



FY19

Corporate Governance Statement

carsales  com ltd

ABN 91 074 444 018

Introduction

The Board of carsales.com Ltd (the **Company**) is responsible for the governance of the Company and its controlled entities (the **Group**).

The Board is committed to achieving and demonstrating the highest standards of corporate governance and transparency, and ensuring that good corporate governance is a fundamental part of the culture and business practice of the Group.

The Board also continually reviews the governance framework and practices of the Company to ensure that they meet the interests of all stakeholders.

A description of the Group's main corporate governance practices are set out in this report.

All of these practices, unless otherwise stated, were in place for the entire year and comply with the *ASX Corporate Governance Principles and Recommendations (Third Edition)*.

The Board of Directors

(Corporate Governance Principles and Recommendations 1.1, 1.3, 1.4, 2.3, 2.4, 2.5, 3.1)

Board responsibilities

The Board adopted a formal charter in July 2012 (updated in July 2019) which details its functions and responsibilities.

A copy of the Board Charter is available in the Investor Centre of the Company website at <http://shareholder.carsales.com.au/Investor-Centre/>.

The Board's responsibilities, as detailed in the Board Charter include:

- protecting and enhancing the value of the assets of the Company;
- setting the strategic direction of the Company and monitoring and reviewing strategic objectives;
- reviewing and ratifying internal controls, codes of conduct and legal compliance;
- reviewing the Company's accounts;
- reviewing and approving the operating budget and strategic plan for the Company;
- evaluating performance and determining the remuneration of the Managing Director;
- ensuring the significant risks facing the Company have been identified and adequate control monitoring and reporting mechanisms are in place;
- approval of transactions relating to acquisitions, divestments and capital expenditure above delegated authority limits;
- approval of financial and dividend policy; and
- appointment of the Managing Director.

Matters specifically reserved for the Board

The Board has reserved for itself the following matters, which are in addition to any matters expressly required by law or other regulation to be approved by the directors:

- setting the corporate objective of the Company and approving business strategies and plans of the Company designed to meet that objective;
- reviewing the composition of the Board and Board Committees, the independence of directors, the Board's performance and carrying out succession planning for the chairman and other non-executive directors;
- reviewing the performance of management and the Company, including in relation to corporate governance, risk management, internal controls and compliance frameworks, systems, policies and processes adopted by the Company;
- appointing and removing the Managing Director and carrying out succession planning for the Managing Director as applicable;
- reviewing the performance of the Managing Director, his/her remuneration and contractual arrangements;
- appointing and removing the Executive Leadership Team on the recommendation of the Managing Director;
- reviewing the remuneration of the Senior Executives on the review and recommendation of the Managing Director;
- appointing and removing the Company Secretary;
- dealing with any matters in excess of any specific delegations that the Board may from time to time delegate to the Managing Director and the Executive Leadership Team; and
- approving the communication to shareholders and to the public of the half-year and full-year results and generally any public statements which reflect issues of the Company's policy or strategy that the Board deems material.

The Executive Leadership Team comprises the Managing Director and 9 other Executives as set out in the FY19 Annual Report.

Board Composition and Independence

The Company's constitution includes provisions for the number of directors, casual vacancies and additional directors, appointment and removal of directors by General Meeting and retirement of directors. The Company's constitution specifically provides that the Company is to have not less than three, nor more than twelve directors.

At the date of this Corporate Governance Statement, the Board consists of the following directors:

Name	Position	Date appointed
Mr Cameron McIntyre	Managing Director and CEO	17 March 2017
Mr Pat O'Sullivan	Independent Non-Executive Chair	29 June 2007, appointed to Chair 4 January 2019
Mr Wal Pisciotta OAM	Non-Independent Non-Executive Director	25 June 1996
Ms Kim Anderson	Independent Non-Executive Director	16 June 2010
Ms Edwina Gilbert	Independent Non-Executive Director	27 April 2016
Mr Kee Wong	Independent Non-Executive Director	9 July 2018
Mr David Wiadrowski	Independent Non-Executive Director	23 May 2019

Board biographies are available in the FY19 Annual Report which is available from <http://shareholder.carsales.com.au/Investor-Centre>.

The Board has one alternate director, Mr Steven Kloss, who was appointed on 28 October 2005 by Mr Pisciotta. The role of the alternate director is to attend Board meetings and act as a voting alternate for the appointing full director if he is unable to attend a Board meeting. Mr Kloss is invited to all Board meetings to remain abreast of the matters affecting the Company which enables him to act effectively in the Alternate Director role, but does not vote in respect of Board decisions unless Mr Pisciotta is absent.

As can be seen from the above table, a majority of the Company's directors are independent, and the Chair of the Board is independent.

All directors, whether independent or not, are required to act in the best interests of the Company and to exercise unfettered and independent judgment.

The independence of each of the non-executive directors is reviewed by the Board, at least annually. In assessing the independence of directors, the Board has regard to the provisions of the ASX Corporate Governance Council, 'Corporate Governance Principles and Recommendations' (Third edition).

The Company defines an independent director as a non-executive director (i.e. not a member of management) who is free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of his or her unfettered and independent judgment and ability to act in the best interests of the Company.

When assessing the independent status of a director, the Board will consider whether the director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is employed, or has previously been employed in an executive capacity by the Company or another Group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional adviser or a material consultant to the Company or another Group member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has a material contractual relationship with the Company or another Group member other than as a director;

- has close family ties with any person who falls within any of the categories described above; and
- has been a director of the entity for such a period that his or her independence may have been compromised.

In assessing each director's independence the Board will consider the effect of a director's business and other relationships and interests from the perspective of both the Company and the director. The Board may determine that a director is independent notwithstanding the existence of a relationship of the kind referred to above.

It is considered that all non-executive directors are independent except Mr Wal Pisciotta due to his shareholding and previous role as Chairman of Pentana Solutions Pty Ltd, which has historically had a material contractual relationship with the Company.

One Company director, Ms Edwina Gilbert is involved in automotive dealerships which use the Company's services. All dealings with the relevant dealerships are on arm's length terms, identical to those of other dealerships using the Company's services. The Board recognises the value of having its most significant customer base represented on the Board and does not consider the existence of standard contractual arrangements between the Company and entities associated with dealer directors to impact independence. In FY19 these purchases amounted to \$422,708, less than 0.1% of the Company's Australian dealer revenues.

One of the Company's directors, Mr Pat O'Sullivan, has served on the Board for 12 years. The Board believes that Mr O'Sullivan continues to act as an effective independent director. Mr O'Sullivan brings unparalleled attention to detail on all matters financial and regulatory for the Company as well as valuable corporate history. He demonstrates unwavering willingness to question, challenge and provide independent counsel to the Board and the Executive Leadership Team based on his extensive skills and experience and has not formed associations with management of the Company that are considered to impact his ability to exercise independent judgement.

One of the Company's directors, Mr Wiadrowski, is entitled to receive payments from PwC, the Company's auditor, as part of a retirement plan. The payments are based on a set formula relating to Mr Wiadrowski's partnership and tenure with PwC. The amount is fixed and is not dependent on the revenues, profits or earnings of PwC. The Board is satisfied that this is not a conflict of interest however, has in place appropriate safeguards to address any potential conflicts of interest if they were to arise.

Board diversity

All members of the Board are strong supporters of the Company's efforts in achieving diversity and inclusion. In particular, the Remuneration and Nomination Committee includes diversity factors in its consideration of the qualities desired for new candidates and in the general Board renewal plans.

Board Committees

The Board has established three committees to assist it in the administration of its responsibilities.

These are an Audit Committee chaired by Mr David Wiadrowski, a Remuneration and Nomination Committee chaired by Ms Kim Anderson and a Risk Management Committee chaired by Ms Edwina Gilbert. Each Board committee operates under a formal charter that is made publicly available in the Investor Centre of the Company website at <http://shareholder.carsales.com.au/Investor-Centre/>.

Further details of the committees, their composition and responsibilities are set out in the relevant sections below.

Relationship between directors and management

Subject to the Company's constitution and matters specifically reserved for the directors, the directors delegate responsibility for day-to-day management of the Company to the Managing Director. The non-executive directors do not participate in the day to day affairs or management of the Company.

Role of the Chair

The role of the Chair is set out in the Board Charter and includes being responsible for managing the Board effectively, providing leadership to the Board and being the interface with the Managing Director.

The Chair has the authority to act and speak for the Board and liaise with the Company's stakeholders between meetings, subject to any agreed consultation processes.

The performance of the Chair is assessed by the Board annually.

Role of the Managing Director

The Managing Director has responsibility for the day-to-day management of the Company, providing leadership and managing and overseeing the interfaces between the Company and the public and acts as the principal representative for the Company.

Role of the Company Secretary

The Company Secretary, Ms Nicole Birman, is directly accountable to the Board and reports to the Chair in respect of all matters of Board operation. All directors are able to communicate directly with the Company Secretary and vice versa.

The role of the Company Secretary includes:

- monitoring Board policy and procedures are being followed;
- coordination of Board business, including agendas, papers and accurately capturing the business of the Board and committees in minutes;
- facilitating the induction of new directors; and
- attending to governance and regulatory matters.

Access to independent professional advice

The Board and each Board committee has authority to retain, at the Company's expense, such legal, accounting or other advisers, consultants or experts as it considers necessary from time to time in the performance of its duties.

An individual director may engage separate independent counsel or advisors, at the expense of the Company in appropriate circumstances.

Management of conflicts and declaration of interests

The Company has and follows strict procedures for the management of any real or potential conflicts of interests involving directors. These procedures comply with Corporations Act requirements, and are designed to ensure that conflicted directors do not take part in the discussion or decision-making process on potential conflict-causing issues. On this basis, it is believed that a director who may be conflicted on a particular matter is able to maintain his or her independence on all other issues.

Directors are required to take all reasonable steps to avoid actual, potential or perceived conflicts of interests. The Corporations Act 2001 and the Company's constitution require directors to disclose any conflicts of interest and, in certain circumstances, to abstain from participating in any discussion or voting on matters in which they have a material personal interest.

It is expected that directors will be sensitive to actual and perceived conflicts of interest that may arise and it is something to which they are expected to give ongoing consideration in view of the dynamic and rapidly changing nature of the Company's business.

The Board has developed procedures which must be followed:

- by a director who believes he or she may have a conflict of interest or material personal interest;
- for the holding of or the continuation of a meeting where it is proposed that a meeting will discuss any matter which gives rise or may give rise to a conflict or a real sensible possibility of a conflict of interest; and
- for the monitoring and reporting of a director's interest to ensure that the company complies with the obligations pursuant to the Corporations Act 2001 and the ASX Listing Rules.

The Company maintains a register of Director's interests that all Director's are required to keep up to date with any related parties to themselves and other interests that may be relevant to the Company.

Entities connected with the directors that had material business dealings with the Group during the year are described in the 2019 Annual Report which is available in the Investor Centre of the Company website at <http://shareholder.carsales.com.au/Investor-Centre>. In accordance with the Board Charter, the directors concerned declared their interests in those dealings to the Company and took no part in decisions relating to them or the preceding discussions. In addition, those directors did not receive any papers from the Company pertaining to those dealings.

Board Skills and Appointments

(Corporate Governance Principles and Recommendations 1.2, 1.3, 2.1, 2.2, 2.6)

Board Skills Matrix

Each year, the Board assesses the skills and experience present on the Board and considers this alongside the skills and experience that are desirable to be represented on the Board.

The Board conducted its annual review of its skills and experience for FY19 and the results are set out below:

Skill / Experience	No of directors / 7
Executive management, leadership & strategy Directors who have experience at an executive level, who are able to properly evaluate the performance of the CEO and the Executive Leadership Team and oversee strategic organisational and human resources initiatives.	7
Governance / risk management Experience sufficient to identify, assess and monitor key risks in the Company in a wide range of areas.	7
ASX experience Experience on the Board or as an executive for an ASX listed company, providing a familiarity with ASX rules including the requirement for continuous disclosure.	6
Finance / Accounting Qualification or extensive experience in accounting and / or finance and the ability to analyse and critically assess financial statements, viability and performance; contribute to strategic financial planning; and oversee budgets and funding arrangements.	6
Legal Qualification or extensive experience in the law, with the ability to contribute to the assessment of the legal risk profile of the Company.	2
Marketing Knowledge and experience in the strategic use of marketing and its inter-relationship with sales and product.	4
People & culture Experience in managing people, including the ability to evaluate the CEO and the Executive Leadership Team performance, oversee strategic human resource management, workplace culture and the promotion of diversity and inclusion.	6
IT / product Knowledge and experience in the strategic use of information technology and design of product, particularly in relation to online businesses.	5
Business development / M&A Knowledge and experience in identifying and assessing business development opportunities, in particular experience in negotiating, assessing commercial terms and completing mergers and acquisitions.	7
Industry knowledge – automotive Knowledge, experience and networks in the automotive industry, either through direct involvement or through the provision of services to the industry.	3
Industry knowledge – online Knowledge, experience and networks in the online industry, with a keen understanding of current trends and the ability to discuss upcoming developments.	7
International experience Knowledge and experience in markets outside of Australia, particularly experience in geographical areas in which the Company has interests, including Asia and Latin America.	4

Relevant information relating to each Board member is set out in the Company's Annual Report to shareholders. In addition, information about directors up for election or re-election is contained in the notice of meeting for the relevant Annual General Meeting sent to shareholders. This provides shareholders with sufficient information to form a view on each director's role and their suitability for election or re-election.

The Board considers that all necessary skills and experience are adequately represented on the Board.

Remuneration and Nomination Committee

The Board has established a Remuneration and Nomination Committee. From 1 July 2018 – 23 May 2019 the Committee consisted of the following directors, all of which were independent:

- Ms Kim Anderson - Committee Chair
- Mr Pat O'Sullivan
- Ms Edwina Gilbert

From 23 May until the end of FY19, the Committee consisted of the following directors, three of which are independent:

- Ms Kim Anderson - Committee Chair
- Ms Edwina Gilbert
- Mr Kee Wong
- Mr Wal Pisciotta

When a new director is to be appointed, the Remuneration and Nomination Committee reviews the range of skills, experience and expertise on the Board, identifies its needs and prepares a short-list of candidates with appropriate skills and experience. The Remuneration and Nomination Committee ensures that appropriate checks are undertaken prior to appointing a director. These checks may include references and police checks. Where necessary, advice is sought from independent search consultants.

The Board then appoints the most suitable candidate who must stand for election at the next Annual General Meeting of the Company.

The responsibilities the committee may undertake in its nomination function include:

- considering the appropriate size and composition of the Board;
- establishing plans for identifying, assessing and enhancing director competencies;
- establishing processes for evaluation of the performance of the Board, its committees and directors;
- reviewing the skills, experience and expertise represented on the Board and determining whether those skills meet the required skills identified;
- recommending changes to the membership of the Board;
- making recommendations to the Board on candidates it considers appropriate for appointment;
- reviewing a retiring non-executive director's performance and making recommendations to the Board as to whether the Board should support the nomination of a retiring non-executive director; and
- reviewing the Company's succession planning to maintain an appropriate balance of skills, experience and expertise on the Board.

A copy of the Remuneration and Nomination Committee Charter is made publicly available in the Investor Centre of the Company website at <http://shareholder.carsales.com.au/Investor-Centre/>

During the course of FY19 there were 4 meetings of the Remuneration and Nomination Committee. Details of attendance of those meetings are:

Director name	Number of Remuneration and Nomination Committee meetings during tenure	Number of Remuneration and Nomination Committee meetings attended
Kim Anderson (Chair)	4	4
Pat O'Sullivan	3	3
Edwina Gilbert	4	4
Kee Wong	1	1
Wal Pisciotta	1	0

A = Number of committee meetings held during the time the director was a member of the committee
B = Number of meetings attended

Appointment & re-election of Board members

The Company has developed a 'Procedure for the selection and appointment of directors' which is made publicly available in the Investor Centre of the Company website.

In addition to the specific skills, knowledge and experience deemed necessary for a suitable candidate, consideration is given to:

- the extent to which the candidate is likely to contribute to the overall effectiveness of the Board and work constructively with the existing directors;
- the integrity of the candidate;
- whether the candidate would be prepared to question, challenge and offer critiques;
- whether the candidate had a proven track record of creating value for shareholders;
- a commitment by the candidate to the highest standards of governance;
- the nature of existing positions held by the appointee including directorships or other relationships and the impact that each may have on the appointee's ability to exercise an independent judgment; and
- whether the candidate will bring an independent point of view to the Board's decision making process.

The composition of the Board is reviewed annually by the Board and the Chair to assess the Board's effectiveness.

Induction and training of directors

Non-executive directors do not have formal service contracts with the Company. The appointment of any new director is made by, and in accordance with, a formal letter of appointment which details the key terms and conditions relative to that appointment, including:

- term of appointment, and the requirement to stand for election at the next Annual General Meeting following appointment, and at least every three years thereafter;
- time commitment expected;
- duties and responsibilities;
- remuneration;
- disclosure obligations; and
- confidentiality.

All new directors appointed undertake an induction program, coordinated by the Company Secretary, to assist them in fulfilling their duties and responsibilities and to gain an in depth understanding of the Group. The induction program includes one on one meetings with the Managing Director, Chair and each other Director as well as each member of the Executive Leadership Team of the Company as well as gaining an understanding of the various codes of conduct and charters of the Board and Company.

The induction program ensures that new directors are appropriately introduced to the Company, its operations and personnel and is acquainted with the industry within which the Company operates.

In addition, regular Board meetings include updates from Executive Leadership Team members to ensure that all directors remain up to date in their knowledge of relevant industries and governance responsibilities. To assist directors to better understand the Company's international operations, Board members have visited various overseas investments of the Company.

Appointment of the Executive Leadership Team

On appointment, each member of the Company's Executive Leadership Team sign formal employment contracts setting out the terms of their employment and notice period. A summary of the terms of employment for members of the Executive Leadership Team who have the responsibility and authority for planning, directing and controlling the activities of the Company (Senior Executives) is included in the Remuneration Report in the FY19 Annual Report available in the Investor Centre of the Company website at <http://shareholder.carsales.com.au/Investor-Centre>.

Board and Executive Evaluation and Codes of Conduct

(Corporate Governance Principles and Recommendations 1.3, 1.6, 1.7, 3.1)

The Company has developed a process for evaluation of performance of the Board, Board committees, individual directors and the Executive Leadership Team. This process is documented and made publicly available in the Investor Centre of the Company website.

Board performance assessment

The process for Board performance assessment involves an annual review of various aspects of the performance of the Board including the efficacy of meetings, quality of Board papers and reports, and performance of the Chair and the Board committees.

In relation to the performance of individual directors, regular dialogue and feedback takes place during the year between the Chair and directors.

An assessment of Board performance has been conducted during the year.

The Executive Leadership Team performance reviews

The performance of the Managing Director and his direct reports are evaluated annually in accordance with the published process for evaluation of performance.

All direct reports of the Managing Director are evaluated by the Managing Director and the performance evaluation of the Managing Director is facilitated by the Chair, with ultimate oversight by the Board.

The evaluation of the Managing Director involves an assessment of a range of factors including the overall performance of the Company and the achievement of specific pre-determined goals.

During the reporting period, a performance evaluation for Executive Leadership Team members (including the Managing Director) has taken place in accordance with this process.

Code of Conduct

The Company, including its directors and the Executive Leadership Team, is committed to maintaining the highest standards of integrity and seeks to ensure all its activities are undertaken with efficiency, honesty and fairness.

The Company has developed a 'Code of Conduct' (**Code**) which has been fully endorsed by the Board and applies to all directors and employees. The Code is designed to ensure that it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity and to take into account legal obligations and reasonable expectations of the Company's stakeholders.

In summary, the Code requires that at all times all Company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Company policies.

A copy of the Company's 'Code of Conduct' is made publicly available in the Investor Centre of the Company website at <http://shareholder.carsales.com.au/Investor-Centre>.

The Company maintains a high level of transparency regarding its actions consistent with the need to maintain the confidentiality of commercial-in-confidence material and, where appropriate, to protect shareholders' interests.

Diversity and Inclusion

(Corporate Governance Principles and Recommendations 1.5)

The Company is committed to creating a diverse and inclusive work environment, with particular focus on gender equality. This commitment is outlined in detail in the Company's 2019 Environmental, Social and Governance Report titled 'Driving the Future: Our Sustainable Business' which is publicly available in the Investor Centre on the Company website at

<http://shareholder.carsales.com.au/Investor-Centre>.

A diverse and inclusive working environment provides a wide range of perspectives, innovation, engagement and improved operational performance. To achieve this environment, the Company promotes a workforce that embraces and respects diversity and inclusion through its Diversity Strategy.

The Company is proud to have been awarded the Workforce Gender Equality Agency (WGEA) Employer of Choice citation for four consecutive years (2016 - 2019) in recognition of its systematic and strategic approach to achieving a gender diverse workplace. The Company continues to strive to exceed the expectations of WGEA year on year.

On 11 June 2019, in accordance with the Workplace Gender Equality Act 2012, carsales submitted a report to WGEA. This report provided information on carsales' policies and gender diversity numbers across the business. This report is available in the Investor Centre on the Company website at

<http://shareholder.carsales.com.au/Investor-Centre>.

Also available in the Investor Centre on the Company website is the Company's Diversity Policy. This policy includes requirements for the Board to establish measurable objectives for achieving gender diversity and to assess both the objectives and the progress in achieving the objectives annually.

The objectives set by the Board, the initiatives implemented and progress towards achieving them are outlined below:

Objectives	Initiatives	Outcomes
Continue to grow the number of women in senior roles and professions where women are traditionally under represented.	<ul style="list-style-type: none"> • Reviewing all job advertisements to ensure gender neutral wording. • Ensuring female representation in all interview panels. • Ensuring that there is gender diversity in all succession planning reviews. 	<ul style="list-style-type: none"> • 45% of all appointments in FY19 were female. • 33% of all managerial appointments were female. • Our Executive Leadership Team is comprised of 30% females.
Continue to implement career development programs to prepare women within the business to take on more senior roles.	<ul style="list-style-type: none"> • Current initiatives include training and development programs that cover topics such as communication, presentation, management and influence skills training. • Continued development of our Next Gear Graduate Program. • carsales mentoring program which runs twice per year. 	<ul style="list-style-type: none"> • Achieved a 50/50 gender split in our 2019 and 2020 cohorts of graduates. • 37% of FY19 promotions went to female team members. • 32% female participation in our mentor program for FY19.
Foster an inclusive culture and environment in which women network and mentor each other to progress their careers within carsales.	<ul style="list-style-type: none"> • Support of internal networking opportunities such as our Women In Tech (WIT). • Delivery of internal and external coding workshops by our people. • Support of STEM related initiatives including the 	<ul style="list-style-type: none"> • Sponsored <i>Go Girl, Go For IT</i> and <i>Super Daughter Day</i> events both of which are focused on encouraging females to pursue STEM careers, and are attended by our female tech team members.

	<p>Women in STEM Decadel Plan, speaking on panel events relating to diversity and inclusion.</p> <ul style="list-style-type: none"> • Celebration of International Women's Day. 	<ul style="list-style-type: none"> • 19 team members participating in the Monash university mentoring program. • Fortnightly Women in Tech catch ups with a quarterly learning & development focus on topics such as AWS and data.
<p>Continue to enhance flexible workplace arrangements for both women and men. Enabling our people to manage work/life commitments and preferences.</p>	<ul style="list-style-type: none"> • 16 weeks paid primary carer's leave (plus five additional days of paid leave during the first months returning to work to assist with the transition). • In addition to our two weeks paid leave for secondary caregivers, we have also provided access to an additional 10 days of sick / carer's leave. • Ability to purchase additional one or two weeks of annual leave per year. • Early access to long service leave after seven years of continuous service (usually 10 years depending on state legislation) • Access to sick/carers leave to take up to two 'Refuel Days' per annum which can be used to do something such as take a day off to move house, to celebrate their birthday or simply just a mental health break. • Opportunity to purchase up to two weeks of additional annual leave per year. 	<ul style="list-style-type: none"> • In FY19 we had 24 female and 1 male employee take primary carer's leave, and 21 males take secondary carer's leave. • We had a 96% return to work rate following parental leave in FY19. • We've had 27 team members who are parents with caring responsibilities access formal flexible working arrangements.

Audit and Risk Management

(Corporate Governance Principles and Recommendations 1.1, 4.1, 4.2, 4.3, 7.1, 7.2, 7.3, 7.4)

Audit and Risk Management Committees

The Board has established an Audit and Risk Management Committee. On 23 May 2019, the Board elected to separate this Committee into two distinct committees – an Audit Committee and a Risk Management Committee.

From 1 July 2018 – 4 January 2019, the Audit and Risk Management Committee consisted of the following non-executive directors, all of whom are independent:

- Mr Pat O'Sullivan – Chair
- Ms Kim Anderson
- Ms Edwina Gilbert
- Mr Kee Wong (appointed 30 July 2018)

When Mr O'Sullivan assumed the position of Chair of the Board, he stepped down as Chair of the Audit and Risk Management Committee. Ms Gilbert stepped into the role as Interim Chair of the Committee, until Mr Wiadrowski's appointment on 23 May 2019.

Following Mr Wiadrowski's appointment, the Audit Committee consists of the following non-executive directors, all of whom are independent:

- Mr David Wiadrowski – Chair
- Ms Kim Anderson
- Ms Edwina Gilbert

The Risk Management Committee consists of the following non-executive directors, all of whom are independent:

- Ms Edwina Gilbert – Chair
- Mr David Wiadrowski
- Mr Kee Wong

The Audit and Risk Management Committees operate in accordance with charters which are publicly available in the Investor Centre of the Company website. Details of the qualifications and experience of each of the members of the committees is included in the Company's 2019 Annual Report, also available in the Investor Centre of the Company website.

The responsibilities of the committees include oversight and monitoring of:

- external reporting;
- external and internal audit;
- internal control and risk management; and
- related party transactions.

In fulfilling its responsibilities, the Audit Committee and Risk Management Committee:

- receives regular reports from management and the Company's external and internal auditors;
- reviews the processes that the Managing Director and Chief Financial Officer have in place to support their certifications to the Board;
- reviews any significant disagreements between the external auditors and management, irrespective of whether they have been resolved;
- meets separately with the external auditors as required throughout the year without the presence of management; and
- provides external and internal auditors with a clear line of direct communication at any time to either the Chair of the Audit Committee, Chair of the Risk Management Committee or the Chair of the Board.

The Audit Committee and Risk Management Committee each has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

During the course of FY19 there were 4 meetings of the Audit and Risk Management Committee.

Details of attendance of those meetings are:

Director name	Number of Audit and Risk Management Committee meetings during tenure	Number of Audit and Risk Management Committee meetings attended
Pat O'Sullivan (Chair until 4 January 2019)	4	4
Kim Anderson	4	4
Edwina Gilbert (Interim Chair from 4 January 2019)	4	4
Kee Wong	4	4

There was also 1 meeting of the Audit Committee and 1 meeting of the Risk Management Committee in FY19.

Details of attendance of those meetings are:

Director name	Number of Audit Committee meetings during tenure	Number of Audit Committee meetings attended
David Wiadrowski (Chair)	1	1
Kim Anderson	1	1
Edwina Gilbert	1	1

Director name	Number of Risk Management Committee meetings during tenure	Number of Risk Management Committee meetings attended
Edwina Gilbert (Chair)	1	1
David Wiadrowski	1	1
Kee Wong	1	1

External Auditor

The Company appoints external auditors who clearly demonstrate quality and independence.

The Company has a process to ensure the independence and competence of the Company's external auditor including the Audit Committee reviewing any non-audit work to ensure that it does not conflict with audit independence.

Information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners are detailed in the committee's charter referred to above. The performance of the external auditor is reviewed as required, taking into consideration assessment of performance, existing value and tender costs.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is disclosed in the 2019 Annual Report which is available in the Investor Centre of the Company website at <http://shareholder.carsales.com.au/Investor-Centre>. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit Committee.

The Company's external auditor attends each Annual General Meeting where it is available to answer questions from shareholders relevant to the audit.

Risk Management

The Company's Board charter provides that it is the responsibility of the Board to 'ensure that the significant risks facing the Company have been identified and that adequate control monitoring and reporting mechanisms are in place'.

The Company's Risk Management Charter provides that the role of the Committee is to assist the Board in carrying out its risk management responsibilities.

The Company has developed a risk management policy which is publicly available in the Investor Centre of the Company website.

The Company seeks to take and manage risk in ways that will generate and protect shareholder value and recognises that the management of risk is a continual process and an integral part of the management and corporate governance of the business.

The Company acknowledges that its reputation is of great importance and it has an obligation to all stakeholders, including shareholders, customers, employees, contractors and the wider community and that the efficient and effective management of risk is critical to the Company meeting these obligations and achieving its strategic objectives.

On 23 May 2019, the Board elected to separate the Audit and Risk Management Committee into two distinct committees – an Audit Committee and a Risk Management Committee.

The Risk Management Committee has completed an annual review of the risk management framework and is satisfied that given the size and complexity of the Company it continues to be sound.

The Company maintains a formal risk register which is at a minimum reviewed twice annually by the Executive Leadership Team and the Risk Management Committee.

Internal Audit

The Company does not have a formal internal audit function within the Group.

The Audit and Risk Management Committees have primary responsibility for evaluating the effectiveness of risk management and control processes in the Company. Day to day responsibility for managing risk and implementing internal control lies with the Executive Leadership Team. Details of the roles and experience of the Executive Leadership Team are set out in the 2019 Annual Report and in the Management section of the Investor Centre of the company website at <http://shareholder.carsales.com.au/Investor-Centre/?page=Management>.

The Company's Executive Leadership Team meets at least 3 times each month and as part of its responsibility assesses and manages risk facing the business.

A professional services firm was appointed as an outsourced internal audit provider to undertake targeted internal audits over key risk areas for the Group and these were reported directly to the Audit and Risk Management Committees (as appropriate) as part of the internal audit plan for FY19 approved by those Committees.

The work of the outsourced internal audit provider is supplemented by independent work carried out by the Company's auditor PwC and other professional service providers on a targeted basis where risks are identified or additional assurance over the operation of controls is desirable.

Further review of risk management activities and internal control processes is carried out by group finance, headed by the Chief Financial Officer. Group finance performs limited work throughout the year around financial and legal compliance controls, as well as risk assessment activities at the Company's domestic and international investments.

Detailed information on the Company's risk identification and management is contained in the Company's 2019 Environmental, Social and Governance Report titled 'Driving the Future: Our Sustainable Business'. The key economic risks that the Company faces are also set out in the Director's Report of the 2019 Annual Report. Both reports are publicly available in the Investor Centre of the Company website at <http://shareholder.carsales.com.au/Investor-Centre>.

Given the nature of the Company's activities there is little likelihood of material exposure to environmental and social sustainability risks.

Written Affirmations

Before approving financial statements for any financial period, the Board first receives from the Managing Director and the Chief Financial Officer written affirmations concerning the Company's financial statements.

The affirmations from the Managing Director and the Chief Financial Officer include that, to the best of their knowledge and belief, the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects insofar as they relate to financial reporting risks.

Management has reported to the Board as to the effectiveness of the Company's management of its material business risks and the necessary written affirmations were received by the Board prior to the approval of the release of the 2019 Annual Report.

Remuneration Policies and Practices

(Corporate Governance Principles and Recommendations 8.1, 8.2, 8.3)

Remuneration and Nomination Committee

The Board's Remuneration and Nomination Committee, chaired by Ms Kim Anderson, consists of 3 independent directors, and 1 non-independent director.

The Remuneration and Nomination Committee's purpose, duties, membership and structure are documented in the 'Remuneration and Nomination Charter' which is publicly available in the Investor Centre of the Company website at <http://shareholder.carsales.com.au/Investor-Centre>. The Company has also developed a 'Remuneration Policy' which details how the Company remunerates its non-executive directors, and Senior Executives. This policy is also publicly available in the Investor Centre of the Company website.

During the course of FY19 there were 4 meetings of the Remuneration and Nomination Committee. Details of attendance of those meetings are:

Director name	Number of Remuneration and Nomination Committee meetings during tenure	Number of Remuneration and Nomination Committee meetings attended
Kim Anderson (Chair)	4	4
Pat O'Sullivan	3	3
Edwina Gilbert	4	4
Kee Wong	1	1
Wal Pisciotta	1	0

The Remuneration and Nomination Committee reviews and makes recommendations to the Board on remuneration, recruitment, retention and termination policies and procedures applicable to directors and Senior Executives.

The responsibilities the committee may undertake in its remuneration function include:

- reviewing directors' and Senior Executives remuneration and incentives, including the link between Company and individual performance;
- reviewing current industry best practice;
- considering different methods for remunerating Senior Executives;
- reviewing existing or proposed share option schemes or other incentive schemes;
- considering superannuation arrangements;
- recommending retirement, termination benefits and payments for Senior Executives; and
- considering professional indemnity and liability insurance policies;

Remuneration policies

The remuneration policy for the Board, the remuneration of each director and the performance evaluation and structure of remuneration for the Company's key management personnel are set out in the Remuneration Report which forms part of the Directors' Report of the 2019 Annual Report and is available from the Investor Centre of the Company website at <http://shareholder.carsales.com.au/Investor-Centre>.

Restrictions on dealing in securities

The Company has a 'Securities Trading Policy' relating to trading in the Company's securities by directors, officers and other employees of the Group. This policy is documented and made publicly available in the Investor Centre of the Company website. The Company's remuneration policy prohibits participants in the Employee Share Option plan from entering into transactions or arrangements which limit the economic risk of participating in the plan.

Communication with Shareholders and the Market

(Corporate Governance Principles and Recommendations 1.1, 5.1, 6.1, 6.2, 6.3, 6.4)

The Company has a dedicated section of its website designed to provide investors with relevant information on the Company's governance, this is located at <http://shareholder.carsales.com.au/Investor-Centre/>. This website includes for the benefit of investors:

- market announcements and related information, posted immediately after release to the ASX;
- news releases and financial presentations;
- share price history, and historic financial reports;
- calendar of upcoming carsales events and announcements;
- details relating to the Company's directors and Executive Leadership Team;
- Board and Board committee charters and other corporate governance documents; and
- other services for investors, such as access to the share registry information.

The website also contains the Company's 'Shareholder Communication Policy'.

Continuous Disclosure

As an ASX listed entity, the Company has an obligation under the ASX Listing Rules to maintain an informed market in its securities. The Company has a 'Continuous Disclosure Policy', available in the Investor Centre of its Company website. This policy sets out the key obligations of directors and employees of the Company to ensure compliance with its ASX Listing Rule and Corporations Act 2001 continuous disclosure obligations, and places accountability for such compliance on directors, executive officers and employees. The Company takes all reasonable steps to ensure that the market is advised of all information required to be disclosed under the Listing Rules and the Corporations Act 2001 which the Company believes would or may have a material effect on the price or value of the Company's securities.

Investor Relations Program

The Company is committed to ensuring that shareholders, regulators and the wider investment community are informed of all major developments affecting the Company in a timely and effective manner.

Information is communicated with investors in a number of ways including:

- annual and half-yearly reports;
- market disclosures in accordance with the continuous disclosure policy;
- updates on operations and developments;
- announcements on the Company's website;
- annual Environmental, Social and Governance report;
- market briefings, including roadshows in Australia and overseas; and
- presentations at annual general meetings.

Additionally, the Company makes Executive Leadership Team members available to provide briefings to investors throughout the year.

Shareholders are encouraged to attend and participate in the Annual General Meeting. The meeting is held in a central location with ready access by public transport to make it easy for those shareholders who wish to attend. The full text of notices and accompanying materials are included on the Investor Centre of the Company's website and released to the ASX.

At the Annual General Meeting, shareholders elect the directors and have the opportunity to express their views, ask questions about Company business and vote on items of business for resolution by shareholders. Shareholders also receive an update from the Managing Director and have the opportunity to ask questions of the Board and the Company's external auditor. Shareholders who cannot attend the meeting are able to submit voting instructions and questions to the Board ahead of the meeting to be answered at the Annual General Meeting.

Electronic Communications

Shareholders may send and receive communications to and from the Company electronically by enrolling via the Investor Centre on the Company website at <http://shareholder.carsales.com.au/Investor-Centre>.

Investors can also elect to receive security information (including the Half-Year and Annual Report) electronically or in print by contacting the Company's share registry, Computershare, by e-mail at web.queries@computershare.com.au (further contact details are available in the Investor Centre).

Appendix 1: Attendance at Board Meetings

The numbers of meetings of the Company's Board of directors held during the year ended 30 June 2019 and the numbers of meetings attended by each director is set out below. The meetings are split in the table below between those that are formally scheduled by the Company Secretary according to the annual Board meeting timetable, those that are short teleconferences where only a quorum of Board members are required and those ad hoc meetings called at shorter notice to address specific matters that arise from time to time:

	Full scheduled meetings of directors		Short teleconference meetings of directors		Ad hoc meetings of directors	
	A	B	A	B	A	B
Richard Collins (Chair until 4 January 2019)	6	4	1	1	1	0
Pat O'Sullivan (Chair from 4 January 2019)	12	12	2	2	4	3*
Cameron McIntyre	12	12	2	2	4	4
Wal Piscotta	12	12	2	0	4	3
Kim Anderson	12	12	2	2	4	4
Edwina Gilbert	12	12	2	2	4	4
Kee Wong	12	12	2	2	4	4
David Wiadrowski (appointed 23 May 2019)	2	2	-	-	1	0
Steve Kloss (alternate director)	12	8	2	1	4	2

A = Number of meetings held during the time the director held office during the year

B = Number of meetings attended

*Mr O'Sullivan did not attend the ad hoc meeting at which Chair appointment was determined due to conflict of interest.

Appendix 2: Cross-reference of Corporate Governance Recommendations to sections of this report

Principle	Recommendation	Report Section						
		The Board of Directors	Board Skills and Appointments	Board and Executive Evaluation and Codes of Conduct	Diversity and Inclusion	Audit and Risk Management	Remuneration Policies and Practices	Communication with Shareholders and the Market
Lay solid foundations for management and oversight	1.1	✓				✓		✓
	1.2		✓					
	1.3	✓	✓	✓				
	1.4	✓						
	1.5				✓			
	1.6			✓				
	1.7			✓				
Structure the Board to add value	2.1		✓					
	2.2		✓					
	2.3	✓						
	2.4	✓						
	2.5	✓						
	2.6		✓					
Act ethically and responsibly	3.1	✓		✓				
Safeguard integrity in corporate reporting	4.1					✓		
	4.2					✓		
	4.3					✓		
Make timely and balanced disclosure	5.1							✓
Respect the rights of security holders	6.1							✓
	6.2							✓
	6.3							✓
	6.4							✓
Recognise and manage risk	7.1					✓		
	7.2					✓		
	7.3					✓		
	7.4					✓		
Remunerate fairly and responsibly	8.1						✓	
	8.2						✓	
	8.3						✓	