the year with over 2,000 retailers paying for our new car product. On average there were over 47,000 physical new cars advertised on our platform during the year, attracting on average 1.4m unique visitors each month.

**91%**

increase in retail checks performed during 2021

### Package prominence

We have increased the penetration of our higher yielding advanced and premium packages to 26% of retailer stock in March 2021 (March 2020: 23%). Following the year end, we have evolved our packages to allow further upsell.

**↑ 100%**

increase in retailers paying for the new car product

**26%**

advanced and premium stock package penetration in March 2021

**2,000**

retailers paying for the new car product in March 2021

**1,000**

retailers paying for the new car product in March 2020

Our strategy P28 →



## Guaranteed Part-Exchange

We launched our Guaranteed Part-Exchange ('GPX') and Instant Offer products. GPX enables the consumer to get a guaranteed price for their part-exchange, while Instant Offer enables private sellers to sell their car at a guaranteed price.

# c.1,000

retailers trialling our Guaranteed Part-Exchange product at year end

## AutoConvert acquisition

We acquired AutoConvert, a finance, insurance and compliance software platform with integrated customer relationship management; which will help us deliver future finance products on Auto Trader.

AutoConvert

# >60

lenders integrated into AutoConvert

## Financial

### Revenue

£m



### Operating profit

£m



### Operating profit margin

%



### Basic EPS

Pence per share

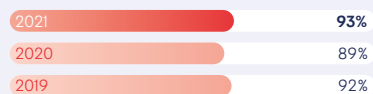


Financial KPIs P32 →

## Cultural

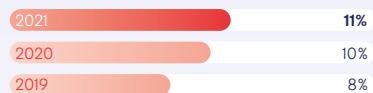
### Employee engagement

% of employees who are proud to work at Auto Trader



### BAME representation as a % of total staff

As at March each year



Cultural KPIs P36 →

## Operational

### Cross platform visits

Monthly average visits across all platforms (millions)



### Cross platform minutes

Monthly average minutes spent across all platforms (millions)



### Live car stock

Average number per month



### Number of retailer forecourts

Average number per month



Operational KPIs P34 →

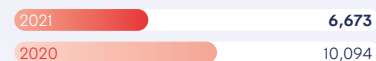
### Women as a % of total staff

As at March each year



### Total CO<sub>2</sub> emissions<sup>1</sup>

Tonnes of carbon dioxide equivalent



1. The total amount of CO<sub>2</sub> emissions includes Scope 1, 2 and 3. 2021 and 2020 totals include emissions from additional relevant Scope 3 categories. The 2019 total includes limited Scope 3 emissions and has therefore been excluded from the above comparative.

# What sets us apart as an investment opportunity?



Read more about our investment proposition  
[plc.autotrader.co.uk/why-invest-in-us](https://plc.autotrader.co.uk/why-invest-in-us)

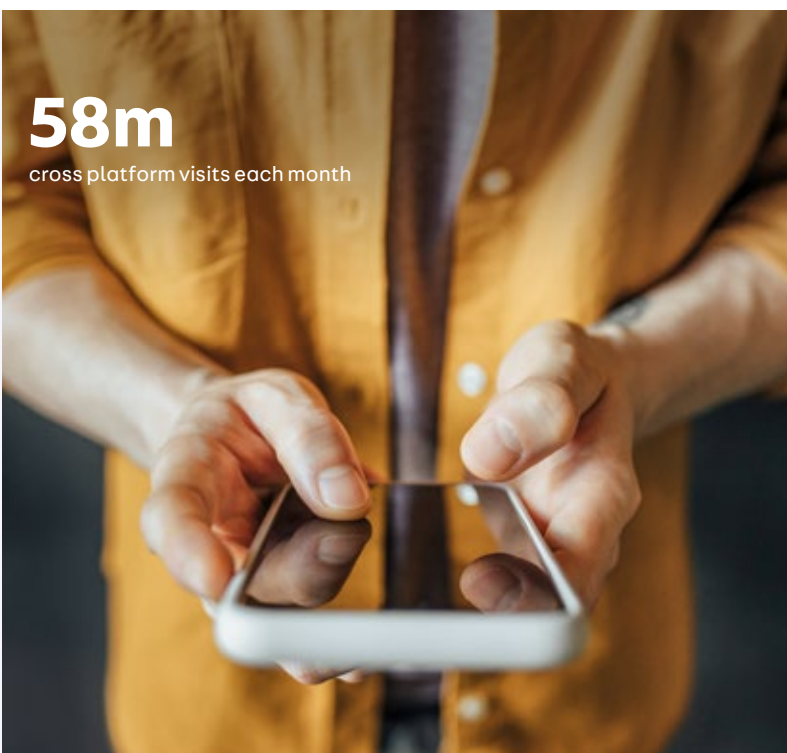
## 1 Largest volume of in-market car buyers

Auto Trader has over 90% prompted brand awareness with consumers and attracts over 58 million cross platform visits each month. The audience is not only large but highly engaged, with an average of 561m minutes spent on Auto Trader each month and, when measured against competitors, we hold more than 75% share of minutes spent across all automotive classified sites. This scale, combined with our user experience, means we are the most effective sales platform for anyone wanting to sell a vehicle in the UK.

Market overview P12 →

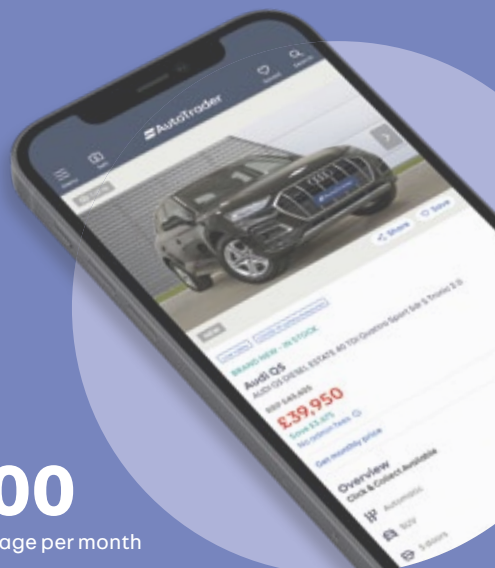
# 58m

cross platform visits each month



# 485,000

live car stock on average per month



## 2

## The largest and most trusted automotive marketplace

Our marketplace hosts the largest number of vehicle sellers (listing 485,000 cars each day on average in the year) through our partnership with more than 13,300 retailers. Our marketplace provides our audience with an unrivalled choice of both new and used cars to meet all consumers' needs. Auto Trader is the most trusted automotive classified brand in the UK.

# 13,336

retailer forecourts

How we create value P18 →

93%

of our people feel proud to work for Auto Trader

3

## Our people bring our values-led culture to life

We have built a digital culture that is values-led, customer-centric and data-driven, underpinned by a diverse and inclusive team. 93% of our people feel proud to work for Auto Trader and 92% say they would recommend us as a great place to work. It is our culture that underpins our ability to adapt to change in all circumstances. We care about our people, and our people care about our business.

[Make a difference P46](#)

4

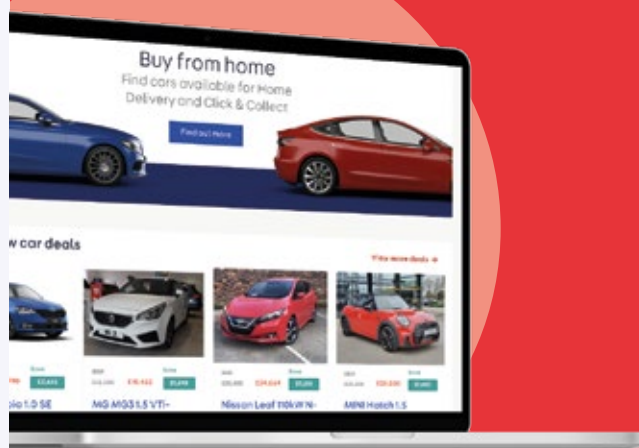
## Product innovation is digitalising the car buying process

The large volume of data, and the insight derived from it, powers everything that we do, from new product launches, through iterative feature changes, to enhancements of our search experience. We invest in our products to provide the best possible digital journey for the consumer and are building the component parts to allow more of the car buying process to be completed online.

[Operational review P38](#)

41,400

software releases deployed in 2021



5

## Financially robust and strong cash generation

The highly cash generative nature of the business allows us to invest in long-term growth drivers and in more normal times to return cash to shareholders. Following an equity raise in April 2020 we have a robust balance sheet and are now in a net cash position.

[Financial review P42](#)


£152.9m

cash generated from operations in 2021



## Chairman's statement



I hope and believe Auto Trader has looked after its shareholders, not at the expense of stakeholders, but precisely by focusing on doing the right thing for all stakeholders.



Ed Williams  
Chairman

# We have responded to the pandemic and are well positioned for the future

### Overview

In this year's annual statement, I wanted to pose and attempt to answer two questions:

1. How has Auto Trader responded to the COVID-19 pandemic?
2. Is it possible that, following our biggest ever decline in revenues and profits, Auto Trader might be stronger than ever?

In doing so I may neglect other topics which, under normal circumstances, I might have focused on. In particular there is much I could have said regarding our focus on ESG matters, covered in detail elsewhere in this Annual Report.

### COVID-19 and our stakeholders

On 1 April 2020, Auto Trader made use of the powers explicitly granted to the Board through our annual shareholder resolutions to issue new equity up to 5% of the total issued share capital of the Company. We raised £182.9m net of all fees. I thank our shareholders who supported this equity raise.

We used the proceeds of the equity raise to pay down the majority of our outstanding debt. Thereby we eliminated for all practical purposes the possibility of breaching our banking covenants. We suspended our dividend to conserve cash, as well as our share buyback programme, but also to protect our shareholders from the perception of their benefiting at a time when other stakeholders were suffering.

We provided our advertising services to all retailer customers for free in April, May, December and February and at a discount in June. We also extended payment terms in relation to invoices falling due during certain periods of lockdown. To the best of our knowledge this level of support from a market leading portal to its customers during the COVID-19 crisis is unprecedented anywhere in the world. Our ability to do this was made significantly easier as a result of removing the risk of breaching our banking covenants.

At the start of the crisis we furloughed around 25% of our employees, as retailers essentially closed their businesses. Towards the end of May and as soon as it seemed likely that the business could survive even the worst scenarios, all of our people placed on furlough returned to work and in September we voluntarily repaid all amounts to the Government claimed under the furlough scheme.

These have been challenging times for all our employees and continue to be so. None of our employees have to my knowledge suffered serious medical problems as a result of COVID-19, nor been infected with COVID-19 through work. But inevitably, given the number of deaths and the knock-on consequences to other healthcare, to mental health and to the restrictions imposed on us and our families, these have been challenging times. I would like to thank all our employees.

I hope our employees feel that the decision not to charge our customers helped make their working life a bit easier. I know the many messages of thanks from our customers have been greatly appreciated. I also hope that the financial strength of our business has given comfort about job security when so many have lost theirs or worry about the prospect.

Another stakeholder in our business is our Government. Our business benefits from so many things provided by the state and which we sometimes barely acknowledge. Education, healthcare, transportation and the rule of law, that allows increasingly sophisticated and "virtual" business to flourish. All things that benefit Auto Trader. We appreciate the support offered. We felt it essential to return the furlough money in full at the very earliest prudent time as well as paying our taxes when they would normally fall due rather than take advantage of further deferrals.

Auto Trader's rate of taxation is directly in line with the corporation tax rate of 19%. It is a source of pride to us that we make this contribution to our society; not a source of embarrassment that our approach to tax is less sophisticated than those of many companies. Like every company, we have many other stakeholders. I hope they all feel fairly treated and respected by Auto Trader.

It is our intention to reinstate our dividend with our next dividend payable in September 2021. The money we raised from shareholders in April 2020, together with remaining cash generated during the last year, allows us to move forward free of debt.

Coming full circle, I hope and believe Auto Trader has looked after its shareholders, not at the expense of stakeholders, but precisely by focusing on doing the right thing for all stakeholders.

### Auto Trader stronger than ever

Auto Trader is the place where the most prospective car buyers come to view the largest selection of vehicles for sale from the largest number and widest range of sellers.

We have ended the year with more car retailers advertising with Auto Trader than prior to the pandemic. Our audience of prospective car buyers is at a record level. At times, as we moved out of the lockdowns, we experienced audience levels and activity on the site which far exceeded anything in our history. I believe that the bold decision to offer our advertising services for free to our retailer customers has been instrumental in retaining them, in making it attractive to them to advertise as many vehicles as possible and therefore for us to deliver the widest choice to consumers.

Many of our competitors responded to our lead by reducing their charges, but none did so both as completely as we did and in advance of our public statements. As competitors reduced marketing spend, our audience share grew more rapidly than ever before, reflecting the underlying loyalty to Auto Trader amongst the British public.

The pandemic has clearly benefited many online businesses, especially in the retail and entertainment sectors. As an advertising platform for our customers, with many of our customers closed for business for long periods of time, it would be wrong to assume that the pandemic has in any sense directly "been good for business". It is clear though, to our customers, just how important the internet now is to them generally and specifically the important role Auto Trader plays.

For a number of years Auto Trader has believed we would see a gradual migration online of more and more aspects of car buying, not just the activity of finding the next car. Our strategy had been to build and to acquire, through modest acquisitions of businesses with capabilities we wanted, a series of building blocks. These building blocks aim to be, virtually from the start, profitable additions to the Auto Trader business. But the end point of our journey used to seem like it might be many years off.

In part this was because consumer behaviour usually takes time to change, but more because some in the automotive industry have been relatively slow to embrace change.

The last year has altered things, forever. During the pandemic, we have redeployed our resources to accelerate our plans for moving the car buying process online. This has included the launch of our "click and collect/home delivery" search function allowing our retailer customers to trade even during the second and third lockdowns when their "non-essential retail" premises have been closed. We have launched our Guaranteed Part-Exchange product and made a number of advances in the complex and regulated environment for car finance. We have more in the pipeline.

Our strategic direction is unchanged. Our approach has changed from "building blocks" to the early provision of an integrated solution for our customers who want to come on this journey. Our pace of execution has accelerated.

In a year in which we have delivered our worst financial performance ever:

- Our core business of online classified advertising is at the strongest levels in our history across a wide range of metrics.
- We are positioned to pursue changes in how cars are bought and sold. The opportunity arising could exceed the opportunities presented to Auto Trader as a result of the move from print to digital during the early years of this century.

Our people, their talents, energy and commitment have been key to the success of our traditional business. They will be vital to our success in this new world. After around two decades of reductions in the total size of workforce, we are now seeing a modest growth in numbers. I hope that, particularly in this environment, Auto Trader will offer all our increasingly diverse people outstanding opportunities to develop their working lives. And to change the mix between work and personal lives away from the current constraints, forward to new ways of working.

In the meantime I would like to express personal thanks to all our employees over the last year and particularly to note many personal experiences of interacting with individuals and smaller groups at a time when I have not had the normal face-to-face contact.

### Concluding remarks

I have focused on stakeholders, but neglected one specific group. That group is the one with the responsibility for looking after and weighing the interests of all stakeholders: our Board, and in particular our Executive Directors.

Nathan Coe became CEO and Jamie Warner CFO on 1 March 2020. The responsibilities of Catherine Faiers, our COO, significantly expanded on that date.

I believe they have been responsible for contributing more to the wellbeing of every single stakeholder group in our business, in their first year, than any executive team in our more than 40-year history. I believe there is a high chance that their time as leaders will mark another reinventing of Auto Trader as we lead the transformation of how cars are bought and sold.

I know they would want me to share that praise far more widely within the business. That includes calling out our Non-Executive Directors, for their speed in recognising the nature of the challenge COVID-19 created, for their strong support for what, on paper, were difficult decisions, for their insights and shared experiences, and for their support, good spirits and enthusiasm even in the bleakest times.

In recent years there has been much talk about companies focusing on all their stakeholders. The language of that debate is frequently framed in terms of considering conflicting priorities and balancing different interests. At no time in the last year has it felt to myself or my colleagues that our decision-making was about resolving conflicts or seeking balance. Our best answer to the question "what should we do?" has been to answer the question "what is best for our stakeholders?".

### Ed Williams

Chairman  
10 June 2021

# Supporting stakeholders has never been more important

**Nathan Coe**  
Chief Executive Officer

## Overview

The past year has been like no other. The coronavirus pandemic ('COVID-19') has had a significant impact on all aspects of our lives and posed unforeseen challenges for all businesses, including our own. The automotive industry has had to face these challenges at a time when underlying pressures already existed, whether due to Brexit, increased regulation or the shift away from internal combustion powered vehicles. The way our customers do business is changing and following COVID-19 is set to change even quicker.

Throughout this year, we have consistently looked to support our stakeholders. Early in the crisis we looked to move quickly and decisively, which we believe has served us well. We have supported our employees and focused on their mental and physical wellbeing; we have adapted our marketplace to help consumers shop safely for their next vehicle; and we have supported the industry with offers and discounts at a time when our customers needed us. We have done all of this while making continued investments in our priority areas of putting more data in the hands of our customers, part-exchange and supporting a move towards selling online.

The support we provided, most notably to our customers, has had a material impact on our results for this financial year. Throughout the crisis we focused on three priorities:

- Protecting our people.
- Protecting our standing with customers.
- Ensuring we exit the crisis quickly and in a stronger position than before the pandemic.

We believe we have delivered on all three of these priorities. As the pandemic passes and restrictions are eased, we are in the best possible position to prosper and we are committed to taking a leadership position to bring the benefits of new technologies to car retailers and the car buying public.

## Summary of operating performance

COVID-19 has had a significant impact over the last year. To support our customers through the various periods of national lockdown,

we offered four months of free advertising and one month with a 25% discount. This was the primary contributing factor to our revenue decline of 29% to £262.8m which, due to our high operating leverage, resulted in an Operating profit decline of 38% to £161.2m. Despite this we feel confident in our strengthened audience position, our strong volumes of both stock and retailers at year end, and our opportunity to bring more of the car buying journey online.

## Our purpose and strategic focus

Our purpose is encapsulated by 'Driving change together. Responsibly'. We aim to be at the forefront of helping the whole automotive industry to change. We will look to help retailers to digitise their businesses, move more of the car buying process online and assist consumers when making more environmentally friendly vehicle choices. We strive to be the best place to find, buy and sell a car in the UK on a platform that enables data-driven digital retailing for our customers. We continue to think about our strategy in terms of three commercial growth horizons: core; adjacent; and future, which sits alongside our make a difference strategy. We have made good progress across all areas through the year.

The COVID-19 pandemic has changed consumers' buying behaviour with more transactions being done remotely away from the retailer's physical showroom. Whilst we believe that the physical showroom will continue to play a role in the car buying process for some time to come, many of the processes that currently take place offline will be digitised, enabling more of the car buying journey to be done online. This is our key strategic focus and alongside continued growth in our core forms the basis of our growth aspirations.

Over the past year, we have developed and launched a Guaranteed Part-Exchange product that provides consumers with a convenient way to dispose of their vehicle, and digitises a core component of the buying journey. We also acquired AutoConvert,

a finance, insurance and compliance software platform. The business's core functionality will underpin our future finance product on Auto Trader, which will enable finance agreements to be completed online. Finally, we are developing a way for consumers to reserve a car with a retailer on Auto Trader.

Fundamental to our core growth horizon is our ability to innovate and deliver continuous product development and user improvements for consumers, retailers and manufacturers. We adapted our marketplace to further help retailers advertise their stock during the pandemic. We increased the size of retailer adverts in search listings, added COVID-19 secure flags for retailers who adopted safety measures and provided detail of home delivery and collection options.

In April 2020, we successfully executed our annual pricing event which included an upgraded Performance Dashboard, our entry level pricing tool Retail Check and a new Market Insight tool. These tools give retailers access to up-to-date market intelligence so they can identify key market trends, understand how they impact performance, and inform business decisions. Embedding our data into the industry has long been a focus area, and with the recent acquisition of KeeResources and increased levels of online selling, there remains significant future opportunity.

Following year end, we have evolved our advertising package structure and changed the sort order for listings. Where our packages previously promoted adverts based on the device a consumer was searching on, we have created a consistent cross platform experience with adverts appearing in search based on a relevancy algorithm, which takes package level into account. As part of this change, we have discontinued our Basic package, introduced a higher level and re-branded our top three levels Enhanced, Super and Ultra. Towards the end of the year, we also launched a new product, Market Extension, that allows customers to sell vehicles outside their local area.

This product works for both centrally held vehicles and vehicles on physical forecourts where the retailer is prepared to either deliver to the buyer or move the vehicle to a closer location. Recently we have seen an increase in the average distance car buyers are willing to consider purchasing their next vehicle, making Market Extension a key product for the increasing number of retailers looking to sell online.

Within our adjacent horizon we continue to make progress with our new car advertising product. Network effects are beginning to take hold and we have grown both the number of retailers advertising their new car stock with us and the level of consumer engagement significantly over the past 12 months.

#### Maintaining our competitive position

Our audience performance has strengthened over the year, as consumers have looked to do more of the car buying journey online whilst forecourts have been closed. After an initial decline in visits through April and May 2020, audience rebounded strongly. Over the financial year the number of visits to our platforms increased by 15% to 58.3m on average per month (2020: 50.8m), and engagement, which we measure by total minutes spent on site, increased by 14% to 561m on average per month (2020: 492m).

#### ESG

We do not see ESG as a box ticking exercise or something tacked onto the side of our business. It is implicit in our purpose of 'Driving change together. Responsibly'. To oversee these efforts we have established a Corporate Responsibility Board Committee and a collection of KPIs and targets. We are on a path to setting a carbon net zero target for our business and have signed up to the 1.5C Science Based Targets initiative. We think about our environmental commitments in three ways: the impact we can have on consumers to make more environmentally friendly vehicle choices; the impact we can have on the industry to support the transition to electric vehicles; and the impact our own business has on the environment.

After five years of concerted effort, diversity and inclusion has become an important part of our culture. I am proud to report that despite the turbulent nature of the past year, we have launched new talent and leadership programmes with a significant focus on achieving diverse representation in these programmes. We published our ethnicity pay gap for the first time this year, and much like our gender pay gap, it has highlighted both the success of our efforts and the fact that there remains more to do.

#### Our people

I am both proud and incredibly grateful for the resilience all our people have shown in what has been a very tough year. Not only have they adapted seamlessly to working from home, but their collective efforts have

meant we are in a stronger position today than at any point in recent history. It's very encouraging to report that 93% of our employees are proud to work at Auto Trader, up 4% from a year before.

Finally, I want to thank our people, our Board, our customer partners and our wider stakeholders for continuing to trust us to do the right thing. As Ed highlighted in his statement, we believe that doing the right thing does and will ultimately deliver better outcomes for all stakeholders. We remain confident that with a vaccine programme now firmly in place the industry can move forwards and capitalise on the opportunities we now have to enable cars to be bought and sold online.

#### Outlook

Auto Trader has started the new financial year in a strong position as a result of the actions taken in the last year. This is reflected in our recent trading performance, a strong pipeline of product innovations and improved relationships with customers. In the longer term, we will be beneficiaries of the major changes underway in the car retailing market, where more of the buying journey is moving online.

Despite unusually strong demand and tight supply, COVID-19 is currently having little impact on the financial performance of the business as we start financial year 2022. However, as seen in other countries, we cannot yet be sure that COVID-19 will not reappear as a significant negative factor in our future performance. The following remarks assume no significant restrictions on our retailers' ability to trade going forward.

In the year ahead, we expect to deliver high single digit growth on FY20 ARPR and Operating profit margins that are in line with FY20 levels, with FY20 being the year ended March 2020.

As we started the year, we successfully executed our annual pricing event in April 2021 including the launch of Retailer Stores, which offers customers their own dedicated, customisable location on Auto Trader. Retailer numbers for the year are likely to be in line with FY20 levels and stock is still expected to be a small headwind. Consumer Services, and Manufacturer and Agency revenue, which make up 14% of Group revenue, will recover from FY21 lows, but are unlikely to reach FY20 levels, as sellers favour part-exchange and new car advertising is impacted by semiconductor supply issues.

The Board is confident for the future prospects of the business.

#### Nathan Coe

Chief Executive Officer  
10 June 2021

## Committed to acting with purpose

### Continue to strengthen our network effect model

During 2021, we have seen higher levels of audience visiting Auto Trader and higher levels of engagement across the most comprehensive selection of vehicles, from the largest selection of sellers.

# 14.1m

volume of leads sent to retailer customers in 2021 despite the UK seeing periods of lockdown

How we create value P18 →

### Building on our core to bring more of the car buying journey online

We exist to drive change in how cars are bought and sold, to move more of the shopping process online and to enable retailers to digitise their businesses.

# 443k

volume of stock showing available for click and collect or home delivery in March 2021

Our strategy P28 →

### Driving our culture and values through everything we do

We focus on ensuring we create a highly collaborative culture where people feel motivated and supported to be their true self at work and perform to their highest standards.

# 92%

of employees surveyed would recommend Auto Trader as a great place to work

Make a difference P46 →



# Q&A with Nathan Coe

## Making key decisions to protect our business

**Q.** How have you found your first year of being CEO?

**A.** Having to navigate the business through a global pandemic wasn't exactly what I imagined my first year would involve, but in many ways it has given us the opportunity to accelerate many of the areas that were important to me. Auto Trader is an incredible business that is underpinned by amazing people, so it is a pleasure and a privilege to help lead the organisation. We have had to make some bold decisions over the last 12 months but we believe by doing so we have protected our employees, supported our customers and strengthened our already strong position.

I am particularly proud of how we as a business have been able to stand by our customers when they needed us most. The support we have given customers through free advertising, extended payment terms and additional stock offers has made a material difference to them. We hope that by showing this support we have demonstrated in the clearest of ways the sort of partner we intend on being to them.



Auto Trader is an incredible business that is underpinned by amazing people, so it is a pleasure and a privilege to help lead the organisation.



**Q.** On reflection, would you have done anything differently in dealing with the global pandemic?

**A.** Hindsight is an exact science and so of course there are small things that you might do differently if you got the chance again. In the main I think we have navigated the pandemic well, and that is down to all of the people involved in making and implementing those decisions. The decisions we made were well considered based on the information available at the time and importantly as recognition of what we didn't know. We acted in a swift and decisive manner to mitigate risk and importantly ensure we could continue to pursue the opportunities that will underpin our long-term growth.

**Q.** How have you ensured that key people initiatives have continued to get focus during the pandemic?

**A.** Our people are always front of mind. For me it was vitally important that the pandemic did not cause a material slow down in our people related plans – most notably what we want to do around diversity and inclusion. We therefore made a conscious decision to accelerate our efforts in this area which included launching an inclusive leadership programme for all leaders in the business.

We know that development is high on the agenda for our people, and was one of the areas people had concerns about during the various lockdowns. Our induction programme, people leader training courses and tech showcases were all adapted to be virtual. At the end of the year we launched our new Diverse Talent Accelerator programme, designed to help the next generation of leaders progress through the business.

# 93%

of our people feel proud to work at Auto Trader



## Strengthening our foundations for the future

**Q.**  
What are you most excited about this coming year?

**A.** From a business angle it has to be seeing the industry and wider economy get back up and running after a difficult period. That said, car retailers have adapted well to the restrictions and since the first lockdown ended in June 2020 the volumes of transactions and the profit being made per car sold have been robust. For many that shift to distance selling has been challenging as there aren't any at scale digital solutions out there. Our desire is to help retailers with that going forward as we start to bring our digital retailing tools to market.

**Q.**  
What do you think the biggest opportunities for Auto Trader are in the medium term?

**A.** We have great opportunities through all three of our strategic horizons.

The core marketplace is healthy and we have strengthened our position with both consumers and retailers over the last 12 months. We executed our annual pricing event in April and have re-launched our advertising packages to help those retailers who would like to advertise their vehicles even more effectively. We still believe we have significant headroom to increase advertising revenues, primarily through package upsell and through our new car marketplace, which ended the year with over 2,000 paying retailers.

The transition to digital retailing – enabling retailers to sell cars on Auto Trader is a huge opportunity. We have made great progress with our product development and we can see this coming together over the next 12-24 months. Becoming a sales channel to help retailers sell their inventory more efficiently and to help consumers shop more easily for cars provides a long-term opportunity to both strengthen our core and extend our impact and influence.

**Q.**  
What do you think are the biggest threats for the business in the medium term?

**A.** There are a couple of things that we should be wary of but no stand out threat at the moment.

Clearly the economy is under some pressure. Any prolonged market downturn that reduces the number of transactions taking place could challenge our customers and ultimately their ability to spend with us. Our market has some cyclicity and stock has been a headwind for a few years now, although we have been able to mitigate its impact through price and product development.

Linked to that is anything that significantly impacts new car supply, such as concerns over semiconductors. Those new cars sold stimulate the used car market as they usually come with a part-exchange. In addition, the number of 'young' new cars in the market will be reduced 2-4 years after the downturn which can impact stock volumes.

We keep a close eye on all of our competitors. As we stand today we are well placed, but acutely aware that there are a number of new players that are looking to build meaningful brands in the automotive space.

Finally there are clearly significant changes taking place with the growing penetration of electric vehicles being manufactured. We need to ensure as the UK car parc sees higher penetration of these vehicles that the Auto Trader search experience and supporting content remain highly relevant for car buyers.

### 55%

of buyers would consider buying a used car online according to our research

### 26%

of our retailer customers' stock using one of our two highest package levels at March 2021

**Q.**  
What does your timeframe look like to enable people to buy a car online?

**A.** Our goal for some time has been to develop products that make it easier for consumers to do more of the car buying journey from the comfort of their own home. By making things simple and transparent for the consumer through a digital journey that they control we anticipate that cars will sell quicker and that retailers can increase their penetration of ancillary products. This in turn will increase retailer profitability, and there is the further upside if retailers adapt their operating models to one that is lower cost.

There are four main elements to transacting a car online:

- Being able to find the right car – which is our core marketplace today.
- Being able to get a detailed and accurate valuation for your part-exchange.
- Financing your next car.
- Paying for or reserving the vehicle.

We are launching our digital solutions for each of these elements separately; we've launched our part-exchange product, GPX, with a trial during FY21. We have made great strides in our finance product with the acquisition of AutoConvert and good progress with reservations. We expect to have some functionality for both of those products in the coming financial year.

Once we have those elements a consumer will be able to do the majority of a transaction online. They may still want to visit a retailer but the visit will be shorter and more of a handover experience than a negotiation.



# Driving change in tomorrow's car market

We are continually adapting our onsite experience to meet the needs of both our consumers and customers. This is core to remaining the UK's largest digital automotive marketplace for new and used cars.

## 35.1m

size of UK car parc as at 31 Dec 2020

### COVID-19

As a result of national and local lockdowns during the pandemic, retailers have had to shut showrooms for parts of the year. This, inevitably, had an immediate impact on their ability to sell vehicles.

Both new and used car transactions declined most significantly during the first lockdown in April and May 2020. During the subsequent lockdowns the decline in car transactions was less severe as retailers adapted, bringing more of their forecourt experience online, adopting a 'click and collect' or home delivery model. Demand for vehicles has been strong following periods of lockdown as consumers place an even higher value on having exclusive use of a vehicle. Good levels of demand combined with periods of constrained supply have led to 12 consecutive months of price growth for used cars up to year end. Supply is expected to remain somewhat constrained in the months ahead, particularly due to the shortage of semiconductors which is limiting new car production.

### UK economy

The UK economy is starting to recover from the recent wave of COVID-19. According to data published on 13 April by the Office for National Statistics ('ONS'), UK gross domestic product ('GDP') is estimated to have grown by 0.4% in February 2021 following a contraction of 2.2% in January.

It is widely expected that school re-openings and other lockdown easing measures will have yielded GDP gains. However, at the end of February the UK economy was still 7.8% smaller than the levels seen in February 2020.

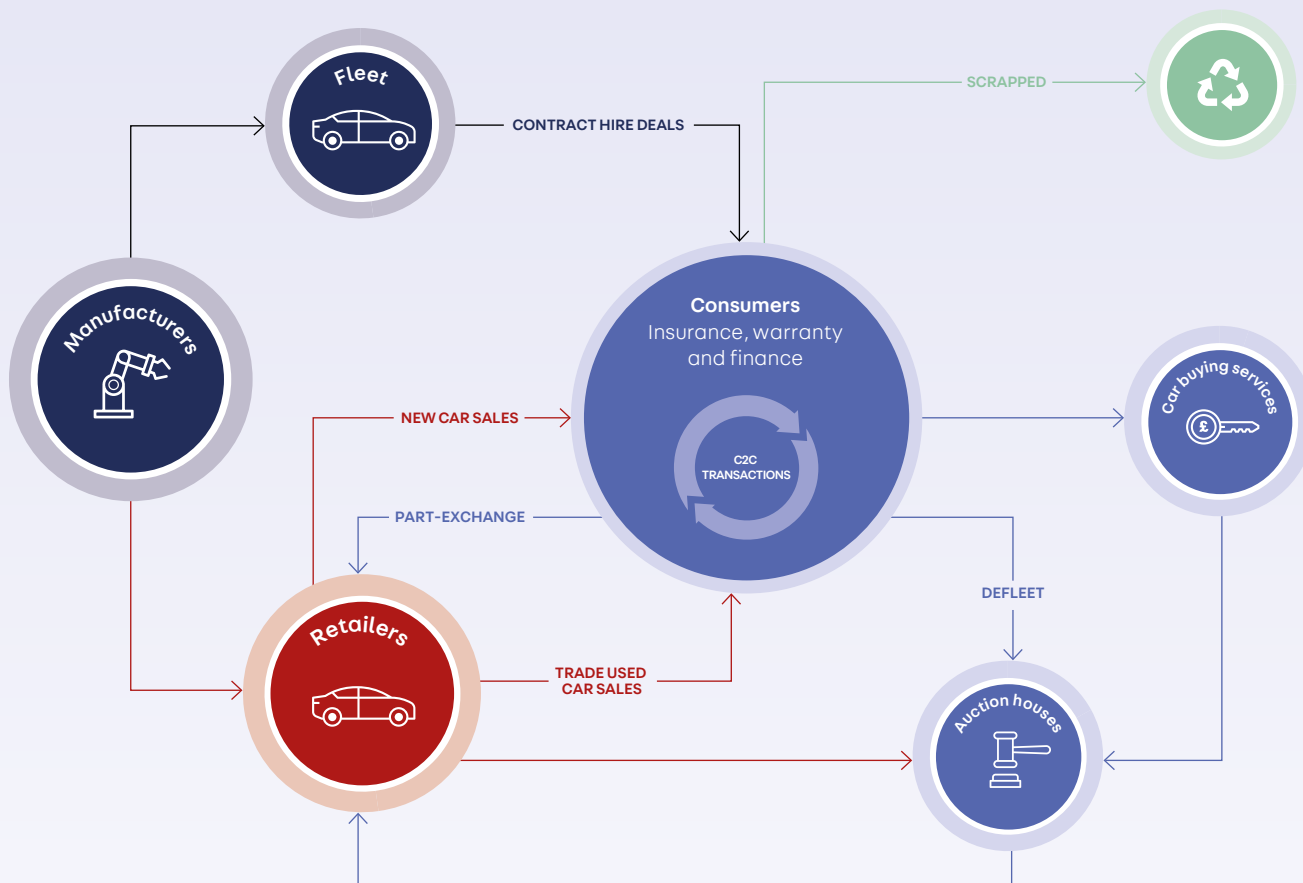
The Chancellor unveiled a number of fiscal packages to support businesses and individuals through the pandemic. A recent Reuters poll of economists predicts that unemployment will peak at 6.2% once the Government furlough scheme ends, before recovering during 2022.

The economic outlook for the UK is uncertain, however current Auto Trader data sets show that there is a robust level of consumer demand for vehicles in the market.

### The ecosystem we operate in

The automotive market is complex and often inefficient. There are multiple participants and unsurprisingly consumers can find the process of buying or selling a car overwhelming.

Through Auto Trader products, services and partnerships, we aim to significantly improve the car buying experience, as well as leverage our existing relationships to improve further parts of the value chain.



## Brexit

The UK left the EU on 31 January 2020 and to date we have not seen a meaningful impact. The final Trade and Cooperation Agreement between the UK and the EU removed significant levels of uncertainty, as vehicles will be able to be freely traded without tariffs applying (although with an increased administrative burden).

## New car transactions

# 1.6m

number of new car registrations in the 12 months to March 2021

New car registrations declined 24.9% to 1.6m in the 12 months to March 2021 as a result of COVID-19 as retailer showrooms have seen periods of closure during the year. New cars registered in calendar year 2020 were the lowest since 1992. The most extreme period of decline was during the first lockdown in the spring. Since June 2020 there was a recovery in new car registrations as restrictions were eased. With further restrictions reintroduced later in the year, the decline in new car sales was less severe as retailers adapted to a 'click and collect' or home delivery model.

Despite the impact of COVID-19, alternative fuel vehicles ('AFVs') still grew in the year with new car transactions of AFVs increasing by 53.2% in the 12 months to March 2021, accounting for more than one in six registrations. This is supported by consumers being more conscious of their environmental footprint and the Government bringing forward the ban on the sale of petrol and diesel cars to 2030.

## Used car transactions

# 6.5m

number of used car transactions in the 12 months to March 2021

Used car transactions declined 15.1% to 6.5m in the 12 months to March 2021. As with new, used car sales have also been impacted by the enforced closure of retailer showrooms, although the impact has been less than that seen on new car registrations. There were signs of recovery as lockdown restrictions eased during the summer, however as restrictions tightened there was a further decline in transaction volumes.

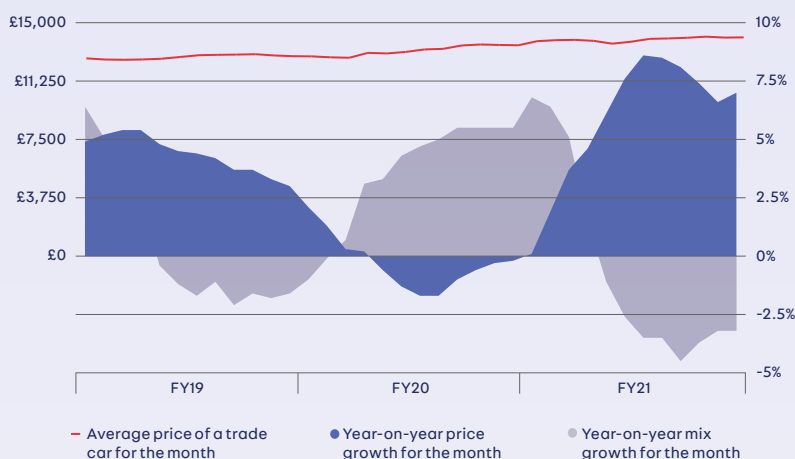
The average length of ownership has increased from 3.5 years to 4.2 years. Again, this was impacted by those months where transactions were lower due to showroom closures.

## Retail Price Index

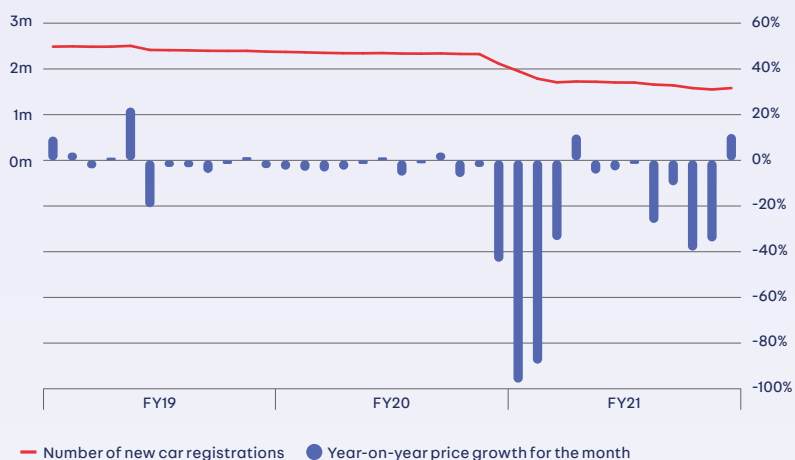
The average price of a used car advertised on Auto Trader for the 12 months ending March 2021 was £13,800.

The Auto Trader Retail Price Index tracks the average retail price of a used car on a like-for-like basis, stripping out the impact of changes in the mix of cars being sold. March 2021 marks 12 consecutive months of price growth over the year for used cars as prices

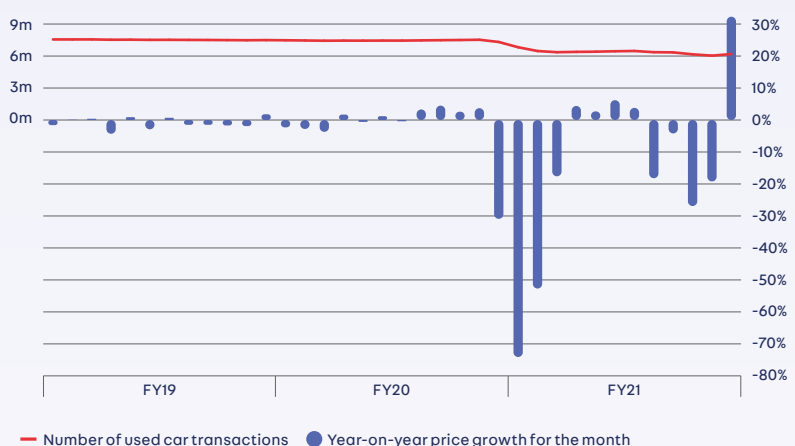
increased over the 12-month period to March 2021 by 6.3%. The ongoing strength of pricing has been driven, in part, by ongoing supply constraints in the market, as well as the solid levels of consumer demand that remain despite lockdown restrictions. Petrol and diesel increased by 6.6% and 6.5% respectively, and alternative fuel vehicles decreased by 1.1%.



## 12-month rolling new car registrations



## 12-month rolling used car transactions





## 4 key trends shaping the future of our industry

The automotive industry as a whole is facing an unprecedented wave of change, most notably in the way people buy cars and the acceleration in the adoption of electric vehicles. Over the next 5 to 10 years, the cars consumers drive and the ways in which they buy, own and use them will be dramatically reshaped.

1

### Doing more of the car buying journey online

A seamless blend of online and offline experiences is what tomorrow's consumers demand

#### Consumer sentiment shifts towards doing more online

There is growing demand from consumers for more of the car buying process to be available online. Consumers believe that shifting to more of an online model will make comparing cars easier, avoid haggling and help in the research and understanding of ancillary products. Auto Trader research shows that 61% of consumers think buying online is appealing when presented with a tangible example of how it could work.



55%

of buyers would consider buying a used car online according to our research

60%

of buyers would pay an online deposit according to our research

#### How we're future ready

Delivering transparent prices online, helping to build trust for consumers

Guaranteed Part-Exchange ('GPX') product, providing consumers with greater certainty on the value of their existing car and the avoidance of haggling

Our hub for buying online enabled car buyers to search for over 440,000 vehicles that were available via click and collect or home delivery in March

#### Retailers embracing the online journey

Due to a number of new market entrants and the impact of the pandemic, we are seeing greater appetite from our retailer customers for products which allow consumers to complete more of the transaction online.

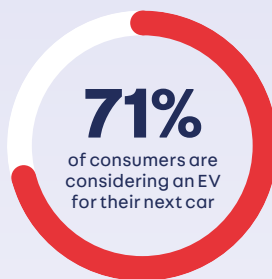
2

### Supercharged demand for EVs

Unlocking valuable sales opportunities in a sector of the automotive market which is only set to grow

#### Electric sales set to overtake internal combustion engines ('ICE') by 2025

The demand for alternatively fuelled vehicles, particularly electric vehicles ('EVs'), continues to grow. The Government has outlined plans to ban the sale of new conventional petrol and diesel cars from 2030, and 'hybrid' vehicles from 2035. There are several obstacles for mass adoption including price and range of travel but despite this our research shows that over 71% of consumers are considering an EV for their next car. As technology improves and costs decrease, this demand is only going to increase.



10%

of total expected British car parc will be EVs by 2025

106%

increase in EV leads during 2021

70%

increase in advert views for EVs in 2021

#### How we're future ready

We have implemented new search filters for electric vehicles including battery range and charge time

Growing the volume of EV vehicles available on Auto Trader, giving consumers increased choice

Sharing Auto Trader's Market Insight within the industry to better understand changing consumer preferences



3

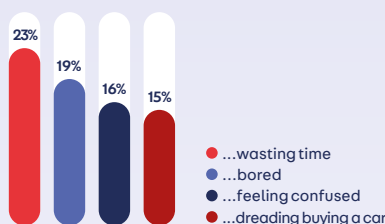
## Data-driven retailer decision-making

Putting more data in the hands of our retailers will lead to greater efficiency, and, crucially, increased profitability

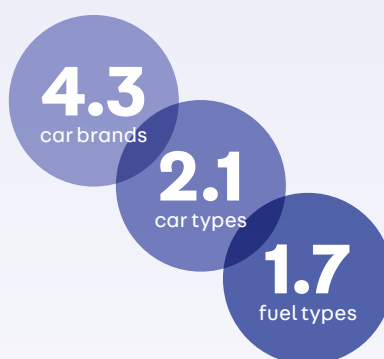
### A more transparent experience

With digital tools increasing the levels of transparency within the car buying journey, it is ever more important for our retailers to make better use of data in how they operate their businesses. The value of the part-exchange, finance offers and other ancillary products are all becoming more discoverable in the online journey and therefore comparable. Auto Trader's aim is to bring more of this information together in one place to make the process of buying a car easier. Price indicator flags, dealer reviews and vehicle history checks all help to do this today.

Car buying 'pain points' throughout the process means consumers are...



On average, when buying a car, someone will consider...



### How we're future ready

The largest and most trusted choice of new and used cars in the marketplace

We offer pricing tools: giving retailers the broadest, most accurate view of the market

Instant Offer and GPX enable sellers to sell their car at a guaranteed price



We know that the most successful retailers utilise data to complement their own expertise, and this year, it's never been more important to be led by fact rather than speculation.

—  
Ian Plummer  
Commercial Director

4

## Continued demand for exclusive access to a car

With COVID-19 having had a profound impact, the need for personal space has never been stronger

### Consumers continue to want exclusive access to a car

One thing that remains is the consumer's desire to have exclusive access to a car. Whilst we might be prepared to not own our cars in a traditional sense, we still consider them as a personal possession. Accordingly, we're not comfortable sharing them, especially with people we don't know. Whilst 72% of consumers would be happy to share their car with a family member and 41% with a close friend, just 8% would be comfortable handing their keys over to an acquaintance and 2% a stranger. The COVID-19 pandemic has reinforced this, with more people placing a great amount of importance on their own personal space.

### How we're future ready

Auto Trader has the largest selection of trusted stock in the UK for car buyers

We already have representative finance pricing on Auto Trader but aim to include a finance application journey

2021 has seen the introduction of leasing deals being shown on Auto Trader

### Changes in ownership models

Over the past few years the industry has seen a number of new ownership models introduced to the market. Fewer people are buying their car outright whilst financing arrangements, leasing and subscriptions are becoming more popular. The benefits afforded by these models, most notably the convenience of being able to switch to a new car every few years, have opened consumers up to the greater flexibility and cost efficiency that these new access models can offer. With focus on the consumer benefits of the products and the relative cost comparisons, we'll see the change in consumer behaviour accelerate even further.



# 74%

of consumers said they were more concerned about their personal space due to COVID-19

# 56%

of consumers agree that owning a car is more important today than it was before the pandemic

# 48%

of consumers said they would be less likely to use public transport once restrictions have been lifted

# Driving change together. Responsibly.

## Our purpose defines everything we do

We exist to grow both our car buying audience and core advertising business. We will change how the UK shops for cars by providing the best online car buying experience, enabling all retailers to sell online. We aim to build stronger partnerships with our customers, use our voice and influence to drive more environmentally friendly vehicle choices and create an inclusive and diverse culture.

Our purpose has helped us form our strategy, which we display as three commercial growth horizons, alongside our make a difference strategy. We aim to deliver on our purpose by...

**...continuing** to strengthen our network effect model

We continue to attract more car buyers, through higher levels of stock and sales for our customers:



How we create value P18 →

**...building** on our marketplace to bring more of the car buying journey online

In order to achieve our purpose, our strategy focuses on three commercial growth horizons:



### Core

We aim to significantly improve UK car buying focused around our core marketplace



### Adjacent

We've identified adjacent market opportunities which leverage our large consumer audience and our relationships with retailers and manufacturers



### Future

We believe future opportunities exist through bringing more of the car buying journey online

Our strategy P28 →





**...making** a difference to our people, our communities and the wider environment

We are committed to being a responsible business and have focused our make a difference strategy around three distinct pillars:

#### Our make a difference strategy

Diversity and inclusion

Environmental sustainability

Ethics and compliance

Make a difference P46 →

**...driving** our culture and values through everything we do

We focus on ensuring we create a highly collaborative culture where people feel motivated and supported to live our values every day:



Diversity and inclusion P48 →



# Better use of the digital journey to put consumers in their next car

### Value inputs

The resources and relationships that fuel our core activities

#### Trusted brand

Auto Trader has operated as a trusted source for UK car buyers and sellers for over 40 years.

Auto Trader prompted awareness

**92%**

of consumers were aware of Auto Trader when mentioning new or used cars

#### Data at scale

Auto Trader's volume of vehicle observations and consumer interactions generate significant quantities of quality data.

Volume of searches on Auto Trader

**155m**

average volume of searches per month on Auto Trader by consumers of new or used cars

#### Scalable technology platform

We operate a technology platform that serves our core classified marketplace and new growth opportunities.

Software releases

**41,400**

in 2021

#### People and culture

Our values-led culture underpins a fast-moving, collaborative and community-minded environment which allows us to quickly respond to market changes and opportunities.

Number of full-time equivalent employees (including contractors) across our offices

**909**

on average in 2021

#### Cash generation

The highly cash generative nature of the business allows us to invest in long-term growth drivers of the business.

Cash generated from operations

**£152.9m**

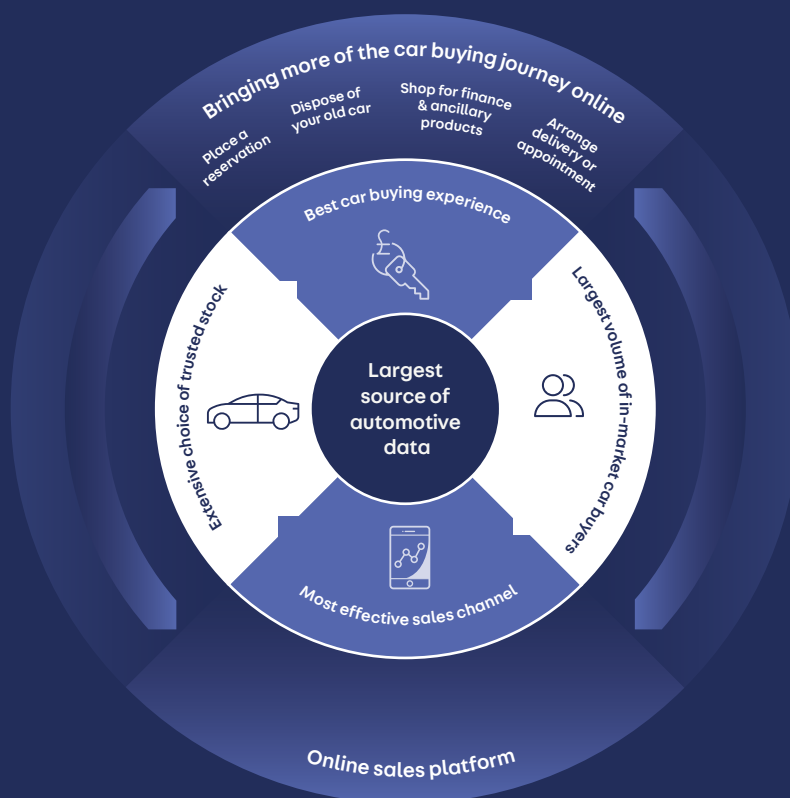
in 2021

### Our core activities

What we do to create value

#### The network effect

Our leading digital automotive marketplace benefits from a network effect model whereby the largest volume of in-market car buyers generates the most effective response for our customers, who in turn provide consumers with the most extensive choice of trusted stock. We use the large volume of data we collect to enhance the car buying experience and create efficiencies for our customers.



#### Creating an online sales platform on top of our strong network effect model

With changes in consumer habits brought about by COVID-19, we are building components that allow more of the car buying journey to be completed online. The Auto Trader platform provides both car buyers and retailers with the tools required to convert buying interest into sales.

Acting responsibly

Risk management and corporate governance

How we operate to be the best place to find, buy and sell a car in the UK and to be the platform that enables data driven digital retailing for our customers.

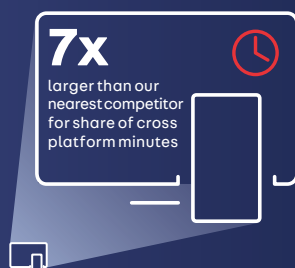
[Our strategy P28 →](#)
[Make a difference P46 →](#)

### Largest volume of in-market car buyers

The scale of our consumer audience means we are the most effective sales platform for anyone who is wanting to sell a vehicle.

# 58.3m

monthly average cross platform visits

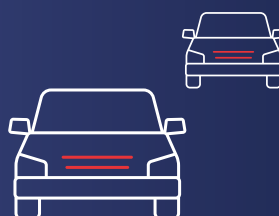


### Extensive choice of trusted stock

Our marketplace provides our buyers with an unrivalled choice of both new and used cars to cater for all consumers' needs.

# 485,000

live car stock on average per month



### Bringing the car buying journey online

Development of tools to convert car buyers' interest into sales whilst on the Auto Trader platform, stretching our influence beyond just the advertising of the vehicle.

# 14.1m

volume of leads submitted to retailer customers in 2021



## Value outputs

How we share value with our stakeholders



### For consumers

Our trusted marketplace gives consumers one place to view an extensive choice of vehicles for sale and we provide transparency to allow them to make the most informed decision.

# 8.1m

car transactions in the UK in 2021



### For customers

Our largest and most highly engaged audience results in the most effective sales channel for our customers.

# 13,336

average retailer forecourts in 2021



### For partners & suppliers

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

# 350,000

Zuto finance applications submitted by our consumers



### For employees

Our environment has been created to ensure everyone gets the chance to be the best that they can be and develop their careers. We offer competitive packages to all of our employees.

# 93%

of our people feel proud to work for Auto Trader



### For the community & the environment

We support each other and think of others before ourselves. We respect diversity and advocate inclusion, and make a difference to the communities around us.

# 31,400

trees planted in 2021 as part of our partnership with Ecologi



### For investors

We continually invest in our platform and marketplace to create a long-term sustainable business. A high proportion of our profit is converted into cash, which in normal periods is largely returned to shareholders through dividends and share buybacks.

# £15.7m

of net cash at March 2021

# Section 172(1) statement

Directors are required to act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole, whilst also having regard to the factors listed in Section 172 of the Companies Act 2006.

As a marketplace, we have a diverse set of stakeholders and aim to balance their needs and outcomes, for example, balancing those of our consumers (users of the website) with those of our customers (retailers, manufacturers and other customers). We acknowledge that not every decision we make will necessarily result in a positive outcome for all of our stakeholders.

By understanding our stakeholders, and by considering their diverse needs, we factor into boardroom discussions the potential impact of our decisions on each stakeholder group.

The content below sets out how we engage with our key stakeholders. Not all information is reported directly to the Board and not all engagement takes place directly with the Board.

However, the output of this engagement informs business-level decisions, with an overview of developments and relevant feedback being reported to the Board and/or a Board Committee.



### Consumers

#### Their needs

- Ease of buying or selling a vehicle
- Comprehensive choice of vehicles
- Clear and accurate information
- Transparency about the vehicle, about the seller and about the payment options

#### How we engage

- We speak to consumers for our Car Buyers Report, and biannual Market Reports to gauge views on the car market
- We hold consumer onsite surveys which provide constant feedback and an NPS score
- Consumer user testing of new products, services and brand designs on our website
- Workshops with people who are neurodiverse and potentially vulnerable consumers, which feeds into our consumer facing products (including how we display finance)
- Complaints and customer security teams operate 7 days a week
- We measure consumer brand sentiment and engagement scores
- Consumer research is provided to the Board



### Customers

(retailers, manufacturers and other customers)

#### Their needs

- Making the car selling process more efficient
- Increasing exposure to consumers and receiving high quality leads
- Receiving value for money from Auto Trader
- Sourcing vehicles

#### How we engage

- Monthly retailer sentiment surveys, which evaluate value for money
- Regular thought leadership, insight-driven reports, such as the Car Buyers Report, and the biannual Market Reports
- Hosting industry insight events, dealer masterclasses, webinars and conferences
- Sales team "on the ground" (operating virtually during 2021)
- Summary of the Voice of the Customer emails circulated to the Board
- Business partnering by the Operational Leadership Team ('OLT') and other senior management
- Attendance by customers at Board meetings



### Employees

#### Their needs

- Diversity and inclusion
- Training and career development
- Reward and benefits
- Working conditions, environment and wellbeing

#### How we engage

- Board Engagement Guild engages directly with the Board
- Quarterly virtual conferences, regular CEO and OLT virtual business updates
- Annual benefits roadshow, salary workshops and share scheme pulse survey
- Save as you earn share schemes
- D&I guilds with networks for BAME, Women, Age, LGBT+, Neurodiversity and Disability with OLT sponsors. Including specific Board reverse mentoring by BAME employees
- Regular employee check-in surveys
- Health and safety assessments
- Wellbeing forums
- Whistleblowing service

During these challenging times, we've acted decisively to protect the long-term profitability and viability of our business, whilst being sure to also support our stakeholders.

By understanding our stakeholders, and by considering their diverse needs, we factor into boardroom discussions the potential impact of our decisions on each stakeholder group.

### Providing more for consumers

A core part of our network effect model is having the largest and most engaged audience.

[Read more P22](#) →

### Supporting our customers' businesses

We want to maintain our role as the most effective sales channel for our customers.

[Read more P24](#) →

### Protecting the wellbeing of our people

Our employees have shown huge resilience in managing the challenges of the last year.

[Read more P26](#) →

### Safeguarding our business

Taking swift, decisive action to protect our business and our stakeholders.

[Financial review P42](#) →



## Partners & suppliers

### Their needs

- Working collaboratively on innovations
- Increasing revenue from shared opportunities
- Fair trading and terms and conditions

### How we engage

- Regular engagement with suppliers and partners, including through our Strategic Partnerships Director and other OLT members
- Supplier/procurement processes engage at the time of appointment and during the relationship
- Regular monitoring and reviews of financial and operating resilience
- Reporting on time taken to pay suppliers
- Application of our Ethical Procurement Policy which helps us to take a holistic view based on cultural alignment when deciding which suppliers and partners we should work with



## The community & the environment

### Their needs

- Energy usage and carbon emissions
- The move to electric vehicles
- Giving back to the community
- Environmental, social and governance ('ESG') factors

### How we engage

- Sustainability Guild within the organisation
- Engagement with the Office for Low Emission Vehicles ('OLEV'), Carbon Literacy Training and participation in the Carbon Disclosure Project ('CDP')
- Make a difference strategy
- Volunteering days with local charities
- Supporting organisations such as Manchester Digital and the Automotive 30% Club, and involvement with local schools and colleges through STEM ambassadors
- Consumer research and user testing to understand what information is most helpful when buying an electric vehicle
- Signed up to the 1.5C Science Based Targets initiative
- Signed up to the UN's 'Climate Change Now' initiative



## Investors

### Their needs

- A balanced and fair representation of financial results and future prospects
- High governance standards
- Reasonable remuneration practices
- Share price performance and return

### How we engage

- Open, honest and balanced communication available to all shareholders
- Comprehensive investor relations programme including the formal presentation of results and subsequent roadshows, ongoing attendance at conferences, one-to-one and group meetings held with institutional investors, fund managers and analysts. Feedback is regularly provided to the Board
- Meetings which relate to governance are attended by the Chairman or another Non-Executive Director
- Private shareholders encouraged to communicate with the Board through [ir@autotrader.co.uk](mailto:ir@autotrader.co.uk)
- Annual Report, AGM, corporate website and market announcements
- Share relevant industry related data with analysts
- Engagement with proxy advisors and other agencies
- Active consultation on remuneration framework and policies



# Providing more for our consumers

## Strategic decisions relating to our consumers...

### Guaranteed Part-Exchange product

We have launched both a Guaranteed Part-Exchange ('GPX') and an Instant Offer product over the last 12 months. GPX enables a consumer to visit a retailer's advert and get a guaranteed price for their part-exchange. Instant Offer enables consumers a convenient way to sell their car privately, with the added benefit of having their car collected from their own home or place of work. Both are operated through a partnership with Cox Automotive.



### Creating a digital forecourt experience

We have recently launched Retailer Stores to create a digital forecourt experience on Auto Trader for retailers to showcase their business, brand and stock, giving car buyers confidence to buy from them. This will improve the user experience, allowing retailers to stand out, bring their brand to life, showcase awards and drive greater levels of consumer confidence.

### COVID-19 safety measures

Four features are highlighted on the advert view that have been designed to give consumers confidence to purchase a vehicle safely. These include safety measures in place at the dealership, live video viewings allowing consumers to virtually walk around the vehicle, the availability of a home delivery service and click and collect options.

### Extensive choice of trusted stock

We continue to deliver more choice to our consumers through our increased new car offering as well as an extensive choice of used car stock. We closed the year with over 2,000 retailers paying for our new car product with 47,000 physical new cars on average advertised on our platform during the year. Despite the impact of COVID-19, good stock levels have consistently been maintained on Auto Trader. We offered a stock offer which allowed customers to double their stock for free from late March to mid-July 2020 resulting in greater levels of choice for the consumer.

## Impact on stakeholders

### Primary

We constantly seek to balance consumer needs with customer and commercial outcomes



Consumers



Employees



Customers

### Secondary



Partners  
& suppliers



Investors

## How the Board's engagement with this stakeholder influenced decision-making

As we moved decisively to respond to COVID-19, a key outcome we sought was to maintain significant choice on Auto Trader for consumers to continue with a comprehensive choice of vehicles. We have subsequently considered how to ensure the car buyer feels safe when making their next purchase with the introduction of new features. Finally, with the feedback from consumer research about the car buying journey, we are looking to introduce new products to make the car buying journey more efficient.



I bought a car on Auto Trader in January during lockdown and was amazed at how easy it was. I found the car on site and contacted the dealer who then video called me to walk me around the vehicle, talked me through the features and then I got it delivered to my door. It was completely seamless and stress-free.

Jon Lenton  
Used car buyer

#### Growing value for our stakeholders

**47,000**

physical new cars advertised on site on average in the year

**443,000**

cars available for click and collect or home delivery in March 2021

**485,000**

physical live cars on site on average in the year





Over the last 12 months Auto Trader has been more than a marketing platform, it really has fulfilled that skills gap you experience as a small independent. The webinars, team meetings and the personal emails have all been a massive factor in my success in such a difficult trading period.

Lee Carr  
Vehicle Select Ltd

#### Growing value for our stakeholders

**>75%**

of all minutes spent on automotive marketplaces are spent on the Auto Trader platform

**561m**

cross platform minutes in 2021

**588**

average number of viewers of our weekly webinars in 2021

# Supporting our customers' businesses

## Strategic decisions relating to our customers...

### Providing free advertising

We provided significant support throughout the pandemic by providing free advertising to our retailer customers in April, May, December and February and at a discounted rate in June. We also extended payment terms in relation to invoices falling due during periods of lockdown, as well as implementing a stock offer early in the crisis so that retailers could advertise more of their vehicles on our platforms at no additional cost.



### Accelerating digital retailing experience

We acquired AutoConvert, a finance, insurance and compliance software platform with an integrated customer relationship management system. AutoConvert is a core finance component in the digital car buying journey. We believe an online finance journey will help customers to increase finance penetration and also reduce processing costs through greater automation.

### Weekly live and on-demand webinars

We started hosting a series of live and on-demand weekly webinars, to update the industry on what we were seeing through our platforms, as well as to provide insight from industry bodies and other experts. All this information was designed to support retailers through the crisis and keep them informed on market trends.

### Launching Retailer Performance Masterclasses

We launched Retailer Performance Masterclasses ('RPM'), which is a new online learning centre for retailers, complete with bitesize masterclasses to help retailers improve their business profitability across the automotive ecosystem; from sourcing the right stock to pricing to market and improving advert quality.

### Embedding our data and insight into the industry

As part of our annual pricing event this year, we gave retailers a product bundle that included an upgraded Performance Dashboard, our entry level pricing tool Retail Check, and a new Market Insight tool. This gave retailers the tools to make informed decisions through a volatile trading period, whilst also further embedding our data into the industry.

## Impact on stakeholders

### Primary

Customers have been faced with difficult challenges over the past year



Customers



Consumers

### Secondary



Partners  
& suppliers



Investors

## How the Board's engagement with this stakeholder influenced decision-making

With such a difficult period faced by our customers during the last year as a result of COVID-19, as well as a change in consumers' buying behaviour impacting the automotive retailing landscape, the Board has consistently considered the needs of customers. The Board receives regular updates on customer sentiment to understand and determine what support our customers needed throughout the crisis as well as shaping product development and embedding our data into the industry to help customers improve their businesses.



# Protecting the wellbeing of our people

## Strategic decisions relating to our employees...

### Working from home

As the pandemic took hold in March 2020, we seamlessly transitioned to working remotely by adapting our systems and technology to enable our employees to continue working collaboratively despite being at home. We have also permanently adopted a new flexible working policy, which will enable a hybrid way of working in future.



### Employee updates

We launched OL:TV where the Operational Leadership Team ('OLT') have provided regular live updates throughout the year to employees on a broad range of topics. Additionally, there have been two Company virtual conferences: ATCONversations, where the OLT gave updates on the Company purpose, future strategy and ways of working.

### Health and wellbeing

With health and wellbeing being paramount, initiatives have been launched to increase employee support services. We have also supplied equipment to ensure safe working conditions, as well as adopting new software such as Miro, an online collaboration platform, and scaled up Microsoft Teams.

### Improving diversity and inclusion

We continue to nurture our inclusive culture and enrich our work community with diverse individuals. Much of this work is supported and informed by our many employee networks and guilds representing: women, BAME, LGBT+, disability & neurodiversity and age.

### Inclusive culture programmes

To increase our representation across all levels of the organisation, we aim to stimulate the flow of diverse talent from early careers through to senior leadership by both targeted development programmes and equipping our leaders to get the very best out of everyone on their team and support their development through the organisation. We have launched a number of learning and development programmes, including: Inclusive Leadership ('IL') and Diverse Talent Accelerator ('DTA'), as well as a programme of continuous leadership development.

## Impact on stakeholders

### Primary

Employees have seen significant disruption to their ways of working this year



Employees



Customers



Consumers

### Secondary



Partners  
& suppliers



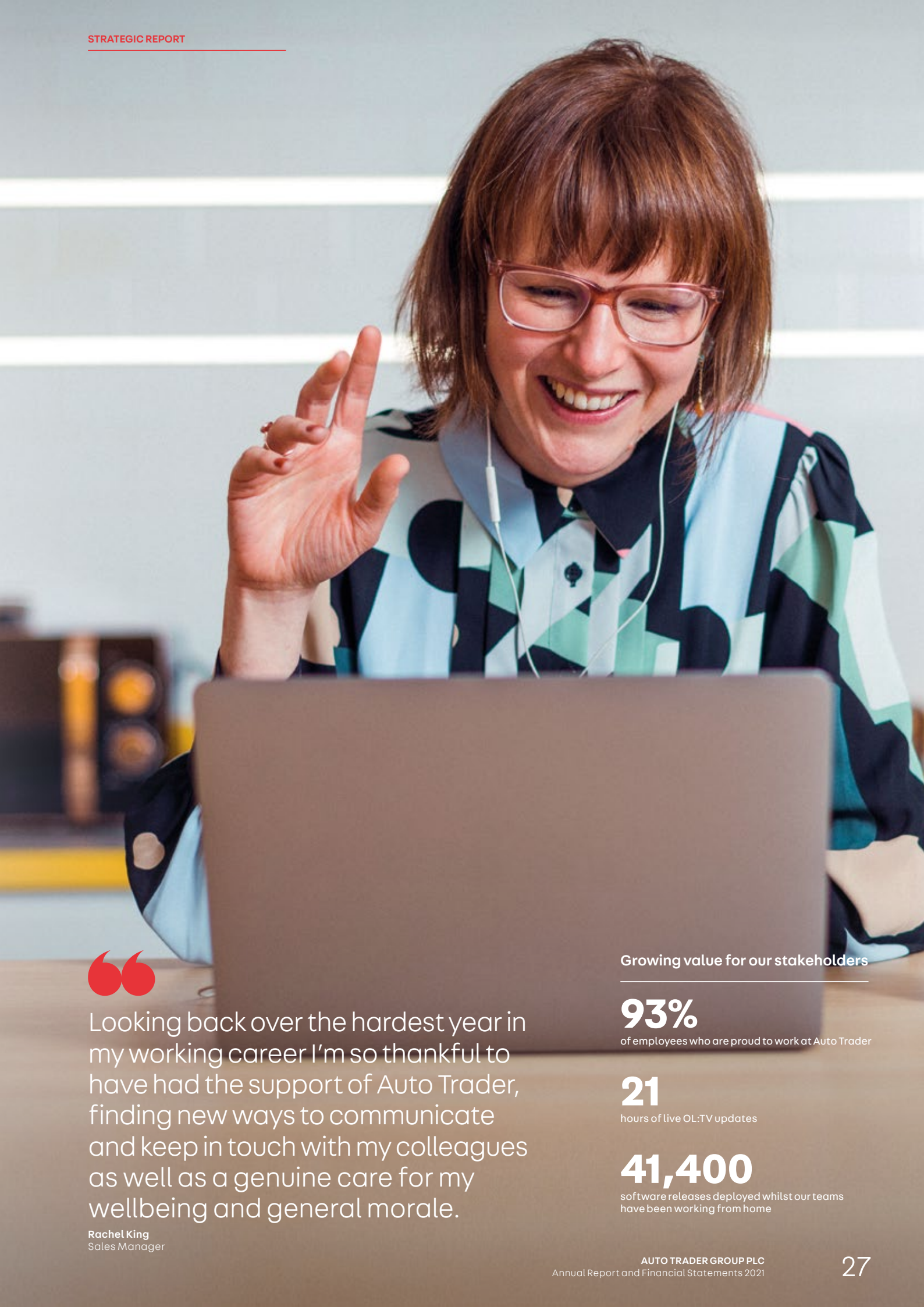
The community  
& the environment



Investors

## How the Board's engagement with this stakeholder influenced decision-making

The Board has consistently discussed and reviewed the views of employees, through feedback from both the Executive Directors and the Employee Engagement Guild. With such significant change to working practices, not least the introduction of a new long-term flexible working policy, it has been essential to do so. The Board receives a regular Cultural Scorecard, designed to allow monitoring of various cultural indicators such as staff retention, diversity, investment in training, absences, employee engagement and customer feedback. The Board receives and discusses this on a quarterly basis during Board meetings.



Looking back over the hardest year in my working career I'm so thankful to have had the support of Auto Trader, finding new ways to communicate and keep in touch with my colleagues as well as a genuine care for my wellbeing and general morale.

**Rachel King**  
Sales Manager

Growing value for our stakeholders

**93%**

of employees who are proud to work at Auto Trader

**21**

hours of live OL:TV updates

**41,400**

software releases deployed whilst our teams have been working from home

# Our purpose has helped us form our strategy which we display as three commercial growth horizons

### Focus areas



## Core

The largest and most engaged consumer audience underpins our network effect marketplace model. We continue to invest in the online car buying experience and the tools available to consumers to help them make the most informed decisions. It is vitally important we maintain our leadership position across both new and used vehicles, whilst continuously creating value to allow retailers and manufacturers to increase sales.

1

Provide the best online car buying experience in terms of transparency, choice and convenience

**>75%**

share of minutes across automotive classified sites in 2021

2

Create tools and products to allow retailers and manufacturers to increase sales



## Adjacent

Our proposition gives franchise retailers the ability to advertise physical new cars on Auto Trader; this informs consumers which new cars are immediately available to buy, and includes more transparency around pricing.

A key strategic priority is to further embed our data into the industry, giving buyers and retailers up-to-date insight, allowing them to make better and faster decisions. We have made real progress this year and have not only increased the volume of data we have shared but also the frequency.

3

Become to new cars what we are in used

**1.4m**

unique new car visitors on average each month in 2021

4

Embed our data and insight to enable buyers and retailers to make better and faster decisions



## Future

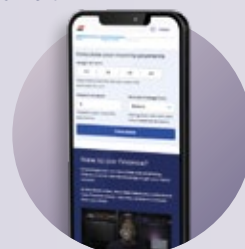
We continue to evolve both our products and consumer experience, bringing more of the car buying journey online. Across both new and used cars, we aim to make the current process significantly more efficient, for both car buyers and our dealer customers, by leveraging our digital tools.

5

Enable more of the transaction to be completed on the Auto Trader platform

**>60**

lenders integrated into AutoConvert





## Acting with integrity

All of our horizons are supported by our values-led culture and our underlying focus on sustainability, risk management and governance.

[Make a difference P46](#)
[How we manage risk P62](#)
[Governance overview P72](#)

### 2021 progress

### How we measure progress

### Associated risks

We have offered unprecedented support to our retailer customers by providing free advertising in April, May, December and February, as well as at a discounted rate in June, as a result of retailers being forced to close.

Additionally, to help consumers shop responsibly, we have introduced a range of COVID-19 safety measures to help them with their journey, including delivery options, live video viewings and safety measure flags.

We have increased the penetration of our higher yielding advanced and premium packages to 26% of retailer stock in March 2021 (March 2020: 23%). Much of the increase was driven by offer periods, where advertising was free in December and February, and retailers took advantage of lower advertising costs to gain additional exposure for their stock in search results, putting them in the best position to be found first more often.

We made the decision to remove standard format display advertising to improve our consumer experience.

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

- COVID-19
- Economy, market and business environment
- Brand and reputation
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Employees
- Reliance on third parties
- Response to climate change
- Regulatory and compliance

We closed the year with over 2,000 retailers paying for our new car product, a 100% increase on where we exited the previous financial year. On average there were 47,000 physical new cars advertised on our platform during the year (2020: 31,000), attracting 1.4m unique visitors on average across the period.

We successfully executed our annual pricing event which gave retailers a product bundle that included an upgraded Performance Dashboard, our entry level pricing tool Retail Check, and a new Market Insight tool.

We started hosting weekly live and on-demand webinars as well as launching Retailer Performance Masterclasses, all designed to support retailers through the crisis and help them maintain a competitive advantage.

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

- COVID-19
- Economy, market and business environment
- Brand and reputation
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- Employees
- Reliance on third parties
- Response to climate change

We launched our Guaranteed Part-Exchange ('GPX') and Instant Offer products. Instant Offer enables private sellers to sell their car at a guaranteed price, where GPX enables the consumer to get a guaranteed price for their part-exchange.

We acquired AutoConvert, a finance, insurance and compliance software platform with an integrated customer relationship management system. This is integral to help us deliver our future finance product on Auto Trader, which should enable finance agreements to be completed online.

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

- Brand and reputation
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Employees
- Reliance on third parties
- Regulatory and compliance



## Core

### Future opportunities

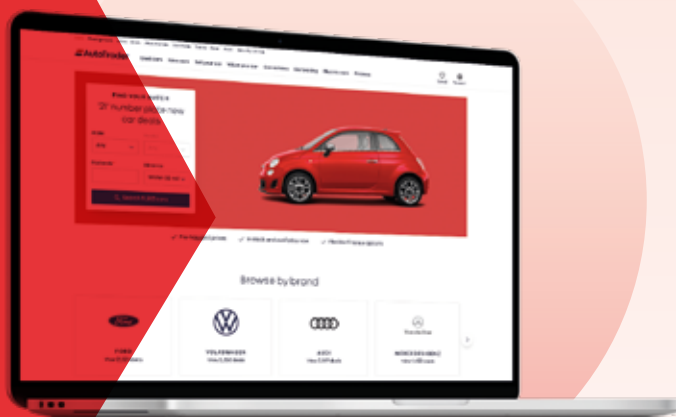
Growing demand and regulatory change means we need to ensure our site remains as relevant for electric vehicles as it has been for internal combustion engines. We continue to evolve our package staircase to enable dealers to compete on our platform.



## Adjacent

### Future opportunities

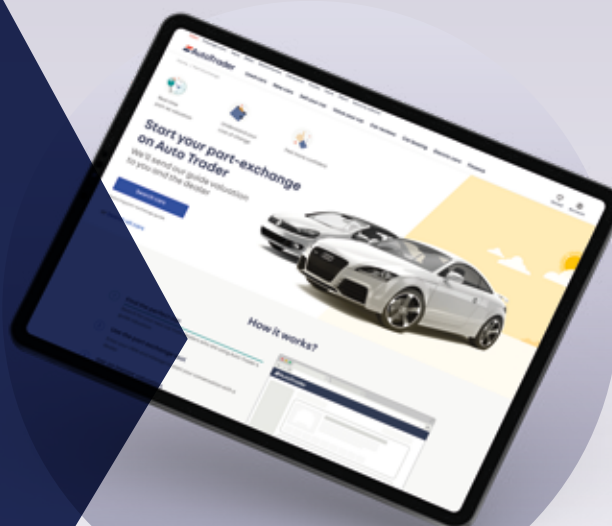
Evolving our new car proposition with the introduction of monthly finance quotes. Further embedding our data into the industry, broadening our customer sets whilst utilising both Auto Trader's and KeeResources' unique data.



## Future

### Future opportunities

A significant part of our strategy is bringing more of the car buying journey online. With the monetisation of our Guaranteed Part-Exchange ('GPX') product, and the launch of reservations and finance applications, we aim to make real progress in 2022.





1

**Provide the best online car buying experience in terms of transparency, choice and convenience**

#### Electric

Electric vehicles are becoming more desirable and traditional fuel types are becoming relatively more expensive as regulation changes. We have the opportunity to provide clear information to consumers and create a more transparent buying experience.

2

**Create tools and products to allow retailers and manufacturers to increase sales**

#### Evolving our package staircase

In May 2021, we have re-launched our package staircase to include an additional higher level package and changed our prominence products to operate consistently across all platforms and devices. This gives retailers the choice to capture a greater share of consumer visits on Auto Trader, whilst creating a consistent cross platform search experience.

70%

increase in advert views for EVs in 2021

#### Retailer Stores

We have introduced a new digital forecourt experience on our marketplace, with the launch of Retailer Stores. The new fully customisable virtual storefronts will enable retailers to significantly enhance their digital profile by creating their own dedicated brand destination on Auto Trader.

3

**Become to new cars what we are in used**

#### Monthly prices

By adding monthly finance quotes to new car stock we will allow consumers to search by monthly prices just as they do on used, bringing finance consideration higher up the buying funnel. We have also introduced leasing deals onto Auto Trader.

4

**Embed our data and insight to enable buyers and retailers to make better and faster decisions**

#### Total Cost of Ownership ('TCO')

Utilising both Auto Trader and KeeResources unique data, we will look to grow data subscriptions providing whole life cost data which uses our vehicle data and taxonomy.

#### New customer sets

We aim to broaden our customer sets when it comes to the sale of our data. There is significant opportunity outside of our core retailer customer segment.

1.4m

unique new car visitors on average each month during the year



5

**Enable more of the transaction to be completed on the Auto Trader platform**

#### Online reservations

We are developing functionality which will allow the consumer to reserve a car online through our platform. This provides clarity in the willingness of the consumer to purchase the vehicle and should ensure a more efficient sales process.

#### Guaranteed Part-Exchange

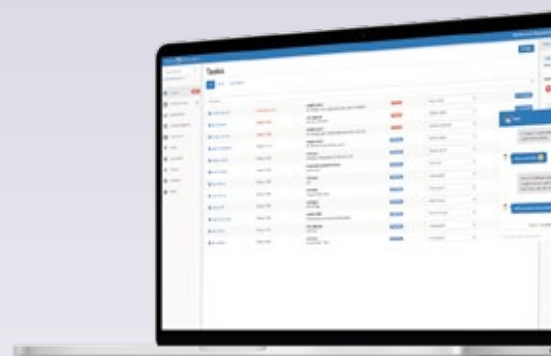
Following a successful trial of our Guaranteed Part-Exchange ('GPX') product, we aim to monetise this product in 2022. GPX will reduce haggling on the forecourt and avoid the retailer taking any unwanted part-exchanges.

#### Finance applications

Our acquisition of AutoConvert gives us the integration into lenders which is fundamental for our finance journey. We aim to develop a way for finance applications to be available through Auto Trader, allowing consumers to go through the application process maximising efficiency and transparency.

1.5m

finance applications through AutoConvert since acquisition



## Key performance indicators

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

### Financial

#### Revenue

£m

**£262.8m**

-29%

2021	£262.8m
2020	£368.9m
2019	£355.1m

#### Relevant focus areas

2 3 4 5

#### Definition

The Group generates revenue from three different streams: Trade, Consumer Services and Manufacturer and Agency. Trade revenue is broken down into three categories: Retailer, Home Trader and Other, with Consumer Services similarly split into Private and Motoring Services.

#### Progress

Revenue generated in the year was significantly impacted by the support we provided to the industry in the year. We offered free advertising to retailers through four months of the year and provided a 25% discount in June as they reopened from the first lockdown. Consumer Services and Manufacturer and Agency revenues also declined with the nationwide lockdowns impacting demand.

#### Relevant risks

- COVID-19
- Economy, market and business environment
- Brand and reputation
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Employees
- Reliance on third parties
- Response to climate change
- Regulatory and compliance

#### Linked to current year remuneration?

Yes

#### Average Revenue Per Retailer ('ARPR')

£ per month

**£1,324**

-32%

2021	£1,324
2020	£1,949
2019	£1,844

#### Relevant focus areas

2 3 4 5

#### Definition

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

#### Progress

COVID-19 related offers for retailers reduced ARPR by 37% in the year as we provided four months' free advertising and a 25% discount for one month. Underlying ARPR grew through price and product. Growth in product resulted from additional data products included as part of our pricing event, further upsell to our higher level packages and continued increases in the number of retailers on our new car product. These increases were partially offset by a decline in stock, which largely occurred through the summer of 2020 when supply was tight.

#### Relevant risks

- COVID-19
- Economy, market and business environment
- Brand and reputation
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Employees
- Reliance on third parties
- Response to climate change
- Regulatory and compliance

#### Linked to current year remuneration?

No

#### Operating profit

£m

**£161.2m**

-38%

2021 Margin 61%	£161.2m
2020 Margin 70%	£258.9m
2019 Margin 69%	£243.7m

#### Relevant focus areas

2 3 4 5

#### Definition

Operating profit is as reported in the Consolidated income statement on page 124. This is defined as revenue less administrative expenses, plus share of profit from joint ventures. Operating profit margin is Operating profit as a percentage of revenue.

#### Progress

Operating profit decreased by 38% as the reduction in revenue driven by the COVID-19 related offers largely dropped through to profit as a result of the Group's high operating leverage. Administrative costs reduced by 8% as we focused on cost control, primarily through marketing costs which reduced by 43% year-on-year.

#### Relevant risks

- COVID-19
- Economy, market and business environment
- Brand and reputation
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Employees
- Reliance on third parties
- Response to climate change
- Regulatory and compliance

#### Linked to current year remuneration?

Yes

## Our growth horizons and relevant focus areas



## Core

- 1 Provide the best online car buying experience in terms of transparency, choice and convenience
- 2 Create tools and products to allow retailers and manufacturers to increase sales



## Adjacent

- 3 Become to new cars what we are in used
- 4 Embed our data and insight to enable buyers and retailers to make better and faster decisions



## Future

- 5 Enable more of the transaction to be completed on the Auto Trader platform

## Basic EPS

pence per share

**13.24p**

-40%

2021	13.24p
2020	22.19p
2019	21.00p

## Relevant focus areas



## Definition

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

## Progress

Basic EPS reduced by 40%, much of which was driven by net income which declined 38%. The weighted average number of shares in issue increased by 4% driven by the placing of an additional 46.5m shares in April 2020.

## Relevant risks

- COVID-19
- Economy, market and business environment
- Brand and reputation
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Employees
- Reliance on third parties
- Response to climate change
- Regulatory and compliance

## Linked to current year remuneration?

No

## Cash generated from operations

£m

**£152.9m**

-42%

2021	£152.9m
2020	£265.5m
2019	£258.5m

## Relevant focus areas



## Definition

Cash generated from operations is as reported in the Consolidated statement of cash flows on page 128. It comprises net cash generated from operating activities, before income taxes paid.

## Progress

Cash generated from operations decreased by 42% to £152.9m in the year. The majority of this cash was used to reduce the level of debt held by the Group given the uncertainty caused by the COVID-19 pandemic.

## Relevant risks

- COVID-19
- Economy, market and business environment
- Brand and reputation
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Employees
- Reliance on third parties
- Response to climate change
- Regulatory and compliance

## Linked to current year remuneration?

No



## Key performance indicators continued

### Our growth horizons and relevant focus areas



#### Core

- 1 Provide the best online car buying experience in terms of transparency, choice and convenience
- 2 Create tools and products to allow retailers and manufacturers to increase sales



#### Adjacent

- 3 Become to new cars what we are in used
- 4 Embed our data and insight to enable buyers and retailers to make better and faster decisions



#### Future

- 5 Enable more of the transaction to be completed on the Auto Trader platform

### Operational

#### Cross platform visits

Monthly average visits spent across all platforms (millions)

**58.3m**

+15%



#### Relevant focus areas

1 3 4 5

#### Definition

Monthly average visits made across all our platforms, as measured by Google Analytics.

#### Progress

Cross platform visits increased by 15% year-on-year. Strong consumer demand for cars coupled with social distancing restrictions resulted in audience growth as consumers relied on us as the place they could go to find their next car. We continue to use Comscore for a comparison to competitors and our share of minutes remains over 75% across all automotive classified sites.

#### Relevant risks

- COVID-19
- Economy, market and business environment
- Brand and reputation
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Employees
- Reliance on third parties
- Response to climate change
- Regulatory and compliance

Linked to current year remuneration?

No

#### Cross platform minutes

Monthly average minutes spent across all platforms (millions)

**561.1m**

+14%



#### Relevant focus areas

2 3 4 5

#### Definition

Monthly average minutes spent across all our platforms, as measured by Google Analytics.

#### Progress

We measure consumer engagement by the time spent on our site. Cross platform minutes increased by 14% to 561.1 million as a result of increased visits and our market leading consumer experiences that help individuals find their next car.

#### Relevant risks

- COVID-19
- Economy, market and business environment
- Brand and reputation
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Employees
- Reliance on third parties
- Response to climate change
- Regulatory and compliance

Linked to current year remuneration?

No





**Number of retailer forecourts**

Average number per month

**13,336**

-0%

2021	13,336
2020	13,345
2019	13,240

**Relevant focus areas**

2 3 4 5

**Definition**

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

**Progress**

The number of retailers using our platform declined through the first quarter of the financial year as lockdown measures were implemented for the first time. When restrictions were lifted in June the number of retailers advertising on our platforms increased. Overall, the average number of retailers advertising with us across the year was 13,336.

**Relevant risks**

- COVID-19
- Economy, market and business environment
- Brand and reputation
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Employees
- Reliance on third parties
- Response to climate change
- Regulatory and compliance

**Linked to current year remuneration?**

No

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

Average number (including contractors)

**909**

+7%

2021	909
2020	853
2019	804

**Relevant focus areas**

1 2 3 4 5

**Definition**

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

**Progress**

FTEs have increased by 7% year-on-year. The acquisitions of AutoConvert in July 2020 and KeeResources mid-way through last financial year have been the primary driver of the increase, together contributing an additional 49 FTEs to the year's average.

**Relevant risks**

- COVID-19
- Economy, market and business environment
- Brand and reputation
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Employees
- Reliance on third parties
- Response to climate change
- Regulatory and compliance

**Linked to current year remuneration?**

No

**Live stock**

Average number per month

**485,000**

+1%

2021	485,000
2020	478,000
2019	461,000

**Relevant focus areas**

1 3

**Definition**

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

**Progress**

Live car stock on site increased by 1%. To support customers during the first national lockdown we implemented an offer that allowed retailers to double their live stock on Auto Trader for no additional charge. Growth also came from new cars which increased by 52% to 47,000 on average over the year.

**Relevant risks**

- COVID-19
- Economy, market and business environment
- Brand and reputation
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Employees
- Reliance on third parties
- Response to climate change
- Regulatory and compliance

**Linked to current year remuneration?**

No

# A new way of measuring our cultural performance

We have identified six cultural KPIs that we consider to be most relevant in assessing how we are progressing against our make a difference strategy.



Our work community is a place where differences are celebrated and where diverse individuals can thrive.

—  
**Alison Ross**  
People and Culture Director

## Cultural

### Employee engagement

% of employees who are proud to work at Auto Trader

**93%**

+4% pts



### Relevant focus areas



### Definition

We define employee engagement by measuring the percentage of people who are proud to work for Auto Trader. Based on a survey to all employees in January 2021 asking our people to rate the statement "I am proud to work for Auto Trader". Answers were given on a five-point scale from strongly disagree to strongly agree and were collated through Culture Amp.

### Progress

Over the past 12 months our people have had to navigate a number of challenges and we have done everything we can to support them. By taking appropriate measures and keeping clear lines of communication open with our people, we have been able to maintain a high level of engagement at 93%.

### Relevant risks

- COVID-19
- Brand and reputation
- Failure to innovate: disruptive technologies and changing consumer behaviours
- Employees

### Linked to remuneration?

Current year Future years



### Women as a % of total staff

As at March each year

**39%**

+0% pts



### Relevant focus areas



### Definition

We calculate our diversity percentages using headcount (2021: 953, 2020: 904, 2019: 798). The percentage of employees who identify as women (both cis and trans) at the end of March. In calculating this percentage we take into account all gender identities, including non-binary.

### Progress

We recognise the importance of gender diversity. Over the past 12 months, the percentage of our employees who identify as women was unchanged at 39%. We remain committed to improving gender diversity within our organisation.

### Relevant risks

- COVID-19
- Brand and reputation
- Failure to innovate: disruptive technologies and changing consumer behaviours
- Employees

### Linked to remuneration?

Current year Future years



### Women as a % of leadership

As at March each year

**34%**

+2% pts



### Relevant focus areas



### Definition

We calculate our diversity percentages using headcount (2021: 953, 2020: 904, 2019: 798). The percentage of those in leadership positions who identify as women (both cis and trans) at the end of March. We define leaders as those who are on our Operational Leadership Team ('OLT') and those direct reports of the OLT. In calculating this percentage we take into account all gender identities, including non-binary.

### Progress

The percentage of employees who identify as women in leadership roles increased in the year by 2% to 34%. Of the 108 people in leadership positions who define their gender when asked, 37 were women. We recognise there is a lot to do in this area and we launched our Diverse Talent Accelerator programme to support our people, particularly women and those from a BAME background, develop into leadership roles.

### Relevant risks

- COVID-19
- Brand and reputation
- Failure to innovate: disruptive technologies and changing consumer behaviours
- Employees

### Linked to remuneration?

Current year Future years



## Our growth horizons and relevant focus areas



## Core

- 1 Provide the best online car buying experience in terms of transparency, choice and convenience
- 2 Create tools and products to allow retailers and manufacturers to increase sales



## Adjacent

- 3 Become to new cars what we are in used
- 4 Embed our data and insight to enable buyers and retailers to make better and faster decisions



## Future

- 5 Enable more of the transaction to be completed on the Auto Trader platform

## BAME representation as a % of total staff

As at March each year

**11%**  
+1% pts



## Relevant focus areas



## Definition

The percentage of our headcount that define themselves as BAME as at 31 March. In calculating this percentage we take into account those who have chosen not to specify their ethnicity.

## Progress

We recognise the importance of diversity. Over the past 12 months we have increased the percentage of our employees who define themselves as BAME by 1% to 11%. Of the 752 of people who define their ethnicity when asked, 102 are BAME. There were 201 employees (21%) who have not yet disclosed their ethnicity or opted not to do so.

## Relevant risks

- COVID-19
- Brand and reputation
- Failure to innovate: disruptive technologies and changing consumer behaviours
- Employees

## Linked to remuneration?

Current year Future years

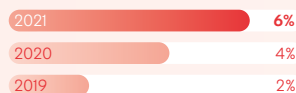
No

Yes

## BAME representation as a % of leadership

As at March each year

**6%**  
+2% pts



## Relevant focus areas



## Definition

The percentage of those in leadership positions that define themselves as BAME at the end of March. We define leaders as those who are on our Operational Leadership Team ('OLT') and those direct reports of the OLT. In calculating this percentage we take into account those who have chosen not to specify their ethnicity.

## Progress

The percentage of BAME employees in leadership roles increased in the year by 2% to 6%. Of the 108 people in leadership positions who define their ethnicity when asked, six were BAME. We recognise there is a lot to do in this area and we launched our Diverse Talent Accelerator programme to help people, particularly women and those from a BAME background, develop into leadership roles.

## Relevant risks

- COVID-19
- Brand and reputation
- Failure to innovate: disruptive technologies and changing consumer behaviours
- Employees

## Linked to remuneration?

Current year Future years

No

Yes

Total CO<sub>2</sub> emissions

Tonnes of carbon dioxide equivalent

**6,673 tonnes**  
-34%



## Relevant focus areas



## Definition

The methodology used to calculate our emissions is based on the financial consolidation approach, as defined in the GHG Protocol, a Corporate Accounting and Reporting Standard (Revised Edition). Emission factors used are from UK Government ('BEIS') conversion factor guidance for the year reported. The total amount of CO<sub>2</sub> emissions includes Scope 1, 2 and 3. 2021 and 2020 totals include emissions from additional relevant Scope 3 categories. The 2019 total includes limited Scope 3 emissions and has therefore been excluded from the above comparative. See page 54 for our reported Scope 3 emissions.

## Progress

The total amount of CO<sub>2</sub> emissions reduced in the year by 34% to 6,673 tonnes of carbon dioxide equivalent. Climate change is treated as a Board-level governance issue. Our newly formed Corporate Responsibility Committee evidences our commitment to ensuring as a business we keep progressing with our climate change agenda. We're committed to implementing the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD'), fully embedding them over the coming year.

## Relevant risks

- COVID-19
- Economy, market and business environment
- Brand and reputation
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- Employees

## Linked to remuneration?

Current year Future years

No

Yes

## Operational review



We have made further progress in new cars, launching a stock-based product which allows retailers to upload physically available new cars at current retail prices.

**Catherine Faiers**  
Chief Operating Officer



We have continued to invest in our products and services, to ensure that we're delivering the best possible consumer experience.

**120,000**

GPX consumer valuations since launch

**2,000**

retailers paying for the new car product in March 2021

### Overview

COVID-19 has understandably had a significant impact on the last year and presented a number of challenges for us to overcome. I am proud of the decisive way we have supported our people, our customers and our business, responding to those challenges, and I believe we are in a stronger position as a result of the way we have navigated the last 12 months.

### Supporting our people

The financial year started with the UK in lockdown and with all of our people working from home. With our business continuity planning in place, our transition to working remotely was almost seamless, which is testament to our systems, technology and the resilience of our employees.

For many, working from home brought additional strains and stresses. The health and wellbeing of our employees and their families is always front of mind. We increased the level of support for our people and have sustained this throughout the last 12 months. Many of these initiatives will remain, such as increased employee support services for mental and physical health, and more regular all-Company communication. We have also taken the decision to adapt our working policies to reflect the changing way we will all work going forwards. We will enable our people to better balance their work and home life to retain some of the benefits we have seen from a very different way of working. Encouragingly, when asked, 93% of employees say they are proud to work at Auto Trader which has risen from 89% in 2020 despite the challenges faced over the last 12 months.

We continued to progress our other key people-related strategies, such as our focus on driving a more diverse and inclusive Auto Trader. Our employee networks have played an integral role this year both in terms of providing support but also in driving new initiatives aimed at developing talent in our business in different ways. For example, we launched a Diverse Talent Accelerator programme, aimed at supporting a diverse group of individuals to grow and prosper in the business. Another programme, Inclusive Leadership, was rolled out to provide people leaders with the skills and insight to support the development of individuals, recognising their own unique strengths. We are pleased with the progress we have made in the year, but recognise that it will take time for these initiatives to have a meaningful impact on our newly reported cultural KPIs.

### Supporting our industry

Through the financial year, our customers, who are predominantly car retailers, were required to close their showrooms at various times as restrictions were tightened. Periodically through the financial year, we have provided significant financial support to help our customers navigate these challenging times.



During the first lockdown in April and May, we took the decision to offer our advertising packages for free to customers. This was at a time when retailer showrooms were required to close and when most customers did not have the processes in place to sell remotely.

We also implemented a stock offer so that retailers could advertise more of their vehicles on our platforms at no additional cost, and extended payment terms so we were not a cash burden during a period where they could not sell vehicles. When forecourts were able to reopen on 1 June, we then provided retailers with a 25% discount on their advertising packages for the month of June.

We also provided retailers access to our new Market Insight product earlier than planned and created ways for retailers to advertise their vehicles even more effectively with the creation of home delivery, click and collect and live video flags. We started hosting weekly webinars, to update the industry on what we were seeing through our platforms as well as to provide insight from industry bodies and other experts. All of this activity was designed to support retailers through the crisis.

Over the past 12 months, many retailers have adapted their operations to facilitate some form of distance selling, such that the second and third lockdowns have not impacted trading as severely as the first. Nevertheless, the restrictions have still impacted the number of cars that were sold and therefore the profitability of our customers. We therefore offered free advertising again for the months of December 2020 and February 2021 to continue this support of our customers.

Overall, we provided free advertising services for four months of the year along with a 25% discount for June. We do not believe that any other online advertising service, of any significance, has responded more promptly, clearly and definitively to the crisis. Our measures were well received by customers and we hope it will help us to further deepen our relationships in the months and years ahead.

#### Our audience

We have retained our position as the UK's largest and most engaged automotive marketplace for new and used cars, with over 75% of all minutes spent on automotive classified sites spent on Auto Trader (2020: over 75%).

Our audience performance has strengthened over the year with average monthly cross platform visits increasing by 15% to 58.3 million per month (2020: 50.8 million). Engagement, which we measure by total minutes spent on site, increased by 14% to an average of 561 million minutes per month (2020: 492 million minutes).



## Our strategy in action

### Relevant focus areas

1 2

Our strategy P28 →

## Continuing to improve our core marketplace



### Updated our advertising package staircase

We have amended our advertising package structure and changed the sort order for listings. We have discontinued our basic package, introduced a higher level and re-branded our top three levels, Enhanced, Super and Ultra. We have also created a consistent cross-platform experience with adverts appearing in search, based on a relevancy algorithm, which takes package level into account.

### Highlighting COVID-19 secure safety measures

We highlighted COVID-19 secure safety measures in the advert view to give consumers confidence to purchase a vehicle safely. These included safety measures in place at dealerships, live video viewings, availability of home delivery and click and collect options.

**85%**

of adverts that display a COVID-19 secure flag in March 2021

### Increasing package prominence

We have increased the penetration of our higher yielding advanced and premium packages to 26% of retailer stock in March 2021, allowing retailers to gain additional exposure for their stock in search results (March 2020: 23%).

**26%**

advanced and premium package penetration in March 2021

## Operational review continued

# 2,300

questions submitted by our customers  
at our weekly webinars in 2021

# 8.3m

of retail checks performed in 2021



## Our strategy in action

### Relevant focus areas

4

[Our strategy P28](#) →

## Leading the way for retailers through data-led products and insights



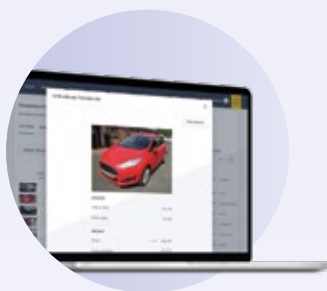
### Market Insight

The Market Insight tool gives retailers access to up-to-date market intelligence so they can identify key market trends, understand how those may impact performance, and inform them how to adapt accordingly.



### Performance Dashboard

An upgraded Performance Dashboard allows retailers to measure, track and improve advert performance on Auto Trader. Optimising advert performance through a simple Performance Rating that results in more leads and sales for the retailer.



### Retail Check

Now bundled into our independent retailer advertising packages, Retail Check gives retailers the broadest, most accurate view of the live retail market, helping them make better and faster pricing decisions on cars they are considering to buy and for stock that's already on their forecourt.



### Insights

We launched Retailer Performance Masterclasses, a new online learning centre for retailers, helping them improve their business profitability, and hosted a series of live and on-demand weekly webinars, to update the industry on what we are seeing through our platforms.

Following an initial decline in visits through April and May 2020, the number of visits to our platform increased as consumer demand came back strongly. With lockdown restrictions in place, and people unable to visit forecourts, this drove more people to research and make their purchase decisions online. This resulted in significantly more digital footprints left on Auto Trader, increasing the attribution of sales we may have influenced, generating 14.1m leads sent to retailer customers in 2021.

#### Retailer and stock levels

The average number of retailer forecourts advertising on our platforms was broadly flat at 13,336 (2020: 13,345). We have seen a steady increase in the number of retailers advertising on our platform since June and saw a year-on-year increase in the second half of the year.

Total live stock on site increased by 1% to an average of 485,000 cars (2020: 478,000). We saw significant downward pressure on stock listings through the summer created by supply constraints. However, this improved from September and as with our retailer forecourt number, saw good levels of year-on-year growth in the second half. New car stock has seen consistent growth, averaging 47,000 in the year (2020: 31,000).

In the first quarter of our financial year, when retailer forecourts were closed and we allowed customers to 'double their stock for free', physical stock on Auto Trader reached a record high. After retailers reopened in June, the number of cars available for retail steadily reduced, with high levels of demand outstripping supply. That supply shortage continued into the second quarter of our financial year; we also converted part of the stock offer which resulted in a decrease in stock on site.

The supply side of the market started to normalise in the autumn and so levels of stock advertised on Auto Trader steadily increased. Stock levels remained strong through the remainder of the second half of the year, along with customers taking advantage of the 'free' advertising months in December and February as retailers recognised the importance of advertising on our platforms at a time when restrictions were still in place.

#### Helping retailers advertise effectively

We continue to develop our products so that our customers can compete on our marketplace whilst also developing products which will allow car buyers to complete more of the transaction online, thereby making the forecourt experience more efficient.

Our higher level advanced and premium packages have offered this through the year. In May 2021, we have evolved our package staircase. With more buyers than ever using Auto Trader typically before they visit a showroom, retailers recognise the growing importance of being highly visible on our marketplace. This dynamic, along with the 'free' advertising months in December and February, helped us increase penetration of stock on our two highest package levels to 26% in March 2021 (March 2020: 23%).

Another area of focus has been our new car proposition. We ended the year with over 2,000 retailers (2020: over 1,000) paying to advertise new cars on our site, an increase of over 100%. The average number of new cars advertised on our platforms over the year increased to 47,000 (2020: 31,000), attracting 1.4m unique visitors on average each month across the period.

#### Making the car buying process easier

Over the last year there has been a shift in consumer appetite to do more online and shopping for a car is no different. The dynamic of the pandemic though has not only brought about a change in consumer behaviour, it has also changed how our customers have operated their forecourts. Many have adapted their forecourts to facilitate vehicles being sold at a distance. Whilst some of the status quo in how cars are bought and sold will undoubtedly return as restrictions are eased, both consumers and retailers have experienced a different model. Digital products and services will help to reinforce this in the coming months. We believe we are well positioned to support the industry in making changes needed to bring more of the car buying journey online.

During the year we launched our buy online hub. This dedicated section of the site allows consumers to find cars available for home delivery or click and collect. It played a key role in promoting the availability of retail options for consumers during the pandemic. Our aim over the near future is to evolve this proposition so that consumers can complete more of the buying process online through our marketplace.

As part of our strategy to bring more of the car buying journey online, in October we began enrolling customers onto our Guaranteed Part-Exchange ('GPX') product. This product enables consumers to get an accurate price for their existing vehicle whilst shopping on Auto Trader, eliminating the need to haggle over a part-exchange whilst also not requiring the dealer to take risk on the vehicle. At year end we had c.1,000 customers trialling the product.

In July 2020, we acquired AutoConvert, a finance, insurance and compliance software platform with integrated customer relationship management. The business helps its customers to both increase finance penetration and to reduce costs by automating the customer journey. AutoConvert's customers include automotive dealers, dealer networks and financial brokers. The business's core functionality, coupled with the fact it is integrated into over 60 lenders, will help us deliver our future finance product, which will enable finance agreements and approvals to be completed on Auto Trader. We expect to pilot this in the second half of the current financial year.

Finally, our product teams made good progress on a solution that will enable vehicle reservations to be completed on Auto Trader. We expect this product to evolve over the next 6-12 months and form a key component of facilitating an online transaction. We anticipate that consumers' willingness to complete this part of the transaction online has been improved by changing habits brought about by COVID-19 and believe it can significantly increase the efficiency of our customers.

Our research of car buyers tells us that 55% of buyers would consider buying a used car online, 60% would pay an online deposit, 80% want to have at least some idea of the part-exchange value and 70% want an idea of finance options before visiting a retailer. It is anticipated that over the next 12 months, we will evolve the car buying journey on Auto Trader to include all three components, in one easy to complete user journey.

#### Changes in our infrastructure

We have made substantial progress during the year in migrating our platform and technology infrastructure to the cloud. Moving to the cloud has enabled us to take advantage of improved performance, enhanced security and a quicker product release cycle. We expect to have migrated all of our services to the cloud by the end of the coming financial year. Despite the disrupted nature of this year, we saw an increase in the number of product releases to 41,000 (2020: 37,000).

#### Catherine Faiers

Chief Operating Officer  
10 June 2021





Revenue was impacted by our decision to provide free advertising to our retailer customers in April, May, December and February, and at a 25% discount in June, due to the closure of their forecourts given COVID-19 lockdown restrictions.

# Safeguarding our business for the long-term benefit of all stakeholders



**Jamie Warner**  
Chief Financial Officer

## Equity placing

On 1 April 2020 we raised proceeds of £182.9m net of fees through an equity placing. This strengthened our balance sheet and liquidity position, enabling us to navigate the COVID-19 crisis in the long-term interests of our stakeholders. The raise also ensured that the Group was in the best position to take advantage of strategic opportunities, such as the acquisition of AutoConvert, as well as continuing to support customers while remaining well within our debt covenants.

## Suspension of capital allocation policy

With heightened uncertainty caused by COVID-19, we suspended our capital policy in late March 2020 to conserve cash within the business. We have subsequently recommended a final dividend for the year which will be paid in September. Our long-term capital allocation policy remains unchanged. We aim to distribute around one third of net income as dividends and, having significantly reduced our debt position, will use surplus cash generated to buy back shares.

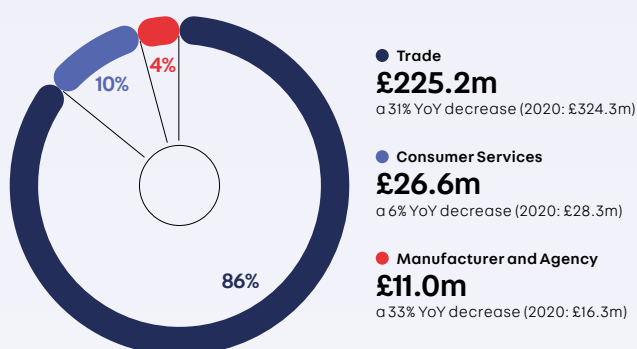
## Controlling costs

Early in the crisis, we reduced discretionary spend across the business, the majority of which related to marketing spend. Our Executive Directors also forewent 50% of their salary during Q1 and agreed to forego annual bonuses earned in relation to the previous financial year. The remainder of the Board waived their fees by 50% or more for the duration of Q1.

## Repaid Government support

Early in the crisis we used the Government Coronavirus Job Retention Scheme ('CJRS') for around 25% of our employees, many of whom were in demand based roles, which were impacted by retailers effectively closing their business. We also deferred our VAT payments due between the period 20 March to 30 June 2020. Towards the end of May and as soon as it seemed likely that the business could survive even the worst scenarios, all of our people placed on furlough returned to work. We have subsequently repaid all amounts claimed under the CJRS and we are up to date on all VAT payments.

## Our revenue streams



## Revenue

**£262.8m**

-29%

(2020: £368.9m)

## Operating profit

**£161.2m**

-38%

(2020: £258.9m)



Revenue fell to £262.8m (2020: £368.9m), down 29% when compared to the prior year. Trade revenue, which comprises revenue from Retailers, Home Traders and other smaller revenue streams, decreased by 31% to £225.2m (2020: £324.3m).

Retailer revenue fell by 32% to £211.9m (2020: £312.1m). Revenue was impacted by our decision to provide free advertising to our retailer customers in April, May, December and February, and at a 25% discount in June, due to the closure of their forecourts given COVID-19 lockdown restrictions.

The average number of retailer forecourts advertising on our platforms was broadly flat at 13,336 (2020: 13,345). We had a reasonable decline in the first quarter, but subsequently saw a steady increase in the number of retailers advertising on our platform since June 2020.

Average Revenue Per Retailer ('ARPR') declined by 32% to £1,324 (2020: £1,949). The £625 decrease was heavily impacted by the COVID-19 related discounts previously mentioned. Excluding those discounts, ARPR grew by £87 year-on-year, as a decline in paid stock was offset by an increase in price and product:

- COVID-19 related discounts: The impact of discounts provided to support customers during the various lockdown periods contributed a decline of £712 to total ARPR (2020: £0).
- Price: Our price lever contributed an increase of £50 (2020: £53) to total ARPR as we executed our annual pricing event for all customers on 1 April 2020, which included additional products but also a like-for-like price increase.
- Stock: The number of cars advertised on Auto Trader increased by 1% to 485,000 (2020: 478,000), this was boosted by the growth in new cars seen on Auto Trader due to growing take up on our new car product. Used car stock marginally declined in the year as we saw stock levels reduce through the second quarter, with the overall number of cars available to retail decreasing as a result of high demand and tightened supply. Stock levels recovered through the second half, although not enough to offset the decline. The year-on-year decline in the number of used cars live on site contributed to the decline in the levels of paid retailer stock resulting in a £52 decline in the stock lever (2020: decline of £30).
- Product: Our product lever contributed an increase of £89 (2020: £82) to total ARPR. Much of this product growth was a result of our annual pricing event underpinned by three products: an upgraded Performance Dashboard,

Revenue (£m)	2021	2020	Change
Retailer	211.9	312.1	(32%)
Home Trader	6.3	8.3	(24%)
Other	7.0	3.9	79%
Trade	225.2	324.3	(31%)
Consumer Services	26.6	28.3	(6%)
Manufacturer and Agency	11.0	16.3	(33%)
Total	262.8	368.9	(29%)

Costs (£m)	2021	2020	Change
People costs (including share-based payments)	60.0	55.8	8%
Marketing	9.8	17.3	(43%)
Other costs	27.9	33.6	(17%)
Depreciation and amortisation	6.3	6.5	(3%)
Total administrative expenses	104.0	113.2	(8%)

Retail Check and a new Market Insight tool. There was also growth in our new car advertising product with over 2,000 paying retailers at the end of March 2021 (March 2020: over 1,000). The penetration of our higher yielding advanced and premium packages also increased to 26% of retailer stock (March 2020: 23%), as retailers continue to recognise the value of receiving greater prominence within our search listings and took advantage of the free advertising offered in December and February. We also saw a small contribution from our new Market Extension product.

Home Trader revenue declined by 24% to £6.3m (2020: £8.3m). Other revenue increased by £3.1m to £7.0m (2020: £3.9m) mainly through the acquisition of KeeResources and AutoConvert which contributed £3.7m (2020: £1.9m) and £1.1m (2020: £0.0m) to this revenue line respectively.

Consumer Services revenue decreased by 6% in the period to £26.6m (2020: £28.3m). Private revenue, which is generated from individual sellers who pay to advertise their vehicle on the Auto Trader marketplace, decreased to £16.6m (2020: £20.1m). This was offset by an increase in Motoring Services revenue, which was up 21% to £9.9m (2020: £8.2m) as a result of strong growth in both our insurance and finance offerings. We also launched our new instant offer product in the year, which enables private sellers to sell their car at a guaranteed price, which contributed £0.1m to Private revenue.

Revenue from Manufacturer and Agency customers declined by 33% to £11.0m (2020: £16.3m). In addition to the impact of the pandemic, we also removed standard format display advertising to improve the core search experience. This removal contributed £3.9m to the overall reduction in Manufacturer and Agency revenue.

### Costs

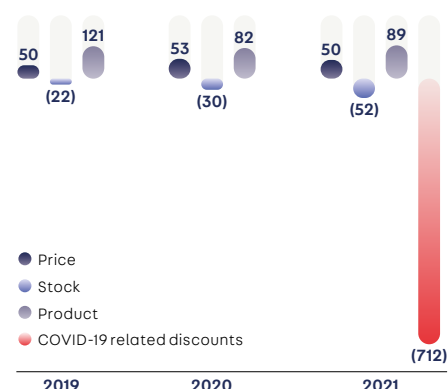
The Group made the decision to reduce costs, mainly through the reduction of discretionary marketing spend, which led to total costs decreasing by 8% to £104.0m (2020: £113.2m).

People costs, which comprise all staff costs and third-party contractor costs, increased by 8% to £60.0m (2020: £55.8m). The increase in people costs was primarily driven by an increase in the average number of full-time equivalent employees (including contractors) to 909 (2020: 853), much of which was down to the acquisition of KeeResources and AutoConvert which contributed a combined 49 to the increase in the period.

Marketing spend decreased by 43% to £9.8m (2020: £17.3m) as discretionary spend was reduced in response to the pandemic.

Other costs, which include data services, property related costs and other overheads, decreased by 17% to £27.9m (2020: £33.6m). The decrease was primarily due to lower overhead costs, including lower travel and office related costs. Depreciation and amortisation declined to £6.3m (2020: £6.5m) with the reduction coming from reduced software amortisation.

### ARPR levers (£)



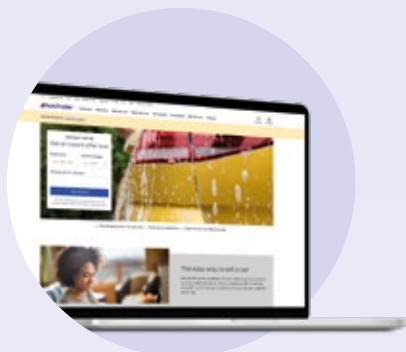
## Our strategy in action

### Relevant focus areas

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Our strategy P28 →

## Accelerating the digital retailing experience



### Guaranteed Part-Exchange ('GPX')

GPX enables a consumer to visit a retailer's advert and get a guaranteed price for their part-exchange. Through partnership with Cox Automotive retailers are provided with an efficient and risk-free disposal route for any unwanted part-exchange.

**c.1,000**

retailers currently trialling our Guaranteed Part-Exchange product

**1.5m**

finance applications through AutoConvert since acquisition

### Instant Offer launch

We launched Instant Offer, which enables private sellers to sell their car at a guaranteed price. The proposition offers consumers a convenient way to sell their car privately, with the added benefit of having their car collected from their own home or place of work.

### AutoConvert acquisition

We acquired AutoConvert, a finance, insurance and compliance software platform with integrated customer relationship management systems. The business helps its customers to both increase finance penetration and to reduce costs by automating the full customer journey for the automotive sector.

Operating profit (£m)	2021	2020	Change
Revenue	262.8	368.9	(29%)
Administrative expenses	(104.0)	(113.2)	(8%)
Share of profit from joint ventures	2.4	3.2	(25%)
Operating profit	161.2	258.9	(38%)

### Operating profit

During the period Operating profit fell by 38% to £161.2m (2020: £258.9m). Operating profit margin decreased by nine percentage points to 61% (2020: 70%).

Our share of profit generated by Dealer Auction, the Group's joint venture, decreased to £2.4m (2020: £3.2m) in the period as a result of reduced auction activity during the periods of lockdown.

### Profit before taxation

Profit before taxation decreased by 37% to £157.4m (2020: £251.5m). This decrease results from the Operating profit performance, partially offset by a reduction in net finance costs of £3.8m (2020: £7.4m).

Interest costs on the Group's RCF totalled £2.9m (2020: £6.3m). The decrease reflects a reduced average drawn level through the period. At 31 March 2021 the Group had drawn £30.0m of the facility (31 March 2020: £313.0m). Amortisation of debt costs amounted to £0.6m (2020: £0.7m). Interest costs relating to leases totalled £0.3m (2020: £0.4m) and interest charged on deferred consideration was £0.1m (2020: £nil). This was offset by interest receivable on cash and cash equivalents of £0.1m (2020: £nil).

### Taxation

The Group tax charge of £29.6m (2020: £46.4m) represents an effective tax rate of 19% (2020: 18%). After removing the impact of Dealer Auction, which is consolidated post-tax, this is in line with the average standard UK rate.

### Earnings per share

Basic earnings per share fell by 40% to 13.24 pence (2020: 22.19 pence) based on a weighted average number of ordinary shares in issue of 965,175,677 (2020: 924,499,320). Diluted earnings per share of 13.21 pence (2020: 22.08 pence) decreased by 40%, based on 967,404,812 shares (2020: 929,247,835) which takes into account the dilutive impact of outstanding share awards. The increase in the number of shares was due to the equity raise completed on 1 April 2020, which issued approximately 46 million shares.

### Cash flow and net debt

Cash generated from operations decreased to £152.9m (2020: £265.5m) as a result of the reduction in Operating profit. Corporation tax payments decreased to £28.2m (2020: £69.8m), due to lower profit before taxation and due to the last financial year including two additional payments as a result of the changes to HMRC's payment profile. Net cash generated from operating activities was £124.7m (2020: £195.7m).

As at 31 March 2021 the Group had net cash of £10.3m (31 March 2020: net debt of £282.4m), representing a net reduction of £292.7m. Net bank debt, which is Net debt before amortised debt fees and excluding accrued interest and amounts owed under lease arrangements, is in a net cash position of £15.7m (2020: net bank debt of £275.4m). At the year end, the Group had drawn £30.0m of the Syndicated revolving credit facility (31 March 2020: £313.0m) and held cash and cash equivalents of £45.7m (2020: £37.6m).

Leverage, defined as the ratio of Net bank debt to EBITDA, decreased to zero (2020: 1.0x) as we exit the year in a net cash position. Interest paid on these financing arrangements was £3.0m (2020: £6.4m).

### Equity placing

On 1 April 2020 the Company announced its intention to conduct a non-pre-emptive placing of up to 5% of its issued share capital. On 3 April 2020 the placing was completed, and a total of 46,468,300 new ordinary shares were allotted for a consideration of 400.00 pence per Placing Share, a discount of 8.9% to the closing share price of 439.1 pence on 31 March 2020. The placing raised gross proceeds of £185.9m for the Company, or £182.9m net of all fees incurred.

On 3 April 2020, the Placing Shares were admitted to the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the main market for listed securities of London Stock Exchange plc (together, 'Admission').

The Placing Shares rank *pari passu* in all respects with the existing ordinary shares in the Company, including the right to receive all dividends and other distributions declared, made or paid after the date of issue. Immediately following Admission, the total number of shares in issue in the Company was 969,008,774. Auto Trader held 4,090,996 shares in treasury, and, therefore, the total number of voting shares in Auto Trader in issue was 964,917,778.

### Capital structure and dividends

In March 2020 the Group suspended its capital allocation policy to safeguard the business in response to the COVID-19 outbreak. Despite the challenging trading conditions, the Group has remained cash generative and the Board believes now is the right time to reinstate its capital allocation policy.

The Group's capital allocation policy remains broadly unchanged: continuing to invest in the business enabling it to grow whilst returning around one third of net income to shareholders in the form of dividends. Having reduced our debt position, any surplus cash following these activities will be used to continue our share buyback programme. The Board is therefore recommending a final dividend for the year of 5.0p (2020: nil) and expects to resume its share buyback programme shortly. Subject to shareholders' approval at the Annual General Meeting ('AGM') on 17 September 2021, the final dividend will be paid on 24 September 2021 to shareholders on the register of members at the close of business on 27 August 2021.

No interim dividend was paid, and therefore total dividends for the year are 5.0p (2020: 2.4p). Total dividends paid during the financial year were nil (2020: £64.7m). No shares were repurchased during the financial year (2020: 11.4 million were repurchased for a total consideration of £61.7m).

At the 2020 AGM, the Company's shareholders generally authorised the Company to make market purchases of up to 96,560,474 of its ordinary shares, subject to minimum and maximum price restrictions. This authority will expire at the conclusion of the 2021 AGM and the Directors intend to seek a similar general authority from shareholders at the 2021 AGM. The Board intends to commence the share buyback programme shortly, and any purchases of its shares made by the Company under the programme will be effected in accordance with the Company's general authority to repurchase shares, Chapter 12 of the UKLA Listing Rules and relevant conditions for trading restrictions regarding time and volume, disclosure and reporting obligations and price conditions.

### Acquisition of AutoConvert

On 31 July 2020, the Group acquired AutoConvert (legally named BlueOwl Network Limited) for the consideration of £18.2m, of which £8.1m will be deferred until 31 July 2022. AutoConvert is a finance, insurance and compliance software platform with integrated customer relationship management systems for the automotive sector.

In the eight months post acquisition, AutoConvert contributed £1.7m of revenue and £2.0m of costs (excluding amortisation of acquired intangible assets) to the consolidated results of the Group.

### Going concern

The Group generated significant cash from operations during the period, despite the impact of COVID-19 on Q1 trading. At 31 March 2021 the Group had drawn £30m of its £400m unsecured revolving credit facility ('RCF') and had cash balances of £46m. The £400m RCF is committed until June 2023, when it reduces to £317m through to maturity in June 2025.

In making their assessment of going concern, the Directors reviewed financial projections for a period of 12 months from the date of this report. Stress case scenarios were modelled to take into account severe but plausible impacts of COVID-19. The results of stress testing demonstrated that the combination of significant free cash flow, existing cash resources and the discretionary nature of dividend payments and share buybacks were sufficient for the Group to withstand such impacts and continue to comply with the RCF's financial covenants with significant headroom. For these reasons, the Directors continue to adopt the going concern basis in preparing these financial statements.

### Post balance sheet events

#### Manchester office lease

On 14 April 2021, the Group entered into a new lease arrangement to rent an additional 16,000 square feet in our Manchester office to support the needs of our growing workforce. The lease will last for five years until April 2026 with total lease commitments over the five-year period of £1.9m.

#### Dealer Auction dividend

The Group's joint venture, Dealer Auction Limited, declared a dividend of £10.0m on 29 April 2021. The Group owns 49% of the ordinary share capital of Dealer Auction Limited and therefore received payment of £4.9m on 14 May 2021.

#### Jamie Warner

Chief Financial Officer  
10 June 2021

# Committed

## to being a responsible business

### We are pleased to announce our new make a difference strategy

At Auto Trader our purpose sits beneath an overarching goal of 'Driving change together. Responsibly.' Within this we aim to 'make a difference' to our people, our communities, our industries as well as the wider environment, whilst ensuring we act at all times as a responsible business.

With the changing environment over the past year, we have reviewed our purpose, our strategy and our focus areas. As part of this review we have looked to ensure our new make a difference strategy is aligned and embedded within our overall Group strategy. During the year we have sought input from stakeholders and this new make a difference strategy has been reviewed and approved by the Board.

### Our strategy for the coming year falls within three distinct pillars

#### Our make a difference strategy

##### Driving change together. Responsibly.

Making a difference to our people, our communities and the wider environment.

##### Diversity and inclusion

Significantly improve the diversity of our organisation, particularly within leadership.

[Read more P48](#) →

##### Environmental sustainability

Commitment to become carbon neutral and start our journey to carbon net zero. Help car buyers make more sustainable vehicle choices.

[Read more P53](#) →

##### Ethics and compliance

Trust and transparency are integral to our marketplace – we have established policies, procedures and training to ensure that everyone at Auto Trader understands our expectation of behaving professionally, ethically and legally. We promote a culture of compliance and shared responsibility by providing advice and information to keep our employees, consumers and customers smart, safe and secure.

[Read more P58](#) →

#### Reporting frameworks

We aim to report comprehensively and transparently about ESG topics to provide our investors and other stakeholders with information about our approach to ESG and our ability to manage its associated risks and opportunities. Our reporting therefore focuses on the Sustainability Accounting Standards Board ('SASB') standards referencing SASB's reporting framework for the "Internet and Media Services" and "Media & Entertainment" industries and the Task Force on Climate-related Financial Disclosures ('TCFD').

We will review the indicators of the UN Sustainable Development Goals in the coming year and identify where we can make meaningful contribution but our primary focus will be on developing our disclosures in line with SASB and TCFD.





To ensure we continue to evolve our make a difference strategy and make progress towards our goals, this year we established a new Corporate Responsibility Committee. The Committee gives Board level oversight working in alignment with our guilds and networks to oversee our progress in fulfilling our goals to make a difference.

Report of the Corporate  
Responsibility Committee P90 →

We have identified six cultural KPIs that we currently consider to be the most relevant in assessing how we are progressing against our make a difference pillars. We will continuously monitor these to ensure we are making progress and the KPIs remain relevant. To demonstrate the importance we place on our make a difference priorities, we have linked some of our cultural KPIs to remuneration.

Key performance indicators P32 →

We are pleased to have been recognised as a FTSE4Good company. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong environmental, social and governance ('ESG') practices.



FTSE4Good

## Non-financial information statement

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

Non-financial risk	Policies, procedures and employee guilds	Section within this Annual Report	Cultural KPIs
<b>Environmental</b>	<ul style="list-style-type: none"> <li>Sustainability Network</li> </ul>	<ul style="list-style-type: none"> <li>Environmental sustainability: pages 53 to 57</li> </ul>	<ul style="list-style-type: none"> <li>Total Scope 1, 2 &amp; 3 CO<sub>2</sub> emissions</li> </ul>
<b>Our people</b>	<ul style="list-style-type: none"> <li>Code of Conduct</li> <li>Stakeholder engagement</li> <li>Board Engagement Guild</li> <li>Whistleblowing Policy</li> <li>BAME Network</li> <li>Women's Network</li> </ul>	<ul style="list-style-type: none"> <li>Diversity and inclusion: pages 48 to 52</li> <li>Section 172(1) Statement: pages 20 and 21</li> </ul>	<ul style="list-style-type: none"> <li>People who are proud to work at Auto Trader</li> <li>Gender diversity</li> <li>Ethnic diversity</li> <li>Women in leadership roles</li> <li>BAME in leadership roles</li> </ul>
<b>Social and community</b>	<ul style="list-style-type: none"> <li>Ethical Procurement Policy</li> <li>Customer Charter</li> <li>Volunteering days</li> <li>Diversity and Inclusion Guild</li> <li>Make a Difference Guild</li> <li>Wellbeing Guild</li> </ul>	<ul style="list-style-type: none"> <li>Diversity and inclusion: pages 48 to 52</li> <li>Environmental sustainability: pages 53 to 57</li> </ul>	<ul style="list-style-type: none"> <li>Gender diversity</li> <li>Ethnic diversity</li> <li>Women in leadership roles</li> <li>BAME representation in leadership roles</li> <li>People who are proud to work at Auto Trader</li> </ul>
<b>Human rights</b>	<ul style="list-style-type: none"> <li>Modern Slavery Policy</li> <li>Privacy Policy</li> </ul>	<ul style="list-style-type: none"> <li>Ethics and compliance: pages 58 to 61</li> </ul>	
<b>Anti-bribery and anti-corruption</b>	<ul style="list-style-type: none"> <li>Anti-bribery, Gifts and Hospitality Policy</li> </ul>	<ul style="list-style-type: none"> <li>Ethics and compliance: pages 58 to 61</li> </ul>	
<b>Business model</b>		<ul style="list-style-type: none"> <li>How we create value: pages 18 and 19</li> </ul>	
<b>Principal risks</b>		<ul style="list-style-type: none"> <li>Principal risks and uncertainties: pages 64 to 69</li> </ul>	
<b>Non-financial key performance indicators</b>		<ul style="list-style-type: none"> <li>Operational and cultural KPIs: pages 34 to 37</li> </ul>	

# Diversity and inclusion

Aligned with our overarching company purpose of 'Driving change together. Responsibly', our diversity and inclusion vision is to nurture our inclusive culture and enrich our workforce with diverse individuals who collaborate for the benefit of our business, industries and communities.

At Auto Trader we are passionate about diversity and inclusion because it fuels innovation, drives engagement and attracts talent; diversity and inclusion is a fundamental part of our culture and aspiration to be curious, community minded and courageous. We want to build a diverse and inclusive workplace where every one of us can be our best and true selves; only with a mix of different ideas and perspectives can we come up with the most exciting new ideas and create the best experience for our customers and consumers. Diversity for everyone at Auto Trader means respect for and the appreciation of differences in: gender identity and expression, age, sexual orientation, disability, race and ethnic origin, religion and faith, marital status, social, educational background and way of thinking.

In order to achieve our diversity and inclusion strategic commitments we will:

Take action	<ul style="list-style-type: none"><li>Recruit more diverse individuals concentrating on our focus areas</li><li>Support our people to grow through our Inclusive Culture Development Programmes</li><li>Educate each other and increase awareness via our training and employee network activities</li></ul>
Measure impact	<ul style="list-style-type: none"><li>Analyse and act on employee feedback through our guilds, networks and surveys</li><li>Monitor the make up of our workforce across our focus areas</li><li>Calculate the different pay gaps and report on our gender and ethnicity pay gap in 2021</li></ul>
Do more	<ul style="list-style-type: none"><li>Keep increasing representation of diverse individuals across all levels of the organisation at a steady pace every year</li><li>Improve the employee experience, remove systematic barriers and reduce the gender and ethnicity pay gaps</li><li>Make a difference in our industries and communities</li></ul>

## Our values

### Reflecting our culture and commitment to make a difference

**Be determined**

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

**Be reliable**

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

**Be courageous**

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

**Be humble**

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

**Be curious**

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

**Be community-minded**

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



## Gender and ethnic diversity

We remain committed to improving diversity and inclusion within our organisation as we believe this improves individual and team performance and allows us to identify and attract talent that we may not otherwise access.

Like most organisations, particularly those in both the technology and automotive sector, there is significant room for improvement. Our gender diversity at Board level remained at 50:50 (2020: 50:50), although women were less well represented in the organisation as a whole at 39% (March 2020: 39%) and in leadership roles, as defined by Hampton-Alexander, at 34% (March 2020: 32%). We are pleased to be one of only nine FTSE100 companies to have at least a 50:50 gender parity on the Board. From an ethnicity perspective, we have not yet met the Parker Review recommendation of having a member of our Board from a BAME background but are committed to doing so. We also aim to increase the percentage of BAME employees: we are currently at 11% (2020: 10%), with 21% of employees currently not disclosed. The percentage of BAME employees in a leadership role, again using the Hampton-Alexander definition, is currently at 6% (2020: 4%).

As at 31 March 2021	Men	Women	Non-binary/other	Men as a % of total	Women as a % of total
Board	4	4	0	50%	50%
OLT	6	4	0	60%	40%
OLT direct reports	63	32	0	66%	34%
Total Company	582	368	3	61%	39%

As at 31 March 2021	White	BAME	Not disclosed	White as a % of total	BAME as a % of total
Board	8	0	0	100%	0%
OLT	10	0	0	100%	0%
OLT direct reports	77	6	12	81%	6%
Total Company	650	102	201	68%	11%

## Gender and Ethnicity Pay Gap Report

We released our first combined Gender and Ethnicity Pay Gap Report 2020 (published in March 2021, reporting the pay gap as at 5 April 2020). Whilst it is a legal requirement for us to publish our gender pay gap, this year we have also chosen to voluntarily publish information about ethnicity. We continue to be committed to welcoming, and just as importantly retaining, a diverse and inclusive workforce to drive our organisation forwards. Although we are making progress with our goals, the impacts of our work to address the issue systemically will take time to bear fruit, hence the continued gender and ethnicity pay gaps. We will continue to work hard to address the issues we believe are relevant to reduce these gaps and believe that our new programmes will go some way to help us realise our goals.

# Gender and ethnicity pay gap 2020

## Hourly pay gap between men and women

### Auto Trader Limited

#### Mean hourly pay gap

**15.1%** ↑ +3.0% pts



#### Median hourly pay gap

**19.2%** ↑ +1.3% pts



### Auto Trader Group<sup>1</sup>

#### Mean hourly pay gap

**15.9%** ↑ +1.0% pts



#### Median hourly pay gap

**20.6%** ↑ +2.9% pts



### At Auto Trader Limited

Salary quartiles	% Women			% Men		
	2020	2019	2018	2020	2019	2018
Lower quartile	51.0%	49.2%	47.9%	49.0%	50.8%	52.1%
Lower middle quartile	44.6%	43.8%	40.9%	55.4%	56.2%	59.1%
Upper middle quartile	29.2%	28.7%	30.3%	70.8%	71.3%	69.7%
Upper quartile	32.1%	33.5%	34.7%	67.9%	66.5%	65.3%
Total number of employees	307 (39.3%)			475 (60.7%)		

## Hourly ethnicity pay gap

### At Auto Trader Limited

Salary quartiles	BAME	White
Lower quartile	20.6%	79.4%
Lower middle quartile	14.7%	85.3%
Upper middle quartile	10.0%	90.0%
Upper quartile	9.4%	90.6%
Total number of employees <sup>2</sup>	93 (13.7%)	588 (86.3%)

#### Mean ethnicity pay gap

**14.8%**

#### Median ethnicity pay gap

**21.6%**

- This includes all full pay relevant employees within the Auto Trader Group as at 5 April 2020, including Auto Trader Group plc (which had only three employees), Webzone Limited (a company registered in Ireland), and KeeResources. We have reported this voluntarily.
- In calculating these percentages we restricted the total population to those who disclosed their ethnicity.



### Gender pay gap

We recognise that the gender pay gap has widened in 2020, and there are two main drivers for this. Firstly, we have increased the proportion of women in entry level roles; our graduate intake this year was predominantly women (63%). There is a significant challenge in both the technology and automotive industries when it comes to gender balance, therefore we remain determined to create a solution by overinvesting in our early career programmes. We believe that over time this will result in a sustainable pipeline of female talent throughout our organisation. We are also making progress in the lower middle quartile as women who previously entered the business in an early career capacity progress upwards through the organisation. Another positive indicator that our long-term strategy is working is that women in technology roles have also increased again this year to 24%. The second main driver of our pay gap has been the reduction in the proportion of women in the upper quartile salary roles. This is due to a combination of senior women leavers, senior male promotions and senior male hires. We are taking action through our new development programmes aimed at mid-career levels, and we acknowledge that there is more work to do in improving the gender balance of recruitment into these upper quartile roles.

As part of our Remuneration Policy we continue to take a simple approach to reward and the vast majority of employees do not receive bonus or commission. Our senior leadership team and other key individuals receive incentive awards which are fully settled in shares over a three-year period. However, the bonus pay gap looks back over a 12-month period (April 2019-March 2020), and share awards are included in the calculations at the time when an employee chooses to exercise their share options, not when the awards are granted. The bonus pay gap reported includes the exercise of awards from previous years (when our senior leadership team was not as gender balanced as today), and also includes multiple awards for some employees depending when they have chosen to exercise, and is therefore not a reflection of the current award structure. This has had an impact on both our mean and median bonus pay gap figures.

### Ethnicity pay gap

For the first time, we have shared ethnicity pay gap figures voluntarily for Auto Trader Ltd. The data is representative of 86.8% of our business, as those who chose not to disclose their ethnicity are not included in the pay gap report. Our representation of BAME employees included in the pay gap report is 13.7%, which, whilst it is almost reflective of wider society, is not reflective of the communities in which we work. It is therefore an area we actively want to improve on and will continue to do so.

## BAME Network reverse mentoring sessions

The BAME Network ran a speed reverse mentoring session for both our OLT and our PLC Board. The aim of the event was to share our BAME colleagues' stories so that our leadership teams could get a better understanding of the challenges that the BAME community face.



Reverse mentoring acknowledges that a more senior person is the one who is looking for a fresh outlook rather than the other way around in the traditional mentoring sense. The BAME Network thought it would be an effective approach for the leadership team to better understand the challenges the BAME community faces.

The objectives of the evening were

- To increase awareness, understanding and education of some of the challenges BAME employees may face in the workplace.
- To create a forum for honest, open and safe dialogue on all things BAME at Auto Trader for both employees and senior leaders.
- To inspire and create allies, who will play an active role in advocating diversity and inclusion throughout their Tribes and Squads.

Much like speed dating, OLT and Board members spent 10 minutes with a different BAME member having open and frank conversations before moving to the next. This was an opportunity to put race on the agenda with our senior leaders and to give them a safe space to not only hear stories from our BAME network members but also to ask any questions that they had.



It was a humbling event to be part of – a sincere thank you to you all for making it happen. I feel privileged to hear some of the family background and childhood stories that were shared along with the highs and lows in personal journeys so far. It also gave me food for thought about Auto Trader-specific experiences that we can learn from.

—  
**Rebecca Clark**  
Sales Director



It must have taken a great deal of courage to share your stories in such a brave and open way. Getting that understanding has made a real difference to me, and it's something we should aim to spread across the organisation.

—  
**Nathan Coe**  
Chief Executive Officer



The proportion of employees from BAME non-white backgrounds is higher in the lower quartile pay bands as our business and industries face similar challenges to those faced by women. We are working on increasing the recruitment of BAME non-white individuals and we are already having success as 30% of our early career intake have been from a BAME background. We are hopeful that the introduction of our two new development programmes, Inclusive Leadership and the Diverse Talent Accelerator, will help us to make further progress in this area.

### Actions we are taking

Supported by our Corporate Responsibility Committee and our OLT, our colleagues are working on initiatives in order to achieve our two diversity and inclusion commitments that we believe will directly contribute to closing the pay gaps that exist:

- Have a representative workforce across all levels of our business with a focus on women, LGBT+, BAME, disability & neurodiversity and age.
- Create an environment where everyone feels included with high levels of engagement, especially across the different diversity focus areas.

In the last 12 months we have launched two talent programmes; one focusing on Inclusive Leadership for all leaders across our organisation and the second a Diverse Talent Accelerator programme designed to support the progression of mid-career colleagues. Both programmes have been designed to support our overall ambitions to be more inclusive and diverse by supporting people's development through the organisation.

As part of our commitment to increase representation across our business at every level we are always looking for new ways to ensure all our people feel empowered and that they have the support to continue their personal growth and professional development at Auto Trader. We have continued investing in our early career programmes, welcoming new graduates and apprentices to our business, as well as forming a new partnership to recruit returners following a career break. We hope these programmes will begin to positively change our pay gaps over the coming years as they help to address both gender and ethnicity representation across our business.

We remain committed to supporting disabled and neurodiverse employees and those who become disabled during their employment with us. Recognising that everyone is unique, we provide the right support to ensure they continue to realise their full potential and develop their careers with us. As part of the disability confident scheme, our resourcing team co-ordinates our involvement in the Guaranteed Interview Scheme for all disabled candidates that meet the criteria for our roles.



#### Inclusive Companies

We are proud to be recognised by the Inclusive Companies Top 50 award as the seventh most inclusive employer in the UK. The Inclusive Companies Membership exists to challenge the lack of diverse representation within UK based organisations and to assist employers foster a truly inclusive environment.



#### Automotive 30% Club

The Automotive 30% Club powered by Gaia Innovation Limited, is a voluntary network of MDs and CEOs from UK based automotive organisations, with the purpose of achieving a better gender balance within the automotive industry, and with the aim of filling at least 30% of key leadership positions in the member organisations with diverse women by 2030.



#### Disability Confident

We are pleased to be recognised as a disability confident leader, receiving the highest level of accreditation from the Department of Work & Pension Disability Confident Employer Scheme. The scheme enables organisations to see disability through a different lens, building understanding about the cultural, commercial and employment opportunities of recruiting and retaining disabled talent.



#### Change the Race Ratio

We have signed up to Change the Race Ratio, committing to taking action to increase racial and ethnic participation in our business. If we act now we can create a more diverse and inclusive business community, competitive advantage and a more equitable society.

Our Diversity & Inclusion Strategy is designed and delivered by a group of passionate colleagues that form our Diversity & Inclusion Guild and various employee networks. Throughout the year they have remained focused on their commitments and continued supporting their communities.

### BAME

Our BAME (Build A Multi-cultural Environment) Employee Network is a well-established group of Black, Asian and minority ethnic colleagues, and allies, that work to tackle inequalities and celebrate inclusivity. During the past year of the global pandemic and the tragic events that re-ignited a global movement to tackle racism, our network served as a safe space where colleagues could connect and support each other and share how the events that preceded the Black Lives Matter movement affected them. The network hosted a webinar with Black Leaders during Black History Month addressing the Black Lives Matter movement, which reached more than 1,000 people from a mixture of public and private sector businesses. We also created an "About Race" web page with useful resources, from books to podcasts, to encourage colleagues and our external audiences to educate themselves and raise awareness.

The network supported the business to sign up to several race charters including: Business in the Community ('BITC') "Race at Work Charter" and the Confederation of Business Industry ('CBI') "Change the Race Ratio" initiative.

We joined the newly formed Black Leaders organisation, an action focused national community of Black leaders, Black professionals, non-Black company CEOs, influencers and allies who collaborate with each other to address the inequalities and the systemic barriers faced by Black people across all aspects of society. Signing up to these will ensure we can create meaningful strategies to achieve the changes we all want to see. We supported the work of the charity, Blue Print for All, who run high impact programmes with disadvantaged young people and communities.

### Disability and neurodiversity

In its third year, our Disability & Neurodiversity Network continues to create a more accessible and inclusive environment for our colleagues. 13% of our colleagues have disclosed a disability or neurodiverse condition. The Network partners with various charities including the National Autistic Society, Royal National Institute for Deaf People and the Business Disability Forum to educate colleagues and raise awareness. This year the Network launched the Hidden Disability Sunflower Scheme across Auto Trader that shines a light on the challenges that colleagues with hidden disabilities can experience, with colleagues sharing their stories in an effort to break down stigma and change perception.

## Make a difference continued

### LGBT+

Our Group LGBT+ representation is currently 6.9% and, for a fourth consecutive year, our LGBT+ Network has continued to support our colleagues and connect with local LGBT+ charities, including The Proud Trust and the George House Trust. This year we were not able to keep up with our tradition of taking part in the Manchester Pride Festival but instead the network put together a powerful poem and completed a virtual parade that was captured in video as they "Marched for Peace" aligned with the theme of this year's festival.

### Age

This year we launched a new employee network which will focus on creating an inclusive environment for the multigenerational workforce of Auto Trader. The network has established its commitments and formed a partnership with Carers UK.

### Gender parity

We remain committed to driving long-term change to reach gender parity in our business. Our focus is on developing the next generation of women in our industry by investing in our early career strategy, as well as supporting a number of initiatives and partnerships, including DigitalHer with Manchester Digital, AUTO30% and our STEM Ambassador Programme. For International Women's Day we hosted a webinar focusing on the #ChooseToChallenge theme to consider the role we all need to play in 'choosing to challenge' and calling out gender bias and inequality. We then ran a follow up workshop to talk in more detail about how to challenge effectively and with confidence.

### Employee engagement

Our employees are key to helping us fulfil our purpose and at Auto Trader we are proud to have a culture of open feedback. We use formal and informal mechanisms to assess and improve employee engagement and satisfaction. Employee engagement surveys help us assess and act on engagement and satisfaction levels. During this particularly challenging year, we felt it was even more important to regularly check in with employees and we therefore carried out regular 'Check-Ins'.

# 93%

of our employees are proud to work at Auto Trader

We listen to the feedback and, with the support of our senior leaders and their teams, we review and develop action plans. We also look to Glassdoor for feedback; our rating based on more than 300 reviews is 4.4 out of 5.

To ensure our Board understands the experience and listens to the views of our employees we established our Board Engagement Guild. The Guild is aligned with the Corporate Governance Code standard to ensure our Chairman and Non-Executive Directors have regular and effective engagement with our employees without the executives present or involved in preparation. The Guild has representatives from different areas of our business, with the main focus of gathering feedback from our employees to feed up to the Board to enable it to gain insight and understanding of our culture from an employee perspective, as well as discuss a variety of subjects. This year the Guild met four times and discussed topics including diversity, sustainability and our response to COVID-19. The Board engages with our people in various other ways: attending different employee-led events; through regular business updates where they update colleagues on our strategic deliverables; and also monthly breakfast sessions where they can ask questions and gain useful insights in a relaxed environment. The move to working from home during the last financial year has required us to find different ways of staying connected with our employees. We achieved this initially through bi-weekly updates from our CEO, which moved to monthly updates mid-way through the year. We have also continued to deliver our annual employee conference by adapting to shorter virtual events that have occurred regularly in the year. Regular team meetings also continue to take place to focus on team deliverables and objectives, but also to maintain team connectivity and wellbeing.

### Investing in and supporting our talent

Our ambition is to make sure that everyone's career is supported by learning opportunities, including self-learning, mentoring, coaching and innovative programmes. Our focus on investing in the personal and professional development of our colleagues continued this year and we very swiftly offered different learning and development opportunities delivered virtually.

During the year 100% of our employees were offered training. We provided 2,555 hours of mandatory training as part of our Compliance Essentials training programme (see Ethics and compliance section page 58). In addition, 18,912 hours of non-mandatory training were delivered covering a broad range of learning and development, including awareness (e.g. diversity & inclusion, carbon literacy), leadership, customer experience, product training, coaching and skills training. The majority of the training was provided by our in-house L&D team. The annual cost of training during the financial year was £249,000 (average cost per employee £261), including external trainer and platform costs, but excluding our own employment costs. We also provide sponsorship for professional qualifications and access to continuing professional development for our finance, legal and compliance teams.

### Wellbeing of our employees

Our People team worked with our Wellbeing Guild and Mental Health First Aiders to continue to provide valuable support for our colleagues during this challenging time. From offering Calm subscriptions, coffee chats and various online resources; we continued to stay close to our employees and respond to their changing needs. All people leaders attended a refresher course on mental health awareness to boost knowledge and confidence in identifying and supporting issues that impact on and relate to people's mental health, and learn practical skills that can be used every day – both face-to-face and remotely – to help support team members, particularly during the current pandemic. Our Mental Health First Aiders provided support to various colleagues remotely, including counselling through our Employee Assistance Programme. We also introduced a fitness coach who provided virtual exercise classes and nutrition advice throughout the year. To enable our colleagues to look after their financial wellbeing we ran sessions with specialists providing mortgage advice.

### Communities

Our Make a Difference Guild is committed to empowering our employees to support our local communities and national charities. Although physical volunteering decreased due to Government restrictions, employees continued to volunteer with charities such as Omega Chatterbox to provide support to those who are lonely or isolated. Our employees remained passionate about fundraising throughout the pandemic and Auto Trader continued to provide match funding. We supported the Greater Manchester Combined Authority ('GMCA') Technology Fund as an emergency response to support disadvantaged young people learning from home as a result of school closures during lockdown through donations of repurposed laptops. We will continue to work with our Educational Outreach contacts to repurpose our technology going forwards.

Mental health and wellbeing are incredibly important to us. This is reflected in our support of the charity Ben, the automotive industry's charity aimed at providing support to those working in the automotive industry and their immediate families. Last year, we pledged a two-year multi-faceted partnership with Ben and the first stage of this was a donation of £55,000 at a time when Ben made an urgent appeal for funds. Ben provides much needed support to those who need it the most. By providing not just our financial support but also through our people providing their skills and technical knowledge, we hope to be able to make a real difference to the work that Ben does.

# Environmental sustainability

As the world transitions to a low carbon economy, we expect that regulatory change and changes in consumer behaviour will have an impact on the automotive market, which will mean we need to develop and adapt our business. We need to give back more to the planet than we take out and protect our business from the impact of climate change. Our strategy is to drive change across our operations and our supply chain, but also use our capabilities and voice to influence the automotive industry to support urgent action to tackle the climate crisis.

At Auto Trader, climate change is treated as a Board-level governance issue. Our newly formed Corporate Responsibility Committee evidences our commitment to drive improvements in our environmental and wider sustainability performance and ensure as a business we are making real progress with our environmental commitments. We're committed to implementing the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD'), fully embedding them over the coming year (including conducting climate-related scenario analysis on the impacts of 2°C and 4°C rises in global temperatures).

**Our environmental commitments can be split into two main components:**

**1.  
Net zero  
carbon  
emissions**

Our people are environmentally aware and our business is actively cutting our carbon emissions, with a goal of doing no harm to the planet through net zero carbon emissions. Net zero refers to the balance between the amount of greenhouse gas produced and the amount removed from the atmosphere. We reach net zero when the amount we add is no more than the amount taken away.

**2.  
Supporting  
car buyers**

Supporting the sale of alternative fuel vehicles and helping car buyers make environmentally friendly vehicle choices. We will use our insight to support the industry, aligned with the UK's strategy "Road to Zero".





## Total CO<sub>2</sub> emissions<sup>1</sup>

	2021		2020 restated	
	UK	Global	UK	Global
Scope 1	34	45	195	241
Scope 2	277	291	392	424
<b>Total (Scopes 1 and 2)</b>	<b>311</b>	<b>336</b>	587	665
KWh ('000s)	1,284	1,383	2,263	2,561
Scope 3		6,337		9,429
<b>Total (Scopes 1, 2 and 3)</b>		<b>6,673</b>		10,094
Revenue		£262.8m		£368.9m
Carbon intensity <sup>2</sup>		25.40		27.36

1. Scopes 1 and 2 are reported in tonnes of CO<sub>2</sub> equivalent.

2. Absolute carbon emissions divided by revenue in millions.

## Methodology

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

- Following the Scope 3 work undertaken this year, 168 tonnes of emissions from our data centres have been reclassified from Scope 3 to Scope 2 as this more accurately reflects the ownership of these assets. The previous reported figure for Scope 2 in FY20 was 256 tonnes.
- Following the Scope 3 work undertaken this year, the FY20 Scope 3 emissions have been restated to include emissions from additional relevant Scope 3 categories identified. The previous reported figure for Scope 3 was 1,684, of which 168 has been reclassified to Scope 2.
- During FY21 our offices remained largely closed with our employees working from home. As a result, there was very little commuting. FY21 includes emissions generated from homeworking for energy use from office equipment and home heating. We have used the base case calculations as set out in the Homeworking Emissions Whitepaper prepared by EcoAct, in partnership with Lloyds Banking Group and Natwest Group.
- We have identified a small amount of emissions from natural gas usage (3 tonnes) and have included this in our restated and current year figures.

## Our goal to reach carbon net zero

We are at the start of our carbon net zero journey but we are committed to making progress. Our focus this year has been to shape our climate related strategy for the coming year and articulate within the business how we can take positive steps to drive change in this area. We recognise the seriousness of the climate crisis and we have signed up to the UN's "Climate Neutral Now" initiative and also the Science Based Targets initiative ('SBTi'), committing to set ambitious emission reduction targets. We aim to submit our targets to the SBTi within the two-year time frame set out by the SBTi. To help us accurately assess and develop strategies to reach carbon net zero, we have undertaken further work to evaluate our emissions more comprehensively and we will use the outcome of this work to inform our goal to set a net zero target with clear interim targets to measure our progress.

Our biggest direct impacts are carbon emissions from our use of energy. Our reported Scope 1 and Scope 2 include direct emissions from mobile combustion and indirect emissions from the generation of purchased energy. As part of our journey to transition to carbon net zero, this year we undertook a more detailed analysis of our Scope 3 emissions. We worked with a consultancy to complete a Scope 3 greenhouse gas ('GHG') inventory aligned with the internationally recognised corporate accounting standard GHG Protocol and the requirements of the Science Based Target initiative ('SBTi'). We mapped our organisational activities in line with the 15 Scope 3 Value Chain standard categories to define the relevance and materiality of each category to our business and calculated our emissions from each. Although we reported Scope 3 emissions in the prior year, this more detailed analysis has identified further relevant categories and so we have restated our prior year emissions to factor in these additional categories. From the 15 different emission categories that fall within Scope 3, the following have been identified as relevant to Auto Trader:

- Purchased goods and services (an Environmentally Extended Input Output database methodology was used to calculate the GHG footprint across total spend in the year)
- Capital goods
- Fuel and energy related activities (not included in Scope 1 and Scope 2)
- Waste generated in operations
- Business travel
- Employee commuting
- Investments

With this broader understanding of our Scope 3 emissions, our plan in the coming year is to develop Science Based Targets ('SBT') that are fully compliant with the SBTi criteria and to establish our plan to carbon net zero. We choose to present a revenue intensity ratio as a measure of our GHGs, as this is a relevant indicator of our growth and is aligned with our business strategy.





## Projects Auto Trader has helped fund through our partnership with Ecologi<sup>1</sup>

# 478

tonnes of carbon reduction, equating to:



### Onshore wind energy generation in Taiwan

This large-scale project harnesses the strong prevailing winds along Taiwan's western coast, developing two onshore wind farms (one of 103.5 MW and one of 46 MW). Combined, the wind farms consist of 62 turbines which generate renewable energy which is delivered straight to the national grid. Carbon emission reductions of around 300,000 tonnes per year therefore come from the displacement of fossil fuel energy within the grid.

As well as helping accelerate the country's shift toward renewables, boosting wind energy production helps to lessen the reliance on fossil fuel imports, representing an economic and national security boost as well. In addition, the project is engaged in several activities that help to preserve the local ecosystem – such as regular beach clean-ups and guided tours that raise awareness about climate change, pollution and other environmental issues. The project has also supported the reforestation of a small parcel of local land, which is encouraging local biodiversity.

This project is verified by the Gold Standard.



### Providing clean energy through hydropower in Kanungu, Uganda

The Ishasha Small Hydropower project supports a 6.6 MW hydropower station which is located 500 metres below the border of Bwindi Forest National Park on the Ishasha river. It harnesses water from the river and drops it approximately 90 metres through two turbines to generate 29.404 GWh of electricity per year. This is fed into the Uganda grid, displacing electricity generated from the Uganda source mix. If the project activity was not implemented, the same amount of electricity would be generated from the fossil fuel power plants connected to the grid. Therefore the funding of this project directly prevents the equivalent of 19.03 tonnes of CO<sub>2</sub>e from entering the atmosphere every year.

As well as providing clean energy to the grid, this hydropower station also enables access to electricity for local communities within the area, providing both social and economic benefits. Without a modern source of electricity, medicine and food cannot be refrigerated, and children cannot study at night or access quality learning resources. Providing access to electricity also facilitates economic growth within the region, supporting the growth of local entrepreneurs and providing potential for industry expansions.

This project is verified by the Verified Carbon Standard.



### Forest protection in Northern Zimbabwe

The Kariba REDD+ Project protects almost 785,000 hectares of forests and wildlife on the southern shores of Lake Kariba, near the Zimbabwe-Zambia border. One of the largest registered REDD+ projects by area, it acts as a giant biodiversity corridor that connects four national parks and eight safari reserves, protecting an expansive forest and numerous vulnerable and endangered species – including the African elephant, lion, hippopotamus and southern ground hornbill.

Kariba REDD+ is a community-based project, administered by the four local Rural District Councils ('RDCs') of Binga, Nyaminyami, Hurungwe and Mbire, and has achieved Climate, Community & Biodiversity Standards ('CCBS') certification. This means that the project supports a range of activities beyond simply environmental protection, including promoting the independence and wellbeing of the local communities. Improved clinic amenities provide better healthcare, infrastructure including new roads and water boreholes improve daily life, and school subsidies are offered to the poorest quartile of the population. Project activities in conservation agriculture, community gardens, beekeeping training, fire management, and ecotourism create jobs and facilitate sustainable incomes, benefiting the entire region.

This project is verified by the Verified Carbon Standard and the Climate, Community & Biodiversity Standards.

1. Ecologi finance carbon reduction projects around the world supporting two different impact-driven climate projects every month.

### Our progress in 2021

We know that it will take time to reduce our emissions. That is why this year we started working with Ecologi, a UK-based non-government organisation, to develop a carbon offsetting programme focused on a combination of high-impact social and community initiatives and projects to support tree planting, both in the UK and overseas. Whilst our ambition is to reach carbon net zero, this year we achieved carbon neutrality across Scope 1 and 2. By 31 March 2021 we offset 478.44 tonnes of CO<sub>2</sub> to neutralise our Scope 1 and Scope 2 emissions. In addition, we planted 251 trees in the UK and 31,183 trees overseas. Whilst we are on our journey to being able to set a carbon net zero target we will continue with our offsetting programme.

As a result of the COVID-19 pandemic, our offices have largely been closed during the reporting period. Combined with minimal business travel we have seen a dramatic decrease in our Scope 1 and Scope 2 emissions in line with the reduction of office building energy consumption. However, we have also taken positive action to reduce our Scope 1 and Scope 2 emissions, most notably this year being our migration from physical data centres to the cloud. Our intention is to completely migrate all our technology to public cloud providers, where we are able to more efficiently manage resources. By adopting a cloud-native approach to software development, we are building systems that are resilient, manageable, and observable, as well as requiring fewer resources to operate. This year, we made a 50% reduction in our primary physical data centre space, and we expect to further reduce this in the next reporting period.

With our employees spending the majority of this year working from home rather than in the office, employee commuting and business related travel have been minimal resulting in a significant reduction in our Scope 3 emissions. Under the GHG protocol, homeworking is currently an optional disclosure covered in the Employee commuting (Category 7) section of Scope 3 emissions. In prior years, homeworking has not been material. However, in order to provide a credible comparison of year-on-year total emissions, and with the significant scale of homeworking this year, we have chosen to include emissions generated as a result of our employees working from home within our Scope 3 emissions for FY21. We anticipate a shift to regular homeworking from a larger proportion of our employees and we will seek to include these emissions in future reporting periods.

As an operator of an online marketplace, we have a relatively small carbon footprint. Our offices in London and Manchester are both highly graded by the BREEAM standard, which sets best practice standards for the environmental performance of buildings

through design, specification, construction and operation. Our London office has an 'outstanding' rating, and our Manchester office an 'excellent' rating. All our offices (with the exception of one subsidiary office) use greener energy suppliers and as our employees return to the office, we will reinstate our operational initiatives to reduce our emissions: we have invested in video conferencing equipment in our London and Manchester offices, installing clickshare and polystudio in our offices to facilitate enhanced virtual meetings and collaborative online working; the use of passive infrared sensor lighting in the London office which is activated by movement; and switching off electrical items while the office is closed.

As a technology business, one of our main components of waste generated in operations (Category 5) is the disposal of technology equipment such as laptops. We are now working with local programmes to repurpose laptops. We have greatly reduced the use of paper in our offices by reducing the number of printers and removing waste bins by desks. Where possible, we have replaced paper-based communications with online digital alternatives, including marketing reports and communications to employees, customers and shareholders. 95% of our invoices are delivered via e-billing and nearly all of our supplier invoices are received by email. We operate recycling systems in the offices established with local authorities and recycling schemes to encourage less waste.

### Sustainability Network

We have a well-established Sustainability Network comprised of passionate employees with a goal of making life at Auto Trader more sustainable. The Network is sponsored by our Commercial Director, Ian Plummer. The Network meets monthly and since its creation has built a wider network of over 200 people who all now share and implement sustainability ideas. They aim to increase awareness and encourage positive changes for individuals, as well as in our offices, in a bid to reduce our overall environmental impact. Since the group started, they have made positive changes such as: getting rid of single use plastic takeaway boxes in the Manchester canteen; producing branded reusable water and coffee cups for staff to reduce single use plastic cups; starting a plastic recycling bag system to reduce people getting bags when they buy their lunch; and introducing more environmentally friendly menu options in the canteen and for catered lunches for meetings, i.e. cooking with ingredients that have lower food miles, less meat, and more vegan options. We also use Fruitful Office to deliver fruit to our offices each week. The company plants one tree in Malawi for every order of fruit they receive. The trees help the organisation to mitigate the effects of global warming and deforestation, providing incomes to local communities.



# 18%

of our business has now been through the carbon literacy training

### Carbon literacy

We embarked on our carbon literacy training early in 2019. The training is structured to scale our impact from global to individual. One of the most effective parts of the course is making the connections between individuals and the impact of climate change. By the end of the training our Carbon Heroes (what we like to call our carbon literate colleagues) commit to a group commitment focused on making climate positive changes within our business. They also make personal commitments. These have ranged from changing energy suppliers, to commuting differently and reducing unnecessary travel. The groups have been working on meat free Mondays in our canteen, raising carbon footprint awareness and looking at our business travel policy. We have also planted a tree in the UK for every person who has completed the carbon literacy training.

18% of our business has now been through the training as at 31 March 2021. We also have a group of accredited Carbon Heroes who will become our next generation of facilitators to ensure that more of our business can experience the training. We want to reach every person in our business so it is vital we continue at pace to run sessions and aim to train 50% of our employees over the next financial year. As well as training our employees, we also plan to support Cooler Projects to create a carbon literacy toolkit with members of the automotive retail industry. The toolkit will be made available to all retailers and the charity will also offer training to accredit trainers from different retailer businesses.

### Help car buyers make more sustainable vehicle choices

Our success comes from a breadth of expertise and we want to combine that with our voice to influence the automotive industry to support urgent action to tackle the climate crisis. We can also use our data and partnerships to upskill our customers on alternatively fuelled vehicles ('AFVs') and help consumers make more informed choices to improve outcomes for the environment.

We recognise that the automotive sector accounts for a significant proportion of global carbon emissions. In 2020, the UK Government announced it is bringing forward its ban on the sale of new petrol and diesel-engined cars and vans from 2040 to 2030 - while some hybrids will be allowed until 2035.

The sale of new electric vehicles ('EVs') could overtake petrol and diesel sales by as early as 2025, whilst AFVs more broadly could pass them even earlier, in 2024.<sup>1</sup>

There is growing positive sentiment for electric and low emissions vehicles. By the time the Government's ban on the sale of new petrol and diesel cars comes into effect in 2030, EVs and AFVs are likely to represent as much as 30% and 40% respectively of the total British car parc. The results from our latest Car Buyers tracker (February 2021) showed 47% of recent car buyers considered an AFV in the car buying process (up from 40% in February 2020). Results from our latest National Representative Market tracker (February 2021) showed 29% of consumers said they intend to buy an electric/hybrid vehicle sooner as a result of the Prime Minister's announcement in November 2020 to ban the sale of new petrol/diesel cars in 2030.<sup>2</sup>

As a business we want to use our influence to help the UK achieve more environmentally friendly private road transport and ensure Auto Trader remains relevant over the next decade. This focus has come about as we have looked at evolving our core strategy and purpose.

#### Progress in 2021

Promoting the advancement of new technologies and cleaner, more efficient fuel types is an important issue for us. That's why we actively support the industry's efforts to increase the consumer adoption of AFVs. We regularly meet with various Government departments, including HM Treasury and the Department for Transport's Office for Low Emission Vehicles, to share our data and insights to help guide policy around the topic; we also support the industry trade bodies with their initiatives. We have partnered with the National Franchise Dealers' Association ('NFDA') to feature its Electric Vehicle Accreditations ('EVA') on **autotrader.co.uk** – those retailers that meet the strict guidelines of the initiative are able to include a kitemark on their adverts.

On our marketplace, we have taken steps to make it easier for car buyers to search for AFVs by improving search filters to include battery range, charge time and quick charge time which also appears on full page adverts. Searches specifying a fuel type and including hybrid/EV in the search are steadily increasing, representing over 9% of total searches where a fuel type is specified. A growing number of AFV vehicles are available to view on Auto Trader, giving consumers increased choice, with an average of over 42,000 distinct stock items appearing on the site during FY21 (an increase of 80% YoY).

#### Growing positive sentiment for electric and low emissions vehicles

# 29%

of consumers said they intend to buy an electric/hybrid vehicle sooner as a result of the ban on the sale of new petrol/diesel cars in 2030

# 25%

said the announcement of the new ban didn't impact them as they were always considering buying an electric/hybrid before 2030



There were over 117m advert views of hybrid/EVs during FY21, an increase of over 50% compared to the prior year.

We have also introduced a new electric vehicle hub and regularly publish articles and videos on electric vehicles. Through our acquisition of KeeResources we now have data tools that enable manufacturers to promote their electric vehicles as a viable alternative to petrol and diesel engine cars by highlighting the total cost of ownership.

We are working with academic institutions to develop our understanding around electrification. Over the coming months we will support retailers through EV training and detailed pricing EV data as well as increasing our data sharing with Government and industry bodies to help ensure public policy is based on the latest insight.

## CLIMATE NEUTRAL NOW

#### Climate Neutral Now

We have signed up to the UN's "Climate Neutral Now" initiative, committing to contribute to accelerating the transformative change needed to reach net zero GHG emissions by 2050 or earlier.

#### Science Based Targets initiative

We have signed up to setting a science-based target through the Science Based Targets initiative, committing to set ambitious emission reduction targets.

1. Car Buyers tracker – survey answered by car buyers who have bought in the last six months or are looking to buy in the next six months.

2. Nationally representative tracker – survey answered by a nationally representative sample of consumers.

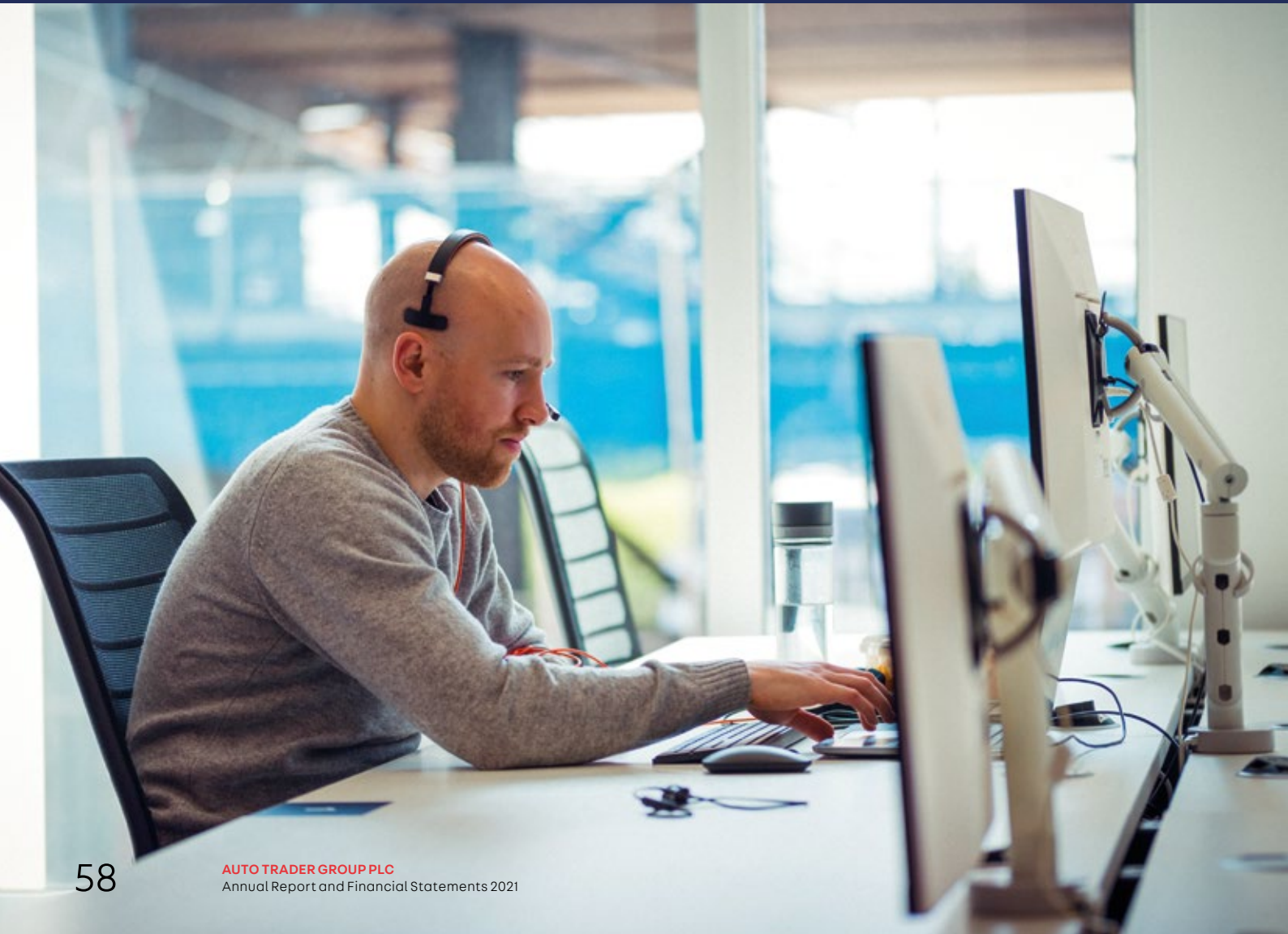


# Ethics and compliance

As an online marketplace, cybersecurity and protecting customer and consumer data is a primary area of focus for Auto Trader. The COVID-19 pandemic has led to an inevitable surge in the use of digital technologies which in turn has led to an increased risk in online fraud, scams, intrusions, and security breaches.

As we shift to an accelerated adoption of digital retailing it is paramount that our data security infrastructure keeps pace.

We have continued to invest heavily in data security and protection, and our fraud prevention, data protection and information security teams work vigilantly to ensure that the data Auto Trader processes is secure and that we comply with data protection legislation. Our main trading subsidiary, Auto Trader Limited, is FCA Authorised, and we have a detailed framework to ensure compliance with the FCA's principles, rules and guidance. We have well established policies, procedures and compliance training to ensure that we remain the most trusted marketplace for vehicle buyers and operate in an ethical and compliant way at all times. We continue to review and strengthen our policies and processes in line with legislation and to meet new threats and challenges facing all online businesses.





## Data security

To mitigate the risk of cyber crime we continuously monitor the availability and resilience of our platform and systems, as well as investing in security infrastructure. We are currently in the process of adopting the National Institute of Standards and Technology ('NIST') cybersecurity framework to manage and reduce cybersecurity risks. Our Internal Auditor, Deloitte, has carried out a review of our approach to the development and implementation of the NIST framework to ensure we prevent, detect and respond appropriately to cyber attacks.

We have a rolling internal audit programme which is outsourced to Deloitte, and includes regular reviews of cyber security, GDPR compliance and FCA compliance. Internal audit reports are reported to the Audit Committee and monitored to ensure recommendations are actioned.

We have been Payment Card Industry Data Security Standards ('PCI DSS') compliant since 2013. Independent audits are conducted every two years to review our information security policies and processes. To maintain best practice, we use an external Quality Security Assessor to conduct annual audits.

Security incidents are detected via security tools such as Palo Alto Cortex, Microsoft ATA and Cloudflare. Additionally, our dedicated security teams conduct application vulnerability testing and penetration testing. Security incidents are responded to by a dedicated security squad in conjunction with relevant teams, for example, where phishing is involved our Connect IT team are engaged in containment and clean up.

We have fully documented processes to respond to any security or data incident; this includes informing the relevant regulatory bodies within specified timescales. All documents are reviewed and updated annually to ensure they accurately reflect current work practices and systems.

Auto Trader uses two directories to control access to almost all systems. They include Active Directory for applications and services which we host and run ourselves and Azure Active Directory which controls access to cloud based systems such as people hub, office 365 and our public cloud providers. Both of these systems are synchronised so that changes in one are immediately replicated in the other resulting in an extremely secure approach.

All user accounts are protected by multi factor authentication ('MFA') regardless of device and location, providing enhanced authentication. Privileged user accounts exist using a least privilege approach meaning there should be full segregation

of duties. Again these accounts have MFA enabled on them and have a much more strict access policy. We also have a number of security systems that monitor and manage the above approach including AlienVault, Microsoft ATA, ManageEngine AD Audit Plus etc.

## Data privacy

Data is at the heart of everything we do and for that reason we take the protecting of it very seriously. When it comes to collecting and storing personal data, be that for consumers, customers or our employees, we abide by a clear set of principles. We are committed to ensuring that the personal information we collect and use is appropriate for the purpose, does not constitute an invasion of privacy and is held securely, responsibly and transparently in accordance with our Privacy Policy<sup>1</sup>.

## Data security measures: homeworking

All employees have continued to work mainly from home as a result of the COVID-19 pandemic. We reviewed the impact of this on data security solutions to address the risks identified.

### Additional risks in respect of security, PCI compliance, data loss and internal controls

The introduction of the PCI Pal solution has mitigated the identified risks related to taking payments remotely. This has been fully assessed as part of our annual PCI DSS attestation of compliance and approved by an external Quality Security Assessor ('QSA'). We continue to monitor all elements of security and risk to ensure ongoing compliance.

### Unsecure personal devices – risk of home office networks being infected by malware

Our corporate provided machines have a number of policies applied to them including endpoint firewall, protecting inbound connections as well as advanced endpoint protection technologies. We have advanced metrics/logs that bring together networking, endpoint, productivity (Office 365) and authentication to build up a picture of attacks that might take place, and each area advances the protection of the others.

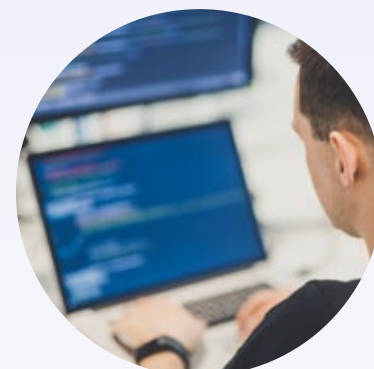
### Increase in COVID-19 themed attacks

We use Microsoft Defender for Office 365 to enhance our level of protection for email, teams, OneDrive and SharePoint data. This technology suite allows us to automate the removal of almost all phishing emails as well as malware and ransomware.

When layered on top of the Defender for endpoint that's been deployed across the corporate estate, it blocks attacks before they reach our colleagues. This wasn't in response just to COVID-19 but also with the increase in levels of ransomware attacks.

### Increased use of cloud based tools

Our policies dictate the use of Microsoft Teams or Slack as the preferred technology stack for video calling. We employ a detailed DPIA (Data Protection Impact Assessment) process for all new cloud solutions and these processes prompt a full security review of that solution. Where possible data should be stored in the EU, SSO (Single Sign On) should be deployed as standard and data transferred using SSL (secure sockets layer)/TLS (transport layer security) options only.



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

1. Please see [autotrader.co.uk/privacy-notice](https://autotrader.co.uk/privacy-notice) for our full Privacy Policy.



Where required, Auto Trader obtains consent from consumers to gather personal data to service their enquiries for products, services or vehicles advertised on the site. Explicit consent (gathered separately) is also obtained to contact consumers for marketing purposes. We may pass personal data to third-party service providers contracted to Auto Trader in the course of dealing with customers or employees. We carefully vet any third parties that we share data with, and they are obliged to keep it securely, and to use it only to fulfil the service they provide on our behalf. We record all instances of data loss and have a rigorous data breach process in the unlikely event one occurs. This includes reporting notifiable breaches to the relevant regulatory authorities, including the Information Commissioner's Office ('ICO') and FCA, without undue delay and within stipulated deadlines. Where required we take corrective action as soon as possible.

We are yet to see any impact of Brexit in relation to GDPR. The Brexit transition period ended on 31 December 2020. As part of the new trade deal, the EU has agreed to delay transfer restrictions for at least four months, which can be extended to six months (known as the bridge). The UK Government are awaiting adequacy decisions from the European Commission. In the absence of adequacy decisions, at the end of the bridge transfers from the European Economic Area ('EEA') to the UK will need to comply with EU GDPR transfer restrictions. We will continue to monitor the ICO's site for further guidance in this area.

### Maintaining a trusted marketplace

It is important to our customers and our consumer audience that adverts displayed on Auto Trader are accurate and genuine. To ensure consumers only see genuine adverts, we have a dedicated customer security team, working seven days a week, who monitor our site to identify and investigate adverts that are potentially fraudulent or

misleading in price or mileage. This allows us to work quickly to remove adverts if deemed necessary. We also have an online Safety and Security area on our platform which offers tips, checklists and advice to help car buyers and car owners stay safe when buying and selling vehicles. Over 10 years ago, we founded an industry forum, the Vehicle Safe Trading Advisory Group ('VSTAG'). VSTAG brings the UK's leading online automotive advertising companies together with advisors from the Metropolitan Police, Get Safe Online and Action Fraud to work together to reduce online vehicle crime and help protect buyers and sellers of pre-owned vehicles from fraud.

### Operating ethically

At Auto Trader we are committed to carrying out all business activities in an honest and open manner and strive to apply high ethical standards in all our business dealings. We believe this contributes to a fairer and honest marketplace where customers and consumers know that we can be trusted.

We have a well established online training and awareness programme, provided by DeltaNet International, that all Auto Trader employees, including Board members and Non-Executive Directors, have to complete annually. The training includes compliance modules for information security, GDPR, anti-bribery and corruption, corporate criminal offence of facilitating tax evasion, anti-money laundering, modern slavery and whistleblowing to ensure all our employees remain up to date and alert to unethical practices and potential risks to our consumers or customers.

We have implemented an Ethical Procurement process aligned with our commitments. When deciding which suppliers and partners we should work with, we take a holistic view; alignment with our values and culture is as important as commercial considerations. We encourage our suppliers and partners

to drive their own environmental, social and governance efforts in line with their principles. We engage with our suppliers to share good practice, experiences and understand what initiatives they engage in, areas such as charity and community support, diversity and inclusion, sustainability, modern slavery and anti-trafficking. We continue to develop and look for ways to pro-actively seek supplier relationships with those who equally share our passion for contributing to the community and creating diversity and inclusivity within their own cultures and supply chains.<sup>1</sup> We publish information about our supplier payment practices and performance. On average, we take 36 days (2020: 36 days) to pay our supplier invoices, with 96% (2020: 94%) paid within agreed terms during the reporting period.

At Auto Trader, we're committed to providing users of our marketplace with the most efficient experience of buying with the assistance of products and services designed to help them choose the right car, at the right price, and from the right place. In the process, we promise to always treat customers fairly, which we believe is essential to our business in order to maintain the trust that customers place in our brand. As outlined in our Customer Charter, all customers are treated fairly and consistently, with transparent and standardised pricing and business practices.<sup>2</sup>

We have zero tolerance to any aspect of bribery and corruption, both within our business and in our dealings with our customers, suppliers, partners and other third parties we deal with in the course of our business. We have an established anti-bribery and corruption policy and procedures in place, including reporting of gifts and hospitality and standard contractual clauses and mandatory annual training as part of our Compliance Essentials training programme.

At Auto Trader, we actively cultivate a transparent and open culture, encouraging our employees to speak up whenever they have concerns or experience any serious

malpractice or wrongdoing in our business. Our whistleblowing policy is important to make sure we maintain high ethical standards to ensure customer and public confidence in our organisation and operations. There is an internal reporting facility for employees to discuss concerns and we also operate an anonymous and confidential whistleblowing helpline through an independent organisation. Reports are directed to the Audit Committee Chair and the Company Secretary.

### FCA compliance

Auto Trader Limited, the main trading subsidiary of the Group, is authorised by the FCA for consumer credit and insurance intermediary activities. Our activities primarily relate to providing finance and insurance introductions to consumers for third parties, be it dealers or commercial partners.

We have specialist internal resource within our Governance, Risk and Compliance team with significant experience of working in FCA regulated businesses, and we have developed a detailed governance framework to ensure that we comply with the principles, rules and guidance applicable to our activities.

We have implemented the Senior Managers & Certification Regime, which came into effect in December 2019. Senior Managers at Auto Trader are Nathan Coe, Catherine Faiers, Jamie Warner and Claire Baty. Certain members of the Operational Leadership Team hold Certificated Functions. These individuals have been assessed and certified as Fit and Proper. All employees are subject to the Conduct Rules, and have received appropriate training and guidance.

We have a comprehensive suite of policies, training and monitoring procedures to ensure awareness of and compliance with the requirements, including financial promotions, product change management, complaint handling, vulnerable customers and transparency. Our commitment to Treating Customers Fairly is outlined in our Customer Charter.<sup>2</sup>

### Tax transparency

Auto Trader is committed to being a responsible taxpayer acting in a transparent manner at all times. Our detailed tax policy<sup>3</sup> includes further transparency on our approach to risk management and governance, and our attitude towards tax planning. In 2021, our total tax contribution was £106m (2020: £153m). Taxes borne by the Group totalled £34m (2020: £76m) and consist of corporation tax, employer's NICs and stamp duty. Taxes collected by the Group totalled £72m (2020: £77m) and consist of PAYE deductions, employees' NICs and net VAT collected.

## Protecting the physical health and safety of our employees

A programme of ergonomic assessments was carried out to review homeworking arrangements and equipment was provided to those who needed it for an effective and safe homeworking environment.

In order to create a safe space for our colleagues in the office environment, we carried out a comprehensive risk assessment to identify measures needed to achieve a COVID-19 secure working environment.



## Protecting human rights and treating people fairly

Our focus on diversity and inclusion extends to treating all our employees and job applicants fairly and equally. It is our policy not to discriminate based on gender or gender identity, sexual orientation, marital or civil partner status, gender reassignment, race, religion or belief, colour, nationality, ethnic or national origin, disability or age, pregnancy, or trade union membership or the fact that they are a part-time worker or a fixed-term employee. The equal opportunities policy operated by the Group ensures all workers have a duty to act in accordance with this.

We are committed to acting ethically and with integrity in all our business dealings and relationships, and to implementing and enforcing effective systems and controls to ensure modern slavery is not taking place anywhere in our own business or in any of our supply chains. For our full Modern Slavery Statement please see our PLC website.<sup>4</sup> We have a zero-tolerance approach to modern slavery and expect the same high standards from all our contractors, suppliers and other business partners. It is our policy that all of the Group's facilities, products and services comply with applicable laws and regulations governing safety and quality, so that we can maintain a safe working environment for our employees, customers, visitors and anyone affected by our business activities. During the year there were no major injuries reported under the Reporting of Injuries, Diseases and Dangerous Occurrence Regulations.

## COVID-19 response

Following Government restrictions and guidance that all staff should work from home where possible we recognised the potential practical implications and our continued responsibility to support the health and wellbeing of staff in the new working environment. It was important that we helped staff to minimise health risks by providing information and equipment to support working arrangements at home. A programme of ergonomic assessments was completed with all staff to review homeworking arrangements and we delivered office chairs, desks, monitors, and keyboards to those employees who needed that equipment for an effective and safe homeworking environment.

Throughout the past 12 months all working from the office has been voluntary and was really aimed at our colleagues who were isolated from family and friends who felt that they needed social interaction in a safe environment. The physical health and safety of our employees is of paramount importance. In order to create a safe space for our colleagues, we carried out a comprehensive risk assessment to identify the measures needed to achieve a COVID-19 secure environment, which has been continually updated and shared with all employees. We designed and installed clear signage that was consistent across our offices with educational videos, introduced a booking system, temperature check and ensured all the spaces adhered to the social distance guidelines. With the one way system, hand sanitisers, repurposed meetings rooms, reduced capacity and implementing stricter cleaning routines, this gave us a safer environment to work from.

1. Please see [plc.autotrader.co.uk/media/1836/ethical-procurement-2019.pdf](https://plc.autotrader.co.uk/media/1836/ethical-procurement-2019.pdf) for further information.

2. Please see [plc.autotrader.co.uk/media/1909/auto-trader-customer-charter-2020.pdf](https://plc.autotrader.co.uk/media/1909/auto-trader-customer-charter-2020.pdf) for further information.

3. Please see [plc.autotrader.co.uk/responsibility/group-tax-strategy](https://plc.autotrader.co.uk/responsibility/group-tax-strategy) for further information.

4. Please see [plc.autotrader.co.uk/media/2060/auto-trader-modern-slavery-policy-2020.pdf](https://plc.autotrader.co.uk/media/2060/auto-trader-modern-slavery-policy-2020.pdf) for further information.

How we manage risk

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

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 is also responsible for establishing and maintaining the Group’s system of risk management and internal controls. It receives regular reports from management identifying, evaluating and managing the risks within the business. The risk management framework is described below.

Our risk management 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

The Board

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

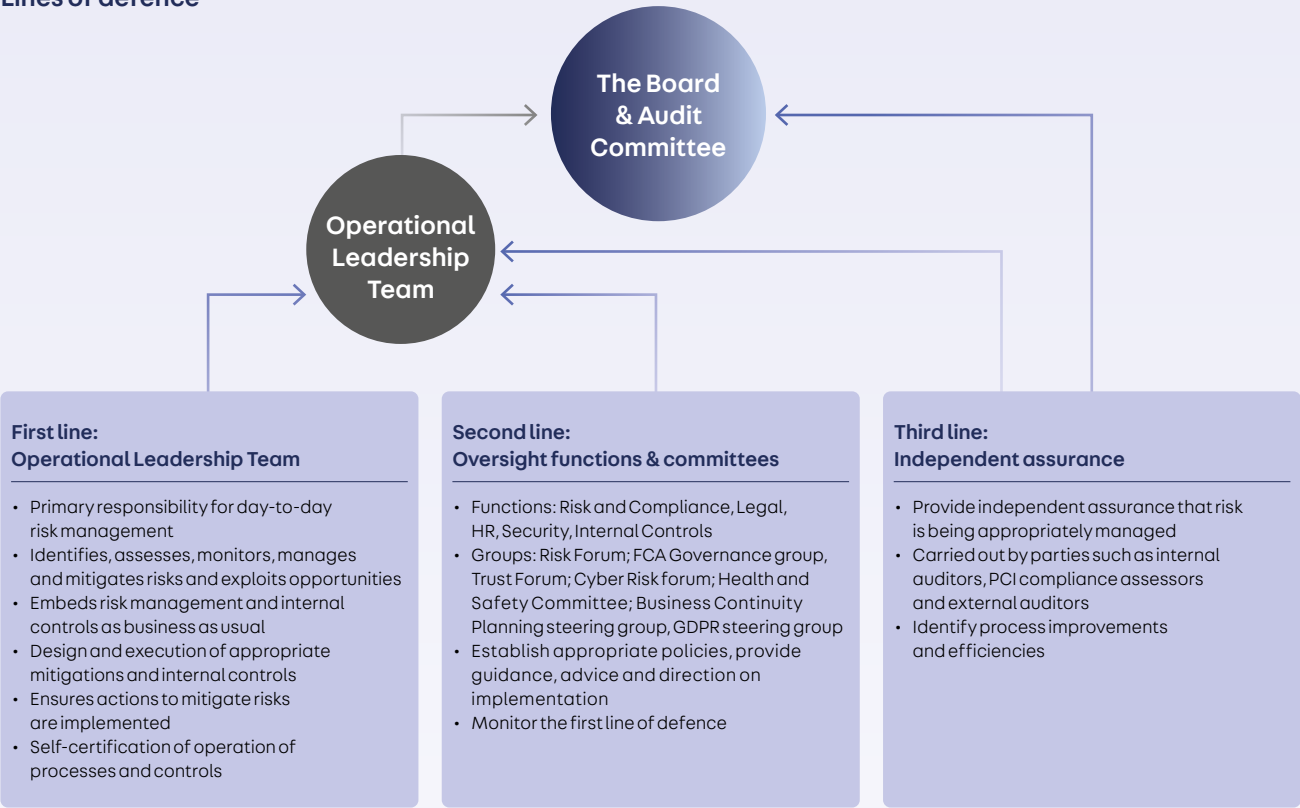
Audit Committee

- 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

- Identify, assess, monitor, manage and mitigate risks and exploit opportunities
- Embedding risk management and internal controls as business as usual
- Ensuring corrective actions to mitigate risks and address control deficiencies

Lines of defence



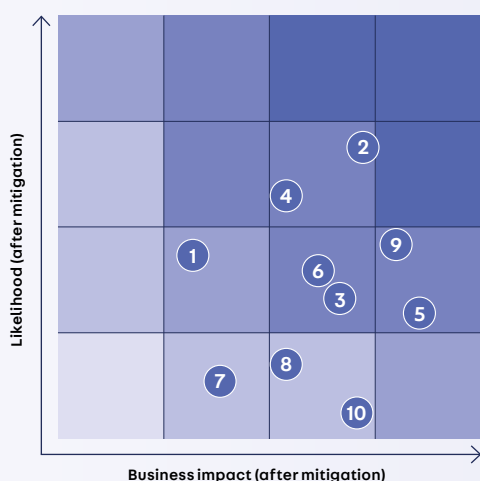


## Our risk management process

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:



## Our risk assessment matrix



- |  |                                  |
|--|----------------------------------|
| 1. COVID-19  | 6. IT systems and cyber security |
| 2. Economy, market and business environment                                      | 7. Employees                     |
| 3. Brand and reputation  | 8. Reliance on third parties     |
| 4. Increased competition   | 9. Response to climate change    |
| 5. Failure to innovate: disruptive technologies and changing consumer behaviours | 10. Regulatory and compliance    |

The Board notes the future requirement for UK premium listed companies to implement disclosures consistent with the Task Force on Climate-related Financial Disclosures ('TCFD') recommendations, or to explain why not. On page 92, we include a summary of our current progress on the TCFD disclosures, and we intend to evolve our disclosures in future years in line with the TCFD's recommendations. Whilst Auto Trader itself has a low carbon footprint, we recognise that the automotive sector accounts for a significant proportion of global carbon emissions. As the world transitions to a low carbon economy, we expect that regulatory change and changes in consumer behaviour will have an impact on the automotive market, which will mean we need to develop and adapt our business.

We have also included in our principal risks the risk of a failure to comply with regulatory requirements. As the Group continues its development of digital retailing products and services, the exposure to regulatory risks in respect of data protection and compliance with the Financial Conduct Authority's regulations becomes more likely and the impact more significant, and has therefore been added to the list of principal risks.

## Principal risks and uncertainties

# Identifying, monitoring and managing the Group's principal risks

The Board has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. This included an assessment of the likelihood and impact of each risk identified, and the mitigating actions being taken. Risk levels were modified to reflect the current view of the relative significance of each risk.

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

1. COVID-19			↓ Decrease	Relevant focus areas 1 2 3 4
Potential impact	Changes in the year	Key mitigations		
<p>The COVID-19 pandemic has caused unprecedented levels of disruption to every aspect of the UK economy, the automotive market, our customers, our consumers, our suppliers, our employees and the way we operate our business. Between 24 March 2020 and at various points throughout the year, the Government introduced measures to contain the spread of COVID-19 which resulted in a series of national and local lockdowns in the UK and Ireland. This impacted on many of our existing principal risks as follows:</p> <ul style="list-style-type: none"> <li>• <b>Economy:</b> The COVID-19 restrictions resulted in vehicle retailers being required to close their showrooms, which had an immediate impact on vehicle transactions and the automotive retailing landscape. As the restrictions eased, there was a risk that decreased consumer confidence could lead to a reduced number of transactions. These risks could impact our ability to generate revenue and collect cash from our retailer customers, our Manufacturer and Agency customers and private sellers.</li> <li>• <b>Employees:</b> In line with Government guidance, the vast majority of our workforce continued to work remotely during the year. There is a risk that this could result in an adverse impact on our collaborative culture and ways of working, and on our employees' mental health and wellbeing. There is a future risk when we return to office working to ensure that the health of our employees is protected.</li> <li>• <b>Reliance on third parties:</b> The economic situation increased the risk of failure for third-party suppliers, which could impact our ability to provide services to our customers, or adversely affect the consumer experience leading to a loss in audience.</li> <li>• <b>A crisis or major event prevents the business or its customers/suppliers from being able to operate:</b> Any scenario, including that of a pandemic, in which our customers would be forced to close, or where our employees would not be able to work from our premises for sustained periods of time, could cause major disruption to our business.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Economy:</b> As described more fully on pages 12 and 13, new car registrations declined 24.9% and used car transactions declined 15.1% in the 12 months to March 2021. However, the UK economy is starting to recover, and whilst the economic outlook for the UK is uncertain, our current Auto Trader data sets show that there is a robust level of consumer demand in the market.</li> <li>• <b>Employees:</b> We seamlessly transitioned to working remotely by adapting our systems and technology to enable our employees to continue working collaboratively despite being at home, as described on page 26. We have also permanently introduced a new flexible working policy, which will enable a hybrid way of working in future. With health and wellbeing being paramount, initiatives were launched to increase employee support services as described on page 52.</li> <li>• <b>Reliance on third parties:</b> All of our critical and material suppliers continued to operate without disruption.</li> <li>• <b>A crisis or major event prevents the business or its customers/suppliers from being able to operate:</b> The business was able to continue to operate fully throughout the period. Our customers were required to close their forecourts at various periods throughout the year, but were able to continue to operate on a click and collect or home delivery basis. This was supported by our new product offerings and financial support as described on pages 22 and 25.</li> </ul> <p>Overall, the risk level on all of the COVID-19 related risks has decreased during the year, and up to the date of this report.</p>	<ul style="list-style-type: none"> <li>• <b>Governance:</b> We adapted our governance arrangements so that the Board was able to react quickly and decisively to the situation as it unfolded. We established a COVID-19 response team with different workstreams, each focusing on a different aspect of impact (including employees, operational effectiveness, customers, suppliers and partners, financial position and viability, risks and controls). Key risk indicators were established to monitor automotive market activity, audience metrics and customer behaviour.</li> <li>• <b>Customers:</b> In order to support our retailer customers and increase the likelihood of their future viability, we introduced a comprehensive support package including free advertising to our retailer customers whilst their showrooms were required to be closed; extensions to credit terms; new products and services to help them to prepare for re-opening; and an educational programme of webinars.</li> <li>• <b>Employees:</b> From the onset of the situation, we have engaged with our employees through regular and transparent communications, in the form of virtual briefings from senior management. We closely monitored and adopted all Government and PHE guidelines to protect the physical safety of our employees, and implemented remote working from 17 March 2020. We offered a full programme of support and resources to enable our employees to work remotely in an effective and collaborative way, including consideration of mental and physical wellbeing; working environment reviews; and training/guidelines for managers to support staff.</li> <li>• <b>Reliance on third parties:</b> We increased the level of scrutiny of our ongoing supplier and partner monitoring programmes, with a focus on their ability to continue to operate and their financial viability.</li> <li>• <b>Business continuity and operational resilience:</b> We already had a robust Business Continuity Plan, managed by a cross functional steering group. At the start of the outbreak, we refreshed the plans to incorporate various scenarios, ranging from a single employee diagnosis, to an extreme case of all employees being required to work from home, and therefore we were in a very strong position to implement remote working. We reviewed and addressed all key person dependencies in the event of high staff absences. We also refreshed our risk assessments and controls to identify areas where risk may be increased as a result of remote working and adjusted the control framework accordingly.</li> </ul>		

## Our growth horizons and relevant focus areas



## Core

- 1 Provide the best online car buying experience in terms of transparency, choice and convenience
- 2 Create tools and products to allow retailers and manufacturers to increase sales



## Adjacent

- 3 Become to new cars what we are in used
- 4 Embed our data and insight to enable buyers and retailers to make better and faster decisions



## Future

- 5 Enable more of the transaction to be completed on the Auto Trader platform

2. Economy, market and business environment	— No change	Relevant focus areas 1 3
Potential impact	Changes in the year	Key mitigations
<p>There are a number of scenarios which could lead to a contraction in the number of new or used car transactions, including the COVID-19 pandemic (as described above in (1)); the impact of the trade agreement with respect to the UK's departure from the EU; or supply chain disruptions. These could result in reduced retailer profitability, leading to a fall in advertising spend or a contraction in the number of retailers. It could also lead to a reduction in manufacturers' spend on digital display advertising.</p>	<p>As described on pages 12 and 13, new car registrations declined by 24.9% and used car transactions decreased by 15.1% in the 12 months to March 2021. However, the UK economy is starting to recover, and whilst the economic outlook for the UK is uncertain, our current Auto Trader data sets show that there is a robust level of consumer demand in the market.</p> <p>We have not seen material evidence of consolidation by retailers during the year, and retailer numbers have only marginally fallen.</p> <p>The final Trade and Cooperation Agreement between the UK and the EU removed significant levels of uncertainty, as vehicles will be able to be freely traded without tariffs applying (although with an increased administration burden). However, the requirements around the Rules of Origin have the potential to create a barrier to trade, in particular in respect of the manufacture of batteries, where there is a lack of domestic production facilities.</p> <p>There is a current global shortage of microchips, which is having an impact on production for some brands. This may result in a temporary shortage in supply, impacting how much new car stock dealers have available to advertise, and temporarily slowing down the transaction cycle.</p> <p>Overall, on balance, this risk has remained unchanged.</p>	<ul style="list-style-type: none"> <li>The mitigations in respect of the COVID-19 position specifically are outlined above in (1).</li> <li>We monitor new and used car transactions closely, using data from SMMT, DVLA, and observing behaviour on our marketplace, and from engaging closely with our customers.</li> <li>We use our own Auto Trader Retail Price Index and valuations data to monitor the pricing trends of used cars by trade sellers.</li> <li>We continue to diversify into related and adjacent activities to reduce our reliance on core advertising listings and to improve the resilience of our business model.</li> <li>We closely manage our cost base and operate on a lean basis, and have been able to respond swiftly to the current conditions.</li> </ul>
3. Brand and reputation	— No change	Relevant focus areas 1 2 3 4 5
Potential impact	Changes in the year	Key mitigations
<p>Our brand is one of our biggest assets. Our research shows that we are the most trusted automotive classified brand in the UK.</p> <p>Failure to maintain and protect our brand, or negative publicity that affects our reputation (for example, a data breach), could diminish the confidence that retailers, consumers and advertisers have in our products and services, and result in a reduction in audience and revenue.</p>	<p>Our research shows that Auto Trader has over 90% prompted brand awareness with consumers for new and used cars and is consistently voted as the most influential automotive website by consumers in the car buying process.</p> <p>We continue to see very low levels of fraudulent and misleading adverts, due to additional measures and monitoring techniques used by our security team.</p>	<ul style="list-style-type: none"> <li>We have a clear and open culture with a focus on trust and transparency.</li> <li>We have a dedicated customer security team, who closely monitor our site to identify and quickly remove fraudulent or misleading adverts.</li> <li>We invest in new and innovative marketing campaigns and new ways of engaging car buyers to continue to maintain brand awareness, and to change perceptions of Auto Trader to be a destination for new cars as well as used.</li> <li>Our approach to cyber security and data protection, as described on page 59, helps to protect us from the adverse impact of a significant data breach or cyber attack.</li> <li>We have well developed breach reporting and crisis management programmes that enable us to identify, escalate and appropriately handle any emerging issues that could result in reputational damage.</li> </ul>

## Principal risks and uncertainties continued

4. Increased competition			Relevant focus areas				
— No change			1	2	3	4	5
Potential impact	Changes in the year	Key mitigations					
<p>There are several online competitors in the automotive classified market, and alternative routes for consumers to sell cars, such as car buying services or part-exchange. Competitors could develop a superior consumer experience or retailer products that we are unable to replicate; or change focus to try to expand their range of stock and disrupt our market position.</p> <p>This could impact our ability to grow revenue due to the loss of audience or customers, or erosion of our paid-for business model.</p>	<p>The competitive landscape continues to develop, with new business models emerging. Big media players, such as Facebook, have entered the marketplace, mostly competing for lower-value private sales. Retailers and manufacturers are also evolving their online offerings. Our diversification into other adjacent activities also results in a wider competitor set.</p> <p>During the year, we held more than a 75% share of minutes spent on automotive classified sites, and our cross platform visits grew by over 15% as measured by Google Analytics. The actions we took to support customers throughout the pandemic were market-leading and helped us to maintain our levels of retailer customers and stock.</p> <p>The impact of COVID-19 has strengthened the case for online marketing of vehicles which has reduced the attractiveness of offline competitors.</p>	<ul style="list-style-type: none"> <li>• We have the largest and most engaged audience of any UK automotive site. Our investment in our brand helps us to protect and grow our audience, to ensure that we remain the most influential website for consumers when purchasing a vehicle. Despite our reduction in marketing spend, we are continuing to grow our relative audience share.</li> <li>• We monitor competitor activity closely through monthly reporting and formal quarterly competitor reviews, and regularly review this at OLT and Board level.</li> <li>• We continue to invest in and develop our product offering to improve the value we offer to consumers, retailers and manufacturers.</li> <li>• We work in an agile way and to date have responded quickly to emerging competitive threats.</li> </ul>					

5. Failure to innovate: disruptive technologies and changing consumer behaviours			Relevant focus areas				
↘ Slight decrease			1	2	3	4	5
Potential impact	Changes in the year	Key mitigations					
<p>Failure to develop and execute new products or technologies, or to adapt to changing consumer behaviour towards car buying, or ownership, could have an adverse impact. For example, this could lead to missed opportunities should we fail to be at the forefront of industry developments.</p>	<p>We remain at the forefront of innovation in the digital automotive marketplace.</p> <p>At the start of the year, we launched a new data tool called Market Insight, designed to help retailers identify and adapt to market trends in vehicle supply and consumer demand in both their local and national marketplace.</p> <p>During the year, we adapted our marketplace to further help retailers advertise their stock during the pandemic. We increased the size of retailer adverts in search listings, added COVID-19 secure flags for retailers who adopted safety measures and provided detail of home delivery and collection options.</p> <p>We are also developing products to enable more of the car-buying journey to be done online. We have developed and launched a Guaranteed Part-Exchange product which digitises a core component of the buying journey and we are developing functionality to enable consumers to reserve a car with a retailer on Auto Trader and to complete finance agreements online.</p>	<ul style="list-style-type: none"> <li>• Continuous research into changing consumer behaviour, regular horizon scanning and monitoring of emerging trends, use of external resources where needed, and regular contact with similar businesses around the world.</li> <li>• Formal reviews of opportunities to disrupt the marketplace.</li> <li>• Ability to innovate and respond quickly due to our agile and collaborative way of working, and continuous investment in technology.</li> </ul>					



## Our growth horizons and relevant focus areas



## Core

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- 2 Create tools and products to allow retailers and manufacturers to increase sales



## Adjacent

- 3 Become to new cars what we are in used
- 4 Embed our data and insight to enable buyers and retailers to make better and faster decisions



## Future

- 5 Enable more of the transaction to be completed on the Auto Trader platform

6. IT systems and cyber security		
	— No change	Relevant focus areas 1 2 5
Potential impact	Changes in the year	Key mitigations
<p>As a digital business, we are reliant on our IT infrastructure to continue to operate.</p> <p>Any significant downtime of our systems would result in an interruption to the services we provide.</p> <p>A significant data breach, whether as a result of our own failures or a malicious cyber attack, would lead to a loss in confidence by the public, car retailers and advertisers.</p> <p>This could result in reputational damage, loss of audience, loss of revenue and potential financial losses in the form of penalties.</p>	<p>We continue to make significant progress in migrating our applications to the cloud, which increases the resilience of our systems and the security of our data. Our aim is to get all applications migrated to the cloud in the next year.</p> <p>As described more fully on page 59, during the year we carried out a review of the impact of remote working on our data security risks and implemented new solutions to mitigate these risks.</p> <p>As we move further along the digital retailing journey, our exposure to a cyber attack and the impact of a breach will increase.</p> <p>The constantly evolving threat of a cyber attack means that overall the risk level is unchanged.</p>	<ul style="list-style-type: none"> <li>• We have a disaster recovery and business continuity plan in place which is regularly reviewed and tested. This includes the use of two data centres and regular backups of data. We are well progressed in our migration to the public cloud.</li> <li>• We continuously monitor the availability and resilience of processing systems and services. If required, we can restore the availability of and access to systems and data in a timely manner in the event of a physical or technical incident.</li> <li>• We have dedicated security teams, including white hat hackers, and carry out regular penetration testing and review of threats and vulnerabilities. We invest in IT and security infrastructure to ensure our systems remain robust.</li> <li>• All of our employees are required to undertake annual compliance training which includes Information Security.</li> <li>• We have two-factor verification for all our car retailers and employees, to access our network.</li> <li>• We have been PCI DSS (payment card industry data security standard) compliant since 2013 and use an external Quality Security Assessor to maintain best practice.</li> <li>• We are in the process of adopting the National Institute of Standards and Technology ('NIST') cybersecurity framework to manage and reduce cybersecurity risks.</li> <li>• We have a rolling internal audit programme which is outsourced to Deloitte, and includes regular reviews of cyber security.</li> </ul>
7. Employees		
	— No change	Relevant focus areas 1 2 3 4 5
Potential impact	Changes in the year	Key mitigations
<p>Our continued success requires us to attract, recruit, motivate and retain our highly skilled workforce, with a particular focus on specialist technological and data skills whilst also ensuring that we continue to build a diverse and inclusive culture. Failure to do so could result in a reduction in employee engagement and the loss of key talent, and could also have a negative impact on business performance.</p>	<p>Despite the challenges posed by remote working, employee engagement has increased, with 93% of employees completing our engagement survey saying they are proud to work at Auto Trader. Our Glassdoor rating based on anonymous reviews is 4.4 out of 5.</p> <p>We continued to focus on investing in the personal and professional development of our colleagues during the year, and adapted our induction, learning and development programmes to be delivered virtually. We launched two new talent programmes; one focusing on Inclusive Leadership for all leaders across our organisation and the second a Diverse Talent Accelerator programme designed to support the progression of mid-career colleagues.</p> <p>As described above in (1), COVID-19 had the potential to adversely impact our people and our culture. However, through the actions taken, this risk has been mitigated and therefore overall, this risk remains unchanged.</p>	<ul style="list-style-type: none"> <li>• We use long-term incentive plans for our senior and key staff.</li> <li>• We carry out active succession planning and career development plans to retain and develop our executives. Talent development is part of the Terms of Reference of the Nomination Committee.</li> <li>• We have a strong, values-led culture which is embedded through recruitment, induction, training and appraisal processes.</li> <li>• We carry out regular employee engagement surveys and closely monitor Glassdoor ratings. We have regular business updates, networks, guilds and all-employee conferences.</li> <li>• Refer to (1) above for the specific mitigation in response to the COVID-19 pandemic.</li> </ul>

## Principal risks and uncertainties continued

8. Reliance on third parties		
	— No change	Relevant focus areas 1 2 5
Potential impact	Changes in the year	Key mitigations
<p>We rely on third parties with regard to technology infrastructure, supply of data about vehicles and their financing, and in the fulfilment of some of our revenue generating products, so it is important that we manage relationships with, and performance of, key suppliers. If these suppliers were to suffer significant downtime or fail, this could lead to a loss of revenue from retailer customers and a loss of audience due to impaired consumer experience.</p>	<p>We have improved our risk monitoring processes over critical and material suppliers and partners, and despite the risks posed by the pandemic, we have not experienced any material disruptions.</p> <p>During the year, we have partnered with Cox Automotive to provide a disposal route for our Guaranteed Part-Exchange product.</p> <p>With the acquisition of AutoConvert, we have secured ownership of the platform which will underpin our online finance applications journey.</p> <p>Overall, on balance this risk remains unchanged.</p>	<ul style="list-style-type: none"> <li>Where possible, we limit reliance on a single supplier to reduce potential single points of failure.</li> <li>Contracts and service level agreements are in place with all key suppliers. New relationships go through a robust procurement and legal review process, and are subject to regular review.</li> <li>We carry out due diligence on our key suppliers and partners at the onset of the relationship and throughout the life of these relationships. This includes financial viability, resilience and alignment with our values and culture. Refer to (1) above for the increased focus and scrutiny of this in response to COVID-19.</li> <li>We seek to develop strong commercial relationships with our partners and regularly explore ways of working together even more effectively. We monitor the performance of partners and suppliers to ensure continued quality and uptime.</li> </ul>
9. Response to climate change		
	↑ Increase	Relevant focus areas 1 3
Potential impact	Changes in the year	Key mitigations
<p>Risks associated with climate change are emerging as a major factor affecting the long-term resilience of our businesses and could impact the execution of our strategy. Regulatory change and environmental concerns from car buyers could significantly impact the automotive market, with demand shifting away from internal combustion engine ('ICE') vehicles towards electric vehicles ('EV'). These changes present a risk to the continuing relevance of both our existing customer base and car buyers, if we do not adapt for these changing preferences.</p> <p>Failure to appropriately demonstrate that as a business we are committed and moving towards net zero carbon emissions could negatively impact our brand and also impact our ability to operate and/or remain relevant to our customers and consumers. Failure to deliver against our environmental commitments would undermine our reputation as a responsible business and may result in legal exposure or regulatory sanctions. We are at risk of new policies that seek to mitigate climate change or promote climate change adaptation, all the more so now that Governments are starting to legislate for net zero by 2050.</p>	<p>The UK Government brought forward the ban on the sale of new petrol and diesel cars to 2030 which is likely to result in consumer and societal expectations for low carbon transport increasing at a faster pace. A move to EVs could mean that OEMs shift more quickly to a business model of selling direct to consumers and as the second hand market steadily moves towards newer electric models, our customers will have to evolve their forecourt mix accordingly. The speed at which this change takes place will also dictate whether there is an impact on the residual value of ICE vehicles being held by our customers. The growing penetration of electric vehicles and the continued advancement of technology has the potential to change the future of vehicle ownership, with the possibility that people pay for short-term access to cars as and when they need them, including through subscription deals and car-sharing apps.</p>	<ul style="list-style-type: none"> <li>We monitor consumer demand and are evolving our product offering to help consumers when they are considering purchasing an electric vehicle. We have partnered with the National Franchise Dealers' Association ('NFDA') to feature its Electric Vehicle Accreditations ('EVA') on <a href="https://www.autotrader.co.uk">autotrader.co.uk</a>.</li> <li>Through our acquisition of KeeResources, we now have data tools that enable manufacturers to promote their electric vehicles as a viable alternative to petrol and diesel engine cars by highlighting the total cost of ownership.</li> <li>A working group has been established which focuses on using our voice to help consumers make more environmentally friendly choices and identifying risks and opportunities in respect of climate change.</li> <li>We actively support the industry's efforts to increase the consumer adoption of AFVs. We regularly meet with various Government departments, including HM Treasury and the Department for Transport's Office for Zero Emission Vehicles, to share our data and insights to help guide policy around the topic; we also support the industry trade bodies with their initiatives and are working with academic institutions to develop our understanding around electrification.</li> <li>We have formed a Corporate Responsibility Committee to oversee our environmental commitments. The role of the Committee is to lend support, to monitor progress and provide guidance on our priority areas, ensuring that our targets are ambitious, realistic, and in the long-term interests of the Group, our stakeholders and the environment.</li> <li>We have signed up to the UN's "Climate Neutral Now" Pledge and also the Science Based Targets initiative, committing to set ambitious emissions reduction targets.</li> <li>We have started to implement the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD') and look to fully embed them over the coming year (including conducting climate-related scenario analysis on the impacts of 2°C and 4°C rises in global temperatures).</li> <li>Our Sustainability Network is focused on making life at Auto Trader more sustainable through increasing employee awareness and driving impactful changes towards our journey to becoming carbon neutral and net zero.</li> </ul>

## Our growth horizons and relevant focus areas



## Core

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## Adjacent

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## Future

- 5 Enable more of the transaction to be completed on the Auto Trader platform

10. Regulatory and compliance		Relevant focus areas
	↑ Increase	1 5
Potential impact	Changes in the year	Key mitigations
The Group operates in a constantly changing and complex regulatory environment. There is a risk that the Group, or its subsidiaries, fail to comply with these requirements or to respond to changes in regulations, including GDPR and the Financial Conduct Authority's rules and guidance. This could lead to reputational damage, financial or criminal penalties and impact on our ability to do business.	Our strategic focus area to bring more of the car buying journey online has the potential to increase the Group's exposure to regulatory risks, in particular the nature and extent of personal information that will be collected and in the execution of the online finance application journey.	<ul style="list-style-type: none"> <li>We have dedicated internal expertise within the business who are responsible for identifying, assessing and responding to upcoming changes in laws and regulations, and we utilise external specialists where necessary.</li> <li>We have developed a detailed governance framework to monitor our legal and regulatory risks, and to ensure that we comply with the principles, rules and guidance applicable to our regulated activities. These are regularly reported upwards to the Audit Committee and Board.</li> <li>We have a comprehensive suite of policies, training and monitoring procedures to ensure awareness of and compliance with regulatory requirements, including Information Security, Data Protection, Financial promotions, Product change management, Complaints handling and Vulnerable customers.</li> <li>Auto Trader Limited has implemented the FCA's Senior Managers &amp; Certification Regime, which came into effect in December 2019. The relevant individuals have been assessed and certified as Fit and Proper. All employees are subject to the FCA's Conduct Rules, and have received appropriate training and guidance.</li> </ul>

## A spotlight on the impact of COVID-19

# Q&A

Addressing our stakeholders' concerns around the global pandemic. Identifying, reviewing and responding to the impact of COVID-19 on our strategic objectives.

**Q.**  
How do you expect costs and capital returns to change post COVID-19?

**A.** During the pandemic, we made the decision to reduce costs mainly through cutting discretionary marketing spend in periods where our customers were forced to close their forecourts. Post COVID-19, we do not expect to see a significant change to our underlying cost base as a result of the pandemic.

Despite the challenging trading conditions of the past year, the Group has remained cash generative and therefore the Directors are recommending a final dividend for the year of 5.0p and the resumption of its share buyback programme. The Group's long-term capital allocation policy remains largely unchanged: continuing to invest in the business, enabling it to grow whilst returning around one third of net income to shareholders in the form of dividends. Having reduced our debt position, any surplus cash following these activities will be used for share buybacks.

**Q.**  
How could the 2030 petrol and diesel car ban impact the Group?

**A.** As outlined in the Market overview on pages 12 to 15, the demand for electric vehicles ('EVs') has continued to grow over the past year, accelerated by the Government's announcement to ban the sale of petrol and diesel cars by 2030. This change will have huge implications on the UK car parc and the automotive industry.

As the UK's largest automotive marketplace, we will support our manufacturer and retailer customers to advertise these vehicles. We will also support consumers with their research and purchase decisions through providing clear and transparent information, such as total cost of ownership data, to help them in their purchasing decision.

**Q.**  
Has COVID-19 accelerated the change in the move to online sales for vehicles and how does this impact you?

**A.** The COVID-19 pandemic has seen a change in consumers' buying behaviour with an increasing number of transactions being completed online and away from the retailer's physical showroom. We believe that many of the processes that currently take place offline are ready to be digitised and enabling more of the car buying journey to be done online is a key strategic focus for our business. This forms the basis of our future growth horizon.

The pace of change has increased as a result of the pandemic with growing demand from consumers for more of the car buying process to be available online. Over the past year, supporting our future growth horizon, we have developed and launched a Guaranteed Part-Exchange product that provides consumers with a convenient way to dispose of their vehicle, and digitises a core component of the buying journey. We also acquired AutoConvert, a finance, insurance and compliance software platform. The business's core functionality will help us deliver our future finance product on Auto Trader, which should enable finance agreements to be completed online. We are also developing a way for consumers to reserve a car with a retailer on Auto Trader.

**Q.**  
How do you think retailers will perform over the next 12 months as lockdown restrictions ease?

**A.** We saw good levels of consumer demand as we ended the year, with trends in audience and leads continuing to grow. Some pent up demand in the market should provide retailers with the opportunity for good performance over the next 12 months, however it is likely there may be supply constraints in the market, as we saw coming out of previous lockdowns.

## Viability statement

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

### Assessment of prospects

The Group's overall strategy and business model, as set out on pages 28 to 31, and pages 18 and 19, respectively, are central to assessing its future prospects. The Group's purpose is to drive change in how cars are bought and sold, to move more of the shopping process online and to enable retailers to digitise their businesses.

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

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

The Board has determined that a period of three years to March 2024 is the most appropriate period to provide its viability statement due to:

- it being consistent with the Group's rolling three-year strategic planning process;
- it reflects reasonable expectations in terms of the reliability and accuracy of operational forecasts; and
- projections looking out further than three years become significantly less meaningful given the pace of change in the digital automotive market.

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



The output of the annual review process is a set of objectives which the Group determines to be its focus areas, an analysis of the risks that could prevent the plan being delivered, and the annual financial budget. The latest updates to the plan were finalised in April 2021, which considered the Group's current position and its prospects over the forthcoming years.

Detailed financial forecasts that consider customer numbers, stock levels, ARPR, revenue, profit, cash flow and key financial ratios have been prepared for the three-year period to March 2024. Funding requirements have also been considered, with particular focus on the ongoing compliance with the covenants attached to the Group's Syndicated revolving credit facility ('RCF').

The first year of the financial forecasts is based off the Group's 2022 annual budget. The second and third years are prepared in detail and are flexed based on the actual results in year one. Progress against financial budgets, forecasts and focus areas are reviewed monthly by both the Operational Leadership Team and the Board.

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

- continued growth in Trade revenue as we develop the core advertising platform and we continue to invest in the online car buying experience;
- growth in adjacent areas of new car and product developments to further embed our data into the industry, giving buyers and retailers up-to-date insight; and
- increase in costs through salaries as the Group continues to grow to support and develop new products.

These key assumptions are reflected in the Group's principal risks and uncertainties, which are set out on pages 64 to 69. The purpose of the principal risks is primarily to summarise those matters that could prevent the Group from delivering on its strategy. A number of other aspects of the principal risks – because of their nature or potential impact – could also threaten the Group's ability to continue in business in its current form if they were to occur. This was considered as part of the assessment of the Group's viability, as explained below.

#### Assessment of viability

The output of the Group's strategic and financial planning process detailed previously reflects the Board's best estimate of the future prospects of the business. To make the assessment of viability, however, additional scenarios have been modelled over and above those in the ongoing plan, based upon a number of the Group's principal risks and uncertainties which are documented on pages 64 to 69. These scenarios were overlaid into the plan to quantify the potential impact of one or more of these crystallising over the assessment period.

While each of the Group's principal risks has a potential impact and has therefore been considered as part of the assessment, only those that represent severe but plausible scenarios have been modelled through the plan. These were:

#### Scenario 1: continued impact from the pandemic

[Link to risks: COVID-19 and Economy, market and business environment.](#)

The COVID-19 global pandemic and the impact to the UK economy have been considered. Government restrictions resulted in the temporary closure of retailer forecourts and impacted on consumer buying behaviour for large portions of FY21. Through the lockdown periods, the Group provided free advertising for retailers to support our customers and maintain live stock on site.

In this scenario we assume that after the lessening of lockdown restrictions in April 2021, another wave returns resulting in a further lockdown, closing retailer forecourts, that lasts for a five-month period from November 2021 to March 2022. Through this period, we have assumed that retailer advertising is once again made free of charge, resulting in a 99% decrease in Retailer revenue across those months.

We have also assumed a 75% decrease in Consumer Services revenue and an 85% decrease in revenue from Manufacturer and Agency.

Following this period, it is assumed that there is a recovery and the Group reverts to its normal charging model, however a negative long-term impact is expected on retailer numbers. Cost savings in the year have been assumed mainly through a reduction in marketing spend as well as applicable cost saving measures during the period of further lockdown.

#### Scenario 2: data breaches

[Link to risks: COVID-19, IT systems and cyber security, and Brand.](#)

The impact of any regulatory fines has been considered. The biggest of these is the General Data Protection Regulation ('GDPR') fine for data breaches, which was enacted in May 2018. This scenario assumes a data breach resulting in the maximum fine, coupled with a significant level of reputational damage to the Group's brand.

As a result of the data breach, a severe reduction in revenue was modelled through Trade, resulting in an initial 50% decrease in revenue driven by lost retailers. An initial 40% decrease in Consumer Services and a 55% decrease in Manufacturer and Agency revenue was also assumed through the loss of consumer and partner confidence. Modest recovery was assumed after the data breach for the remainder of the financial year to March 2022. Marketing

costs were increased to model a potential need to increase traffic. Both scenarios consider the biannual covenants attached to the Group's Syndicated RCF ensuring thresholds are met. The scenarios are hypothetical and severe for the purpose of creating outcomes that have the ability to threaten the viability of the Group.

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

#### Viability statement

Based on their assessment of prospects and viability above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period ending March 2024.

#### Going concern

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

The Company's Strategic report, set out on pages 2 to 71, was approved by the Board on 10 June 2021 and signed on its behalf by:

**Nathan Coe**  
Chief Executive Officer  
10 June 2021