

Our risk management arrangements

The Board is collectively responsible for determining the nature and extent of the principal risks the Group is willing to take in achieving its strategic objectives.

Risk management and internal control

The Company does not have a separate Risk Committee; instead the Board as a whole is collectively accountable for determining the nature and extent of the principal risks Auto Trader is willing to take in achieving its strategic objectives.

The Board is also accountable for establishing and maintaining the Group's system of risk management and internal controls. It receives regular reports from management identifying and evaluating our response to key risks. Our risk management framework is described opposite.

Our risk management process

Effective risk management is critical if we are to achieve our strategic objectives, to achieve sustainable long-term growth, and ultimately to achieve our purpose of Driving Change Together. Responsibly.

A four-step process is adopted to help us manage our principal risks. OLT members are responsible for identifying, assessing,

mitigating and monitoring risks, and reporting against these risks.

The Governance, Risk and Compliance function facilitates this process and supports the OLT in designing responses to risks, thereby ensuring that the response is aligned to the Group's risk appetite. The risk management process can be summarised as follows:



Risk appetite

The Board has considered the nature and extent of the principal risks Auto Trader currently faces, the potential risks we expose ourselves to as we proceed with our strategy, and the wider market, economy and business environment. The Board has set its risk appetite accordingly, which can be summarised as follows:

Flexible

Auto Trader acknowledges that, in some circumstances, fast-paced and innovative development of new products within the technology space presents significant opportunities and taking advantage of these opportunities may result in financial loss. We consider the opportunities can outweigh the downside risks, and therefore, in pursuit of our strategic objectives, we are flexible about taking risks which relate to product innovation, addressing competitive threats, and/or making the most of market opportunities.

Cautious

As we pursue our strategic objectives, we must remain cognisant of the potential for them to have conflicting impacts on our stakeholders, including employees, suppliers and third parties, and the environment. Owing to the potential for these risks to have significant knock-on impacts across a wide range of categories, we are cautious about taking risks in relation to such areas.

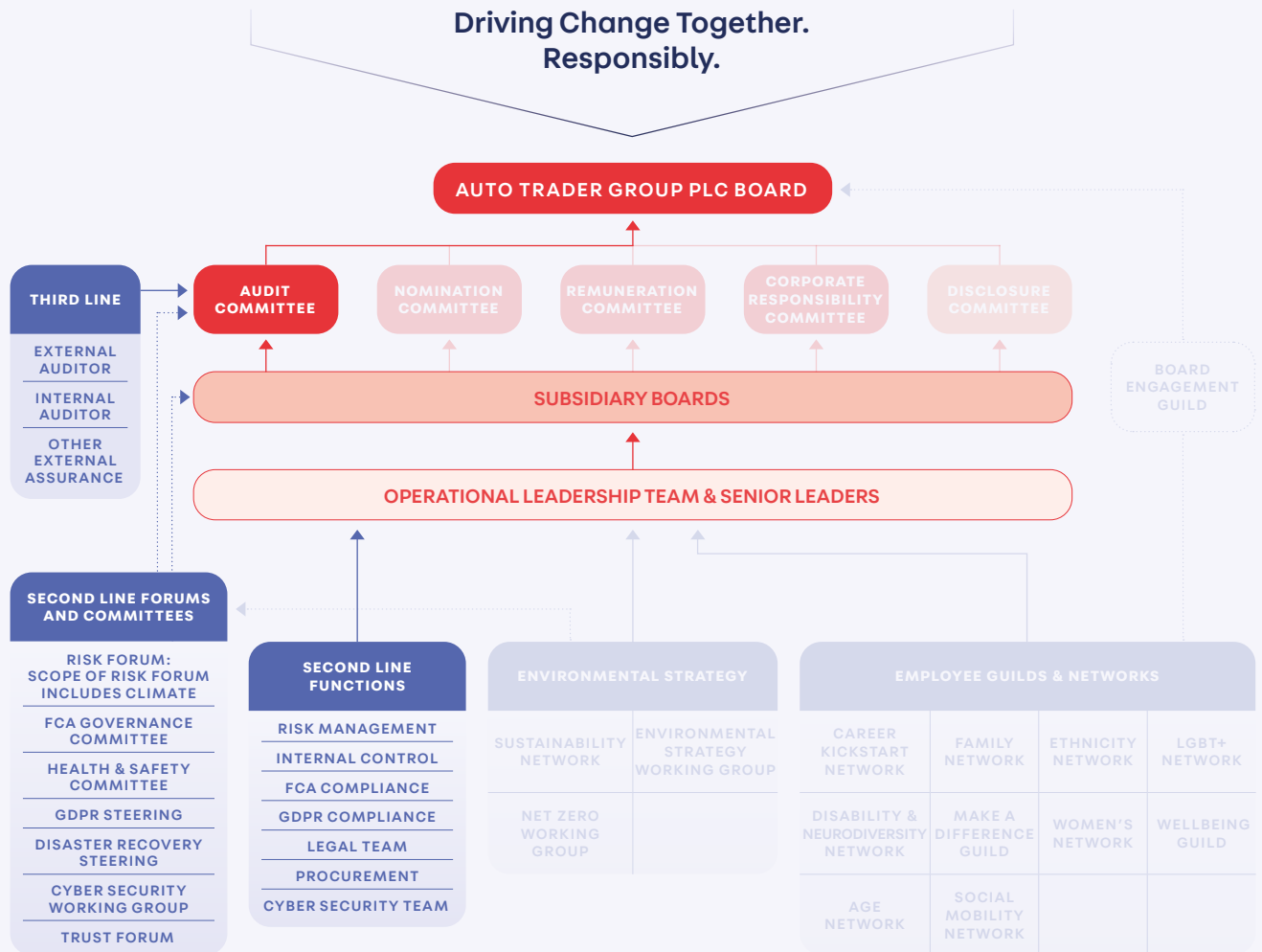
Averse

We are averse to taking risks which conflict with our values; risks which could damage our reputation; risks which threaten the security of our systems and technology; risks leading to a breach of laws, regulations or financial covenants; and/or risks which could compromise the organisation's going concern status. Across these categories we take all reasonable steps to ensure our business activities do not give rise to significant risk of damage to our stakeholders, and in pursuing our strategic objectives we are averse to exposing ourselves to higher levels of risk knowingly.

Our risk management framework

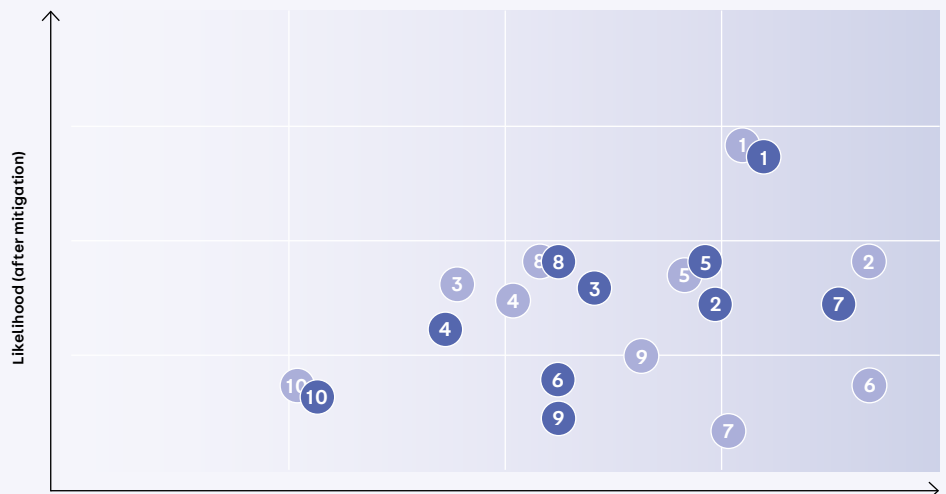
The Group’s principal risks are recorded within a risk register which captures details of each risk and the root causes; likelihood of the risk occurring; the impact if it does occur; and details of the actions being taken to manage the risk.

The Board considers whether, given the strategy and risk appetite of the Group, the mitigations are reducing the risk to an acceptable level.



Our risk assessment matrix

The risk landscape has continued to evolve over the last 12 months, and we expect changes to continue in the coming year. Our view in 2023 is that the principal risks to Auto Trader are a) those which could result in fundamental changes to the automotive retail industry, and b) those which could prevent us achieving our strategic objectives. Accordingly, our strategy is linked intrinsically to our principal risks. We have taken great strides in the last year to manage these risks. Examples include the launch of Deal Builder and improvements to our core marketplace products. However, to execute our strategy, it is crucial we protect ourselves against the threats to achieving our strategic objectives. The following pages provide detail on each of our 10 principal risks and how we are responding to each risk.



- 1. Automotive economy, market and business environment
 - 2. Climate change
 - 3. Employees
 - 4. Reliance on third parties and partners
 - 5. IT systems and cyber security
 - 6. Failure to innovate: disruptive technologies and changing consumer behaviours
 - 7. Legal and regulatory compliance
 - 8. Competition
 - 9. Brand and reputation
 - 10. External catastrophic and geo-political events
- Current year
● Previous year