

Auto Trader Group plc (the “Company”)

The provision of non-audit services by the external audit firm

1. Introduction

This paper sets out the policy for the provision of non-audit services by the External Auditors to the Company and/or its subsidiaries (together, “the Group”). This policy is effective from 1 April 2017.

2. Objective

The External Auditors are primarily engaged to carry out statutory audit work. There may be other services (“non-audit services”) where the External Auditors are considered to be the most suitable supplier by reference to their skills and experience. The objective of this policy is to ensure that the provision of such services does not impair the external auditor’s integrity, objectivity or independence.

3. Non-audit services related to the statutory audit (“Audit-related services”)

Audit related services may be undertaken by the External Auditors in their role as auditor or reporting accountant. These would include the following types of services:

- Review of interim financial statements;
- Compliance certificates in relation to banking facilities, loan agreements or covenants;
- Reports to regulators required by statute or regulations; and
- Reviews commissioned by the Audit Committee (subject to the services not being prohibited).

4. Acceptable non-audit services

In the absence of any apparent threat to independence, or where the External Auditor has put in place appropriate and sufficient safeguards, the External Auditors may be considered to supply services that are routine in nature and where the fee is not significant in the context of the audit fee. This would include services of the following types:

- Mergers, acquisition, disposals and joint venture work, including due diligence;
- Benchmarking services;
- Review or audit of Completion accounts;
- Liquidation/dissolution advice in relation to subsidiary companies;
- Corporate governance advice;
- Work in connection with any transaction which requires a circular
- Work relating to capital raising i.e. debt, leases or equity; or
- Agreed upon procedures or reports provided to management in relation to particular transactions.

The above list is non-exhaustive. Services which are not listed above (and are not prohibited) may be acceptable, and must be referred to the Audit Committee for approval as outlined in section 6 below.

5. Prohibited non-audit services

In line with the EU Audit Reform, the following services cannot be provided by the External Auditor to the Group:

- Tax services relating to:
 - payroll tax,
 - customs duties,
 - preparation of tax forms*
 - identification of public subsidiaries and tax incentives (unless support from the audit firm is required by law)*
 - support regarding tax inspections (unless support from the audit firm is required by law)*
 - calculation of direct and indirect tax and deferred tax*
 - provision of tax advice*
- Services that involve playing any part in the management or decision-making of the Group;
- Bookkeeping and maintenance of accounting records or preparation of financial statements;
- Payroll services;
- Designing and implementing internal control or risk management procedures related to the preparation and/or control of financial information or designing and implementing financial information technology systems;

- Valuation services including actuarial valuation services or litigation support services*;
- Legal services, with respect to:
 - the provision of general counsel,
 - negotiating on behalf of the Group or
 - acting in an advocacy role in the resolution of litigation;
- Services related to the Group's internal audit function;
- Corporate finance type services:
 - Services linked to the financing, capital structure and allocation and investment strategy of the Group, except providing assurance services in relation to the financial statements, such as the issuing comfort letters in connection with prospectuses issued by the audited entity.
 - Promoting, dealing in or underwriting shares in the Group;
- HR services:
 - Recruitment services in respect of management in a position to exert significant information over the preparation of the accounting records or financial statements which are the subject of the statutory audit;
 - Structuring the organisation design;
 - Cost control;
- Any other work where the auditor's integrity, objectivity or independence are compromised by the threat of self-interest, self-review, management, advocacy, familiarity or intimidation.

****Services subject to derogation: these services may still be provided, subject to audit committee approval and after an assessment of threats, if the following requirements are complied with:***

- ***No direct (or in the view of an objective, reasonable and informed third party) an inconsequential effect, separately or in aggregate on financial statements***
- ***Estimated of the effect on the financials is comprehensively documented and explained in the additional report to the audit committee***
- ***In line with the principles of independence***
- ***The audit firms would not plan significant reliance on the work performed by the audit firm in performing these services to the purposes of the audit of the financial statements***

6. Safeguards

In order to provide safeguards to auditor independence in the provision of non-audit services the following safeguards are in place:

Approvals

Except in exceptional circumstances related to urgent transactions, the Audit committee must approve the provision of all non-audit services by the external auditors.

- A Cap will be set annually, calculated as the higher of £200,000 and 70% of the average audit fees paid to the audit firm in the last three consecutive years.
- Audit related services and Acceptable non-audit services, as set out above, are considered to be approved by the Audit Committee to a level of £100,000 for each individual engagement.
- Audit related services and Acceptable non-audit services in excess of £100,000 for the individual engagement, or where the engagement would result in the aggregate of non-audit services for that financial year to exceed the Cap, must be approved by the Audit Committee before commencement of the work.
- Prohibited non-audit Services which are considered to meet the criteria for derogation must always be approved by the Audit Committee before the work commences, regardless of value.

In exceptional circumstances related to urgent transactions, the Chair of the Audit Committee may approve the engagement on behalf of the Audit Committee.

Reporting

The Audit Committee shall receive reports twice a year detailing the fees paid to External Auditors for the provision of non-audit services

The Report of the Audit Committee in the Annual Report of the Company will disclose the total expenditure on non-audit services provided by the External Auditor, and will explain the nature of those services and how auditor independence and objectivity has been safeguarded.