

Appendix 4G

Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity:

carsales.com Limited

ABN / ARBN:

91 074 444 018

Financial year ended:

30 June 2017

Our corporate governance statement² for the above period above can be found at:³

- ☐ These pages of our annual report:
- ☒ This URL on our website: <http://shareholder.carsales.com.au/Investor-Centre/?page=Corporate-Governance>

The Corporate Governance Statement is accurate and up to date as at 8 August 2017 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date: 8 August 2017

Name of Director or Secretary authorising
lodgement:



¹ Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

² "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

³ Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location] ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): <input checked="" type="checkbox"/> at http://shareholder.carsales.com.au/Investor-Centre/?page=Corporate-Governance	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable

⁴ If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
1.5	<p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of our diversity policy or a summary of it:</p> <p><input checked="" type="checkbox"/> at http://shareholder.carsales.com.au/Investor-Centre/?page=Corporate-Governance</p> <p>... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input checked="" type="checkbox"/> at http://shareholder.carsales.com.au/Investor-Centre/</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE			
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at http://shareholder.carsales.com.au/Investor-Centre/?page=Corporate-Governance</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a nomination committee and the processes we employ to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
2.2	<p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>... our board skills matrix:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input checked="" type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	... the names of the directors considered by the board to be independent directors: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at <i>[insert location]</i> ... and, where applicable, the information referred to in paragraph (b): <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at <i>[insert location]</i> ... and the length of service of each director: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
2.4	A majority of the board of a listed entity should be independent directors.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	... our code of conduct or a summary of it: <input type="checkbox"/> in our Corporate Governance Statement OR <input checked="" type="checkbox"/> at http://shareholder.carsales.com.au/Investor-Centre/?page=Corporate-Governance	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING			
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at http://shareholder.carsales.com.au/Investor-Centre/?page=Corporate-Governance</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
4.2	<p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	... our continuous disclosure compliance policy or a summary of it: <input type="checkbox"/> in our Corporate Governance Statement OR <input checked="" type="checkbox"/> at http://shareholder.carsales.com.au/Investor-Centre/?page=Corporate-Governance	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	... information about us and our governance on our website: <input checked="" type="checkbox"/> at http://shareholder.carsales.com.au/Investor-Centre/	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	... our policies and processes for facilitating and encouraging participation at meetings of security holders: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at http://shareholder.carsales.com.au/Investor-Centre/?page=Corporate-Governance</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>[If the entity complies with paragraph (a):] ... how our internal audit function is structured and what role it performs:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):] ... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.4	<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY			
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a remuneration committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at http://shareholder.carsales.com.au/Investor-Centre/?page=Corporate-Governance</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.2	<p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input checked="" type="checkbox"/> at http://shareholder.carsales.com.au/Investor-Centre/ within the 2017 Annual Report</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>... our policy on this issue or a summary of it:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES			
-	<p><i>Alternative to Recommendation 1.1 for externally managed listed entities:</i></p> <p>The responsible entity of an externally managed listed entity should disclose:</p> <p>(a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity;</p> <p>(b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.</p>	<p>... the information referred to in paragraphs (a) and (b):</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
-	<p><i>Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:</i></p> <p>An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.</p>	<p>... the terms governing our remuneration as manager of the entity:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 30 JUNE 2017

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 below.

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

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1: *A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.*

The board of directors

The board adopted a formal charter in July 2012 which was updated in June 2017 that details the functions and responsibilities of the board. 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 include:

- protecting and enhancing the value of the assets of the company;
- setting strategies, directions and monitoring and reviewing these strategic objectives;
- reviewing and ratifying internal controls, codes of conduct and legal compliance;
- reviewing the company's accounts;
- approval and review of 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 the 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 senior executives on the recommendation of the managing director;
- reviewing the remuneration of senior executives on the review and recommendation of the managing director;
- dealing with any matters in excess of any specific delegations that the board may from time to time delegate to the managing director and senior executives; 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.

Board committees

The board has established the following board committees to assist it in the discharge of its responsibilities:

- Audit and Risk Management Committee; and
- Remuneration and Nomination Committee.

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/>.

An outline of the responsibilities of the Audit and Risk Management Committee is also contained within Principle 7 of this report.

An outline of the responsibilities of the Remuneration and Nomination Committee is also contained within Principle 8 of this report.

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 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.

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.

Recommendation 1.2: *A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.*

Board composition

Details of the current board of directors of the company are set out in the 2017 Annual Report and also in the Investor Centre at <http://shareholder.carsales.com.au/Investor-Centre/>. All relevant information about board candidates or directors seeking re-election is included in the AGM Notice of Meeting which is sent directly to shareholders and made available on the Investor Centre of the company website.

Effective 17 March 2017 Mr Greg Roebuck, the Company's Managing Director and Chief Executive Officer has retired from his position and the Board has appointed Mr Cameron McIntyre, carsales' Chief Operating Officer, as the new Managing Director and Chief Executive Officer.

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 to be reviewed annually by the board and the chairman is to assess the board's effectiveness.

Recommendation 1.3: *A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.*

Director and executives service contracts

On appointment all executive directors and senior executives sign formal contracts setting out their terms of appointment and notice periods.

On appointment non-executive directors sign an appointment letter which contains the key terms of their appointment, but non-executive directors do not have formal service contracts with the company. The company's constitution specifies that all non-executive directors must retire from office no later than the third annual general meeting (AGM) following their last election. Where eligible, a director may stand for re-election.

Restrictions on dealing in securities

The company has developed 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 at <http://shareholder.carsales.com.au/Investor-Centre/>.

Recommendation 1.4: *The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.*

Company Secretary

The company secretary, Nicole Birman, is directly accountable to the board and reports to the chairman 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 and committee policy and procedures are being followed, accurately capturing the business of the board and committees in minutes, and distributing board and committee papers and minutes on a timely basis to the relevant directors.

Recommendation 1.5: *A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.*

The company is committed to creating a diverse and inclusive work environment, with particular focus on gender equality.

A diverse and inclusive working environment provides a wide range of perspectives, innovation and engagement and improved operational performance. To achieve this environment we promote a workforce that embraces and respects diversity and inclusion through our Diversity and Inclusion Council, as well as our Diversity Strategy.

We are proud to have been awarded the Workforce Gender Equality Employer of Choice citation for 2016 in recognition of our systematic and strategic approach to the journey of achieving a gender diverse workplace. We will continue to strive to exceed the expectations of WGEA year on year. 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/>.

The Company has established a Diversity Policy which is publicly available in the Investor Centre of the company website at <http://shareholder.carsales.com.au/Investor-Centre/>.

The policy includes requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them. The objectives, 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.	<p>Initiatives include ongoing education of managers on the importance of a diverse workforce and an executive-led Diversity Steering Committee.</p> <p>Continue to maintain quotas for recruitment shortlists and review all job advertisements for gender bias.</p>	<p>In FY17 64% of appointments were female, 35% of managerial appointments were female.</p> <p>In addition, the Executive Leadership Team of carsales is now comprised of 30% female leaders (previously 15%).</p>
Continue to implement career development programs to prepare women within the business to take on more senior roles.	<p>This year we developed a new leadership program, focused on the accountabilities of a leader and leading a high performance team. Additionally we continued providing training and development programs including communication, presentation, management and influence skills training</p> <p>Created and launched recruitment for the Next Gear Graduate Program.</p>	<p>Our development programs had 35% female attendance.</p> <p>64% of promotions in FY17 were female staff members.</p> <p>The 2018 Graduate intake has a 50/50 gender split.</p>
Foster an inclusive culture and environment in which women network and mentor each other to progress their careers within carsales.	<p>We continued providing women with mentoring opportunities and encouraging the women's networking group. We also celebrated International Women's Day.</p>	<p>The FY17 mentor program has over 40 female participants involved.</p> <p>Our female networking groups hosted several sessions and the business collectively celebrated International Women's Day with a networking event and inspiring guest speakers.</p>
Continue to enhance flexible workplace arrangements for both women and men. Enabling our people to manage work/life commitments and preferences.	<p>The company continue to provide 12 weeks parental leave and 2 weeks Dad/Partner leave, as well as supporting part time options, child care referrals and flexible re-entry into the business from a period of parental leave.</p>	<p>In FY17, 11 members of the carsales team took parental leave and carsales is currently supporting 12 staff members with formal flexible working arrangements.</p>

Recommendation 1.6: *A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

Performance of the board, its committees and individual directors

The company has developed a 'Process for evaluation of performance' of the board, board committees, individual directors and senior executives. This process is documented and made publicly available in the Investor Centre of the company website.

Board performance assessment

The process involves an annual assessment of the performance of the board and senior executives and, for the board includes an assessment as to the extent to which the board achieved its stated objectives. In relation to the performance of committees and individual directors, regular dialogue and feedback takes place during the year between the chairman and directors. An assessment of board performance has taken place during the year.

Recommendation 1.7: *A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

Senior executive performance

The performance of the managing director and his direct reports are evaluated annually. The company has documented a 'Process for evaluation of performance' policy which is made publicly available in the Investor Centre of the company website at <http://shareholder.carsales.com.au/Investor-Centre/>.

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 chairman, 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 senior executives (including the managing director) has taken place in accordance with this process.

Principle 2: Structure the board to add value

Recommendation 2.1: *The board of a listed entity should: (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings;*

Remuneration and Nomination Committee

The company's Remuneration and Nomination Committee is responsible for assisting the board in developing criteria for board membership, identifying specific individuals for nomination and establishing processes for the review of the performance of individual directors and the board as a whole.

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/>.

The Remuneration and Nomination Committee has 3 members, all of which are independent directors. The Remuneration and Nomination Committee as of June 2017 consists of the following directors:

Ms Kim Anderson - committee chair (independent)

Mr P O'Sullivan (independent)

Ms E Gilbert (independent)

Details of these directors' attendance at Remuneration and Nomination Committee meetings are set out in Appendix 1 to this report as well as the Directors' Report of the 2017 Annual Report which is also available in the Investor Centre of the Company website at <http://shareholder.carsales.com.au/Investor-Centre/>.

Additional detail relating to role and responsibilities of the Remuneration and Nomination Committee is contained within Principle 8.1 of this report.

Recommendation 2.2: *A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.*

Board Skills Matrix

The current members of the board and their skills, experience, expertise, qualifications, term of office, relationships affecting independence, their independent status and membership of committees are set out in the Directors' Report of the 2017 Annual Report available in the Investor Centre of the company website at <http://shareholder.carsales.com.au/Investor-Centre/>.

The Board Skills Matrix for 2017 is set out below:

Skill / Experience	No of directors / 8
Executive management, leadership & strategy Directors who have experience at an executive level, who are able to properly evaluate the performance of the CEO and senior executives and oversee strategic organisational and human resources initiatives.	8
Governance / risk management Experience sufficient to identify, assess and monitor key risks in the Company in a wide range of areas.	8
ASX experience Experience on the Board or as a senior 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.	3
Marketing Knowledge and experience in the strategic use of marketing and its inter-relationship with sales and product.	5
IT / product Knowledge and experience in the strategic use of information technology and design of product, particularly in relation to online businesses.	6
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.	5
Industry knowledge – automotive Knowledge, experience and networks in the automotive industry, either through direct involvement or through the provision of services to the industry.	6
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.	6
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

Recommendation 2.3: A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.

Board composition and independence

At the date of this report, the board consists of 7 directors (a majority of whom are independent directors), comprising:

- 5 independent non-executive directors;
- 1 non-independent non-executive director; and
- 1 executive director being the managing director,

as well as an alternate non-executive director.

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 12 directors.

The board comprises the following directors:

- Mr Cameron McIntyre (managing director) – Appointed 17 March 2017
- Mr Greg Roebuck (managing director) – Resigned 17 March 2017
- Mr Jeffrey Browne (independent non-executive chairman) – Appointed 16 December 2013
- Mr Wal Pisciotta (non-independent non-executive director) – Appointed 25 June 1996
- Mr Pat O'Sullivan (independent non-executive director) – Appointed 29 June 2007
- Mr Richard Collins (independent non-executive director) – Appointed 17 July 2000
- Ms Kim Anderson (independent non-executive director) – Appointed 16 June 2010
- Ms Edwina Gilbert (independent non-executive director) – Appointed 27 April 2016
- Mr Steve Kloss (alternate non-executive director) – Appointed 28 October 2005

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 for the reasons set out against recommendation 2.5 below.

With regard to other non-executive directors, any real or potential conflicts of interest are dealt with by procedures consistent with Corporations Act requirements which are designed to ensure that conflicted directors do not take part in the decision-making process on relevant issues. On this basis, it is believed that their independence on all other issues is not compromised.

Mr Richard Collins and Mr Pat O'Sullivan have been independent directors of the company for over 17 and 10 years respectively. The company believes that they continue to act as effective independent directors through their board roles. Mr Collins is as a key advocate for dealer customers and and Mr O'Sullivan brings unparalleled attention to detail on all matters financial and regulatory for the company. Both demonstrate willingness to question, challenge and provide independent counsel to the board and senior executives based on their skills and experience in the automotive industry and in broader business roles.

Recommendation 2.4: A majority of the board of a listed entity should be independent directors.

Overall Board Independence

A majority of the company directors are independent (5 independent, 2 non-independent).

Recommendation 2.5: The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

Independence of the chair of the board

Mr Jeffrey Browne is the chair of the board and is an independent director.

Role of the chairman

The roles of the chairman and managing director are separate and the chairman is an independent non-executive director.

The role of the chairman 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 chairman 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 board has appointed the role of deputy chairman. The role of the deputy chairman is to act as the chair of the board in the absence of the chairman.

In instances where the chairman may be conflicted the deputy chairman will be responsible for taking a leadership role in those matters. In addition, this role will co-ordinate any assessment of the performance of the chairman with other non-executive directors.

Recommendation 2.6: *A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively*

Induction and training of directors

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.

All new directors appointed undertake an induction program, coordinated by the company secretary, to assist them in fulfilling their duties and responsibilities. The induction program will ensure that any new director is appropriately introduced to the company, its operations and personnel and is acquainted with the industry within which the company operates.

Principle 3: Act ethically and responsibly

Recommendation 3.1: *A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.*

Code of conduct

The company has developed a 'Code of Conduct' Policy (**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, including its directors and senior executives, 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 also 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.

Conflict and declaration of interests

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.

Entities connected with the directors that had material business dealings with the group during the year are described in the 2017 Annual report which is also 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.

Principle 4: Safeguard integrity in corporate reporting

Recommendation 4.1: *The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings;*

Audit and Risk Management Committee

The Audit and Risk Management Committee consists of the following non-executive directors:

Mr Pat O'Sullivan - committee chair (Independent)
Mr Richard Collins (independent)
Ms Kim Anderson (independent)

Details of these directors' attendance at Audit and Risk Management Committee meetings are set out in Appendix 1 to this report and also the Directors' Report of the 2017 Annual Report which is also available in the Investor Centre of the Company website at <http://shareholder.carsales.com.au/Investor-Centre>. The Audit and Risk Management Committee operates in accordance with a charter which is publicly available in the Investor Centre of the company website.

The responsibilities of the Committee include:

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

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

- receives regular reports from management and the external 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 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 auditors with a clear line of direct communication at any time to either the chair of the Audit and Risk Management Committee or the chair of the board.

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

External audit

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 and Risk Management 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 which is publicly available in the Investor Centre of the company website at <http://shareholder.carsales.com.au/Investor-Centre>.

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 2017 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 and Risk Management Committee.

Recommendation 4.2: *The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.*

Written affirmations

The Board has received from the managing director and the chief financial officer written affirmations concerning the company's financial statements as set out in the Directors' Declaration in the 2017 Annual Report which is publicly available in the Investor Centre of the company website at <http://shareholder.carsales.com.au/Investor-Centre>.

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.

Recommendation 4.3: *A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.*

External Auditor

The external auditor will attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Audit Report.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1: *A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.*

Continuous disclosure policy

The company has established a policy that contains the key obligations of directors and employees of the company in relation to continuous disclosure to help ensure compliance with its ASX Listing Rule and Corporations Act 2001 obligations and also to ensure accountability at a senior executive level for that compliance.

As an ASX listed entity, the company has an obligation under the ASX Listing Rules to maintain an informed market in its securities. Accordingly, the company ensures 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.

The policy is documented and made publicly available in the Investor Centre of the company website at <http://shareholder.carsales.com.au/Investor-Centre>.

Principle 6: Respect the rights of security holders

Recommendation 6.1: *A listed entity should provide information about itself and its governance to investors via its website.*

Communicating with shareholders

The Company has developed a 'Shareholder Communication Policy' which is publicly available in the Investor Centre of the company website at <http://shareholder.carsales.com.au/Investor-Centre>. This website also includes information about the company and its Governance procedures in the 'Corporate Governance' section of the Investor Centre.

The Investor Centre of the company website currently carries the following information for shareholders:

- all market announcements and related information which is posted immediately after release to the ASX;
- all 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 senior executives;
- board and board committee charters and other corporate governance documents; and
- other services for investors, such as access to the share registry information.

Recommendation 6.2: *A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.*

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 protocol;
- updates on operations and developments;
- announcements on the company's website;
- market briefings; and
- presentations at general meetings.

Additionally, the company makes senior executives available to provide briefings to investors throughout the year.

Recommendation 6.3: *A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.*

Annual General Meeting

Shareholders are encouraged to attend and participate at the Annual General Meeting and the full text of notices and accompanying materials will be included on the Investor Centre of the company's website at <http://shareholder.carsales.com.au/Investor-Centre>.

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 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.

Recommendation 6.4: *A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.*

Electronic Communications

Shareholders are able to send and receive communications to/from the company electronically through signing up via the Investor Centre on the company website at <http://shareholder.carsales.com.au/Investor-Centre>. In addition, investors can elect to receive security information (including the Half-Year and Annual Report) electronically or in print through contacting the Company Registrar Computershare by e-mail at web.queries@computershare.com.au (further contact details available in the Investor Centre).

Principle 7: Recognise and manage risk

Recommendation 7.1: *The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.*

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 Audit and Risk Management Charter also provides that the role of the Committee is to assist the board in carrying out its accounting, auditing, financial reporting and risk management responsibilities.

Both the 'Board Charter' and the 'Audit and Risk Management Charter' are publicly available in the Investor Centre on the company website at <http://shareholder.carsales.com.au/Investor-Centre>. Details on the composition of the Committee are set out against Recommendation 4.1. and the attendance of meetings are set out in Appendix 1.

The company has also 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.

Recommendation 7.2: *The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.*

Annual Review of Risk Management Framework

The committee has completed the annual review of the risk management framework and is satisfied that given the size and complexity of the company it continues to be sound.

Recommendation 7.3: *A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.*

Internal Audit

The company does not have a formal internal audit function within the group. The Audit and Risk Management Committee is the principle process employed for evaluating the effectiveness of risk management and control processes. Day to day responsibility for managing risk and implementing internal control lies with the executive leadership team which is comprised of the managing director and 9 other senior executives. Details of the roles and experience of the executive leadership team are set out in the Investor Centre of the company website at

<http://shareholder.carsales.com.au/Investor-Centre>. The executive leadership team meets 2nd, 3rd and 4th week 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 Committee. The internal audit plan for FY17 was approved by the Audit and Risk Management Committee. These activities are 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.

Recommendation 7.4: *A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.*

Material Exposure to Risks

The key economic risks that the company faces are set out in the Director's Report of the 2017 Annual Report which is available on the Investor Centre of the company's 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.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1: *The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.*

Remuneration and Nomination Committee

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' for the company 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.

The company's Remuneration Policy contains a prohibition on directors and senior executives from entering into transactions or arrangement which limits the economic risk of participating in unvested entitlements.

The Remuneration and Nomination Committee consists of the following directors:

- Ms Kim Anderson - committee chair (independent)
- Mr P O'Sullivan (independent)
- Ms E Gilbert (independent)

Details of these directors' attendance at Remuneration and Nomination Committee meetings are set out in Appendix 1 to this report as well as the Directors' Report of the 2017 Annual Report which is also available in the Investor Centre of the company website.

The Remuneration and Nomination Committee consists of a majority of independent directors, is chaired by an independent chairman and has at least 3 members.

The Remuneration and Nomination Committee reviews and makes recommendations to the board on remuneration, recruitment, retention and termination policies and procedures applicable to senior executives and directors. In addition the committee facilitates an efficient mechanism for examination of the selection and appointment practices of the company.

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. 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 specific matters the committee may consider include a review of:

- senior executives and directors' remuneration and incentives, including the link between company and individual performance;
- current industry best practice;
- different methods for remunerating senior executives and directors;
- existing or proposed share option schemes or other incentive schemes;
- superannuation arrangements;
- retirement, termination benefits and payments for senior executives;
- professional indemnity and liability insurance policies;
- considering the appropriate size and composition of the board;
- considering and implementing a plan for identifying, assessing and enhancing director competencies;
- developing a process 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.

Recommendation 8.2: *A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.*

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 senior executives is set out in the Remuneration Report which forms part of the Directors' Report of the 2017 Annual Report and is available from the Investor Centre of the company website at <http://shareholder.carsales.com.au/Investor-Centre>.

Recommendation 8.3: *A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.*

Share Option Plan scheme rules

All participants in the carsales.com Ltd Employee Share Option plan are not permitted to enter into transactions which limit the economic risk of participating in the scheme.

Appendix 1: Attendance at Board and Committee Meetings

The numbers of meetings of the Company's board of directors and of each board committee held during the year ended 30 June 2017 and the numbers of meetings attended by each director were:

	Full meetings of Directors		Audit and risk management		Remuneration and nomination	
	A	B	A	B	A	B
Jeffrey Browne (Board Chair)	14	15	**	**	**	**
Richard Collins	12	15	4	4	**	**
Wal Piscotta	15	15	**	**	**	**
Greg Roebuck (retired 17/3/2017)	12	12	**	**	**	**
Cameron McIntyre (appointed 17/3/2017)	3	3	**	**	**	**
Pat O'Sullivan (Chair - Audit and Risk Management)	13	15	4	4	5	5
Kim Anderson (Chair - Remuneration and Nomination)	15	15	4	4	5	5
Edwina Gilbert	15	15	**	**	5	5
Steve Kloss (Alternate Director)	12	15	**	**	**	**

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

** = Not a member of the relevant committee