

# Directors' report

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## David Kirk

### Independent chairman

#### NON-EXECUTIVE

Appointed October 2011

David is the co-founder and managing partner of Bailador Investment Management, chairman of Kathmandu, a director of Forsyth Barr Limited, Bailador Technology Investments, and a range of Bailador investee companies. He is also chairman of Sydney Festival Limited.

David was the CEO of Fairfax Media from 2005 to 2008. In 2006 he successfully negotiated Fairfax's purchase of Trade Me Limited from its founders, in what at the time was a very large and high-profile purchase. David's association with Trade Me ended when he left Fairfax in 2008, but started afresh at the time of the company's IPO in late 2011, when he was asked to chair the board.

Before his role at Fairfax, David was CEO of PMP Limited, regional president (Australasia) for Norke Skog, and held senior executive roles in Fletcher Challenge in New Zealand and Australia. He was chief policy advisor to the Prime Minister of New Zealand from 1992 to 1994 and was a management consultant with McKinsey & Company in London from 1989 to 1991.

David holds a Medical Doctorate from the University of Otago, a Master of Arts (Philosophy, Politics and Economics) from Oxford University and is a Rhodes Scholar.

He lives in Sydney, Australia.



## Joanna Perry

### Independent director

#### NON-EXECUTIVE

Appointed October 2011

Joanna has extensive governance experience. She chairs the IFRS Advisory Council and is a director of Genesis Energy, Kiwi Property Group Limited, Partners Life and Regional Facilities Auckland. Until very recently Joanna was also a director of Sport and Recreation New Zealand and Rowing New Zealand.

Prior to focusing on her directorships, Joanna was a senior partner in the global audit, tax and advisory firm KPMG. She was a member of the Securities Commission, chaired the Financial Reporting Standards board and was a member of the Australian Accounting Standards board.

Joanna has a Master of Arts in Economics from Cambridge University and is a Fellow of Chartered Accountants Australia and New Zealand. She is a Member of the New Zealand Order of Merit for services to accounting.

Joanna lives in Auckland, New Zealand.



## Paul McCarney

### Independent director

#### NON-EXECUTIVE

Appointed November 2012

Paul is a technology entrepreneur, investor and consultant.

He has many years' experience in technology and digital marketing including co-founding search marketing agency Decide Interactive (acquired by NASDAQ-listed 24/7 Real Media in 2004), and founding digital marketing company Life Event Media (acquired by directory business Sensis in 2011). He is a co-founder and the CEO of Data Republic in Australia. Paul is also a director of BTBI TCo, which owns and operates B2B publisher Cirrus Media.

He lives in Sydney, Australia.



## Katrina Johnson

**Independent director**

**NON-EXECUTIVE**

Appointed June 2016

Katrina has extensive experience in technology businesses, particularly in legal and regulatory matters for online marketplaces. She worked for 12 years in the United States and Australia for eBay and its subsidiaries, including three years as director of legal affairs and on the board of Gumtree.com Australia. Prior to working at eBay, Katrina was a lawyer in private practice, advising start-ups as well as large technology and media businesses.

Katrina is Associate General Counsel and Head of Legal (APAC) for technology company Uber.

Katrina has a BA, LLB (Hons) from Macquarie University and a graduate diploma in Legal Practice from the College of Law, New South Wales.

She lives in Sydney, Australia.



## Simon West

**Independent director**

**NON-EXECUTIVE**

Appointed December 2016

Simon has extensive experience in retail and technology businesses, and is currently the executive director of Max Fashions.

Simon has previously held CEO roles at clothing retailer EziBuy and the Australian ecommerce website DealsDirect.com.au, and is a director of Onceit, a fashion flash sale site.

He holds a Bachelor of Management Studies, majoring in strategic management, from the University of Waikato.

Simon lives in Auckland, New Zealand.



## Sam Morgan

**Independent director**

**NON-EXECUTIVE**

Resigned December 2016

Sam was the founder and chief executive officer of Trade Me Limited until 2008. Sam is a director of Vend Limited and vWork Limited. He is an active software investor and co-founded Kiwi Landing Pad in San Francisco, which aims to help New Zealand companies succeed when expanding into the United States.

Sam is active in his charitable foundation, Jasmine Social Investments which funds a portfolio of high-impact social ventures in developing countries, providing critical services in health, education and livelihoods to the profoundly poor.

Sam lives in Nelson, New Zealand. His Trade Me directorship ended in December 2016.

### Corporate governance information

On Trade Me's investor relations website (investors.trademe.co.nz), you will find the following corporate governance documents referred to in this section:

- Constitution
- Trade Me Board Charter
- Audit and Risk Management Committee Charter
- Human Resources and Compensation Committee Charter
- External Audit Independence Policy
- Code of Conduct
- Diversity Guidelines
- Securities Trading Policy
- Market Disclosure Policy
- Risk Management Policy

### Corporate governance statement

Trade Me Group Limited is a New Zealand company. Its shares are quoted on the New Zealand and Australian Stock Exchanges. Trade Me became a foreign exempt listed issuer on ASX in December 2016. Though we are no longer required to specifically report against the majority of the ASX Listing Rules or the ASX Corporate Governance Council's Governance Principles and Recommendations, they are relevant to us as guidance.

We are reporting against the Principles and Recommendations in the the NZX Corporate Governance Code 2017 (the NZX Code). This statement is current to 30 June 2017, and has been approved by the directors of Trade Me Group Limited.

#### NZX Code

#### Principle 1

**Code of Ethical Behaviour: Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for delivering these standards throughout the organisation.**

#### Code of conduct

Trade Me has a Code of Conduct, setting out the ethical and behavioural standards expected of directors of Trade Me, and of Trade Me staff. Directors and staff are also expected to uphold the Trade Me values (see page 30).

#### Whistleblowing

Our Code of Conduct includes specific direction on action to be taken by a person who suspects a breach of the Code. We've provided for confidential and protected communications to a mailbox accessible only by the CEO and HR Manager; or alternatively to a mailbox accessible only by the Chair of the Audit & Risk Management Committee.

#### Avoiding conflicts of interest

We update the board at each meeting on changes in our interests and any potential conflicts, and we review the interests register kept by the Company Secretary at least 6-monthly. The register records relevant transactions and our disclosures of interests. A copy of the directors' interests register is found on page 47.

#### Trading in securities

We're restricted as directors from trading in Trade Me shares under New Zealand law and by Trade Me's financial product dealing policy (referred to as the Securities Trading Policy). This policy applies to both directors and designated senior employees. The policy details "blackout periods" where trading is forbidden, as well as a process for authorisation at other times.

We believe our interests and those of shareholders should be aligned. The board's Charter sets out that each director should hold Trade Me shares to a value of at least \$100,000. Directors may take up to three years after appointment to acquire that holding, in open trading periods under the Securities Trading Policy.

Our current shareholdings are set out on page 49.

#### Principle 2

**Board composition and performance: To ensure an effective board there should be a balance of independence, skills, knowledge, experience and perspectives.**

#### Board composition

The structure of our board and its governance arrangements are set out in the Company's Constitution, and in the board's written Charter setting out the board's roles and responsibilities.

The management and control of the business of Trade Me is vested in the board. The Charter sets out the matters reserved for our decision making including (amongst other key matters):

- the establishment of the Company's overall strategic direction and strategic plans.

Management is responsible for implementing the strategic objectives, operating within the risk appetite we have set as a board, and for all other aspects of the day-to-day running of the Company.

We delegate the day-to-day leadership and management of the Company to the CEO. The delegations are set out in the board Charter and in a Delegated Authority framework, which also sets out authority levels for types of commitments that the Company's management can make.

Trade Me can have between three and ten directors on the board, and there are five directors at present, all independent. We have no executive directors. Each director has signed a written agreement with the Company.

The directors are David Kirk (chairman), Katrina Johnson, Paul McCarney, Joanna Perry and Simon West. Sam Morgan was a director until December 2016, resigning after 5 years of excellent service as a director and many prior years, through to 2008, as Trade Me's founder and CEO.

After Sam's resignation we were pleased that Simon West accepted our invitation to join the board. Simon will stand for election at the Annual Meeting in November 2017.

Profiles of all the directors, and the dates of their appointment, can be found on page 32.

As the board is small, all directors have been engaged to date in decisions about prospective new directors, and we no longer have a Nominations Committee. We make appropriate pre-appointment checks on the background and suitability of all directors. We're conscious of the need for diversity of thought and in 2016 engaged external consultants to help with director search, to identify a broad range of candidates for the two vacancies which arose on the board.

## Board meetings

Between 1 July 2016 and 30 June 2017 we held 10 board meetings (8 in person and 2 by audio conference), and a separate strategy meeting.

All meetings were attended by all the directors (or committee members) as appropriate, other than these board meetings, which the director named was unable to attend:

- September 2016 – Sam Morgan
- March 2017 – Katrina Johnson (attended part board meeting)
- June 2017 – Joanna Perry (attended part board meeting)

## Board composition

We formally consider the board's composition each year at our annual performance review. We believe our respective skills and experience to be complementary, appropriate for the Company, balanced and reasonably diverse. Our directors have expertise and experience in strategy development and implementation, executive leadership, acquisitions and divestment, venture capital, technology, data, corporate responsibility, governance, legal and regulatory matters, public policy, and finance (including the assessment of financial controls).

We have two female directors, out of a board of five, and have had that same gender mix since the Company's IPO. Our directors range in age from 41 to 60.

As a matter of board policy, Trade Me directors have a term of six years from the date of appointment or election. After six years, the board will consider whether the director should be invited to stand for re-election. One-third of the directors retire by rotation annually in accordance with the applicable Listing Rules.

## Diversity Policy

The Company fosters an inclusive working environment that promotes employment equity and workforce diversity at all levels, including within the executive team and board. The Diversity Guidelines are available on the investor relations website.

In August 2016, the board considered and approved the following minimum gender diversity targets for the F17 year (which were the same as for F16 and the preceding year):

- 33% of the board should be female
- 33% of the Executive Team and Senior Management Team should be female
- 50% of all employees should be female

In F17 we exceeded our gender targets at both board and senior management/executive level.

The gender breakdown at Trade Me as at 30 June 2017 was as follows:

	F16 Women	F16 Men	F16 Total	F16 %	F17 Women	F17 Men	F17 Total	F17 %
Board	2	3	5	40%	2	3	5	40%
Executive ("officers")	2	7	9	22%	3	6	9	33%
Senior management	13	26	39	33%	15	22	37	40%
Exec and SMT together	15	33	48	31%	18	28	46	39%
All employees	184	319	503	37%	218	330	548	39%

The Senior Management team is defined as direct reports to the Executive team.

In F15 Trade Me established a Diversity project group to explore initiatives to improve the gender balance in the Company, as an initial focus, and we have previously reported on the initiatives undertaken, including a “blind recruiting” pilot, where gender indicators were completely removed from CVs sent to hiring managers; an initial screening tool for Customer Support roles that tests applicants online before their CVs are viewed, and the use of a tool to review our own recruitment advertising for use of language that may inadvertently discourage applications from women. We have continued to use the latter two tools in our recruitment.

The Company has maintained and embedded its staff training around unconscious bias and is examining pay parity as part of a wider remuneration benchmarking project.

Since we’ve become more transparent about flexible working arrangements, we have seen a number of adjustments to days or hours or place of work, and to leave. Thirty-five employees have moved to new flexible arrangements this year.

We have reported the gender split in recruitment for different kinds of roles, in our last two Annual Reports, noting that rates tended to differ for internal versus external hires. We generally hired more men for technology roles overall, which we attributed to the greater number of men with technology qualifications (for example in application development) in the market currently.

In the year to 30 June 2017 we were very pleased to see no gender discrepancy between internal and external hires overall, and an increase in the percentage of women hired for all roles (50.7% against F16’s 35.53%). In 36.62% of hires for tech roles we employed women, against 27.73% in F16.

Type of recruitment in F17	Women		Men		Total
Total Placements	107	50.70%	104	49.30%	211
Total External Placements	92	50.80%	89	49.20%	181
Total Internal Placements	15	50.00%	15	50.00%	30
Tech Hires	26	36.62%	45	63.38%	71
Tech Hires (internal)	1	16.67%	5	83.33%	6
Non Tech Hires	81	57.86%	59	42.14%	140
Non Tech Hires (internal)	14	58.33%	10	41.67%	24
Customer Support Hires	22	59.46%	15	40.54%	37
Customer Support Hires (internal)	2	66.67%	1	33.33%	3
Non Tech/Non CS Hire	59	57.28%	44	42.72%	103
Non Tech/Non CS Hires (internal)	12	57.14%	9	42.86%	21

### Director independence

The board Charter requires that at least two directors be independent and sets out circumstances in which a director will not be regarded as independent.

We assess director independence as a board against the criteria in the Charter. We consider all Trade Me’s directors to be independent at present.

### Director training

We each undertake appropriate education to remain current in how to best perform our duties as directors. We maintain membership of relevant bodies such as the Institute of Directors or Chartered Accountants Australia and New Zealand, and receive information independently and from management in relation to specific issues relevant to Trade Me, the markets in which it operates, or to NZX-listed companies generally.

### Board performance

The board Charter provides for regular performance reviews of the board and its committees.

We reviewed our compliance against the board Charter in June 2017, and we had met all the requirements of the Charter.

We generally review annually how the board is performing. In the last year we had two new directors join the board – Katrina Johnson in late June 2016 and Simon West in December 2016, so the usual review cycle was suspended. We are beginning the review process again in August 2017. Our review process comprises individual interviews between directors and the chairman, with directors and the executive team completing an evaluation questionnaire relating to board and committee composition and performance. Responses are anonymised, reported back to directors and discussed at a board meeting. We have found this effective to date and it has helped us to refine our strategy setting processes, and the information provided in board papers. We are a small board and to date haven't engaged an external facilitator – we are satisfied that the board and its committees are operating well and that the performance process we've used is both effective and suited to the company.

## Principle 3

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### **Board committees: The board should use committees where this will enhance its effectiveness in key areas while still retaining board responsibility.**

Our board committees review and consider in detail the policies and strategies developed by management. They examine proposals and make recommendations to the board. They don't take action or make decisions on behalf of the board unless specifically mandated to do so. A committee or an individual director can engage independent legal counsel at Trade Me's expense with the prior approval of the chairman.

During the F17 year Trade Me's standing board committees were:

- Audit & Risk Management committee
- Human Resources & Compensation committee

All recommendations and deliberations on the appointment of directors were undertaken by the full board. The Independent Directors' committee (established when Fairfax Media had a significant shareholding and two directors on the board) has not been required for some years – all our directors are independent.

The Nominations Committee and Independent Directors' Committee were disestablished with effect from June 2017.

#### **Audit & Risk Management committee:**

Joanna Perry (chair), David Kirk, Katrina Johnson.

All the members of the committee are independent directors.

In accordance with the NZX Code the Audit & Risk Management Committee is chaired by an independent director, Joanna Perry, who is not the Chair of the board. Joanna is a professional director, a Fellow of Chartered Accountants Australia and New Zealand and Chair of the IFRS Advisory Council.

The committee's Charter is set out on the investor relations website. We evaluate the performance of the committee against its Charter annually.

The committee met seven times in the year to 30 June 2017. Management attend meetings only at the invitation of the committee, and the committee meets with the external auditors with management excluded, regularly.

#### **Human Resources & Compensation committee:**

David Kirk (chair), Paul McCarney, Sam Morgan (to November 2016), Joanna Perry, Simon West (from June 2017)

All of the members of the Committee are independent directors.

The committee met on two occasions in the year to 30 June 2017. Some matters which would normally be considered by the committee were addressed by the full board.

This committee has oversight of health and safety systems and processes at Trade Me, in addition to matters of recruitment, retention and remuneration. The HR & Compensation committee's Charter is on the investor relations website.

#### **Other committee matters**

We occasionally appoint a committee of directors to consider or approve a specific proposal or action, if the timing of meetings or availability of directors means the matter cannot be considered by the full board. Their deliberations and decisions are reported back to the board not later than the next meeting following.

We considered late in 2015 the protocols that would apply in the event we received notice of a takeover offer, including the establishment of a committee of independent directors to oversee the offer, take specialist advice and ensure compliance with all the company's obligations under the Takeovers Code. We have not formally documented those protocols but propose to do so in the next six months.

## Principle 4

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### Reporting and disclosure: The board should demand integrity in financial reporting and in the timeliness and balance of corporate disclosures.

#### Financial reporting

The board is responsible overall for ensuring the integrity of the Company's reporting to shareholders, including for financial statements that comply with generally accepted accounting practice.

The board's Audit & Risk Management committee oversees the quality, reliability and accuracy of the financial statements and related documents (the Audit & Risk Management committee's role is described fully in its Charter). In doing so the committee make enquiries of management and external auditors (including requiring management representations) so that we can be satisfied as to the validity and accuracy of all aspects of Trade Me's financial reporting.

The CEO and CFO certify to the board in relation to Trade Me's financial statements, including (as has been required by ASX) certifying that the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies of the board, and that the Company's risk management and internal control systems, to the extent they relate to financial reporting, are operating effectively in all material respects.

Trade Me has worked hard to improve the clarity and readability of its financial statements, while continuing to maintain all the requirements of the financial reporting standards.

#### Non-financial reporting

We haven't adopted a formal environmental, social and governance (ESG) reporting framework at this time. Trade Me's assessment of exposure to non-financial risks, including economic, environmental and social sustainability risks, is woven into the Comprehensive and Key Risk assessments that we refer to under Principle 6.

#### Disclosure to the market

We have a written disclosure policy – the Market Disclosure Policy, found on our investor relations site. It sets out requirements for full and timely disclosure to the market of material issues, so all stakeholders have equal access to information.

The board reviews and approves material announcements. We also specifically consider with management at each board meeting whether there are any issues which might require disclosure to the market under the NZX and ASX continuous disclosure requirements.

#### Information for investors

Trade Me's investor relations website includes the Company's presentations, reports, announcements, and media releases, as well as the Charters and guidelines referred to in this section. The Annual Report is available in electronic and hard copy format.

Trade Me's annual meeting will be held on 9 November 2017 in Wellington. We welcome shareholders' attendance and questions. The external auditors, EY, will be there and will be available to answer questions about the audit and the audit report. A Notice of Meeting will be sent to shareholders in October.

## Principle 5

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### Remuneration: The remuneration of directors and executives should be transparent, fair and reasonable.

#### Directors' remuneration

The total remuneration pool for Trade Me's directors was set at \$800,000 per annum at the Annual Meeting in October 2013.

For the financial year the annual fees paid to directors were:

- Chairman \$215,000 (including all committee responsibilities)
- Directors \$95,000
- Chair of the Audit & Risk Management committee \$25,000
- Chair of the Human Resources & Compensation committee \$15,000
- Members of a committee (except chair) \$10,000

Directors on multiple committees receive fees for membership of each committee.

The last increase in directors' fees was made with effect from 1 July 2016.

Our directors' fees for F17 are set out on page 46.

No retirement fees have been paid by Trade Me to directors at any time.

#### Remuneration of employees

Trade Me aims to have a remuneration framework and policies to attract and retain talented and motivated people.

The Company wants to:

- Be recognised as a great place to work, and attract, retain and motivate high-performing individuals.
- Align employee incentives with the achievement of good business performance and shareholder return.
- Recognise and reward individual success, while encouraging teamwork and a high-performance culture.
- Be competitive in the labour market.
- Be fair, consistent and easy to understand.
- Be true to one of Trade Me's core values: hiring and growing great people.

#### Trade Me employee remuneration

We use market data to determine competitive salary and total remuneration levels for all staff. We make allowances for individual performance, scarcity of skills, internal relativities and specific business needs. Trade Me is operating in a growth industry, and we have a skilled and mobile workforce. We achieve scale through technology, so the difference a high-performing employee can make is amplified, and we want to ensure these people are identified so we can retain them.

All employees have fixed remuneration plus the potential to earn a Short Term Incentive (STI). Senior employees may also be invited to participate in the Long-Term Incentive (LTI) scheme described below and in Note 14 to the financial statements.

#### CEO remuneration

Jon Macdonald's employment agreement for his role as CEO commenced on 26 February 2008. His agreement reflects appropriate standard conditions for a chief executive of a listed company.

Jon's remuneration is a combination of fixed salary, KiwiSaver and incentive arrangements.

The incentives are an STI component set at 30% of base salary, linked to specific financial and non-financial targets set annually by the board, and an LTI component, in restricted shares under the company's LTI scheme. He is currently allocated LTI shares to the value of 45% of his fixed annual remuneration annually. The performance hurdles applicable to those LTI shares are detailed in Note 14.

Jon's fixed salary for the year to 30 June 2017 was \$740,000. Performance for the purposes of the STI component has not yet been assessed, and will be paid in August 2017 for the F17 year.

Jon had 220,950 restricted shares in the LTI Scheme at 30 June 2017. Those shares have vesting dates respectively in October 2017, 2018 and 2019. Vesting at each date is dependent on the Company meeting its performance hurdles for the prior 3 year period, and on him remaining an employee at the applicable vesting date.

The Human Resources & Compensation committee considers the CEO's remuneration annually, at the same time as his performance is reviewed, and makes a recommendation to the full board.

### Other executive remuneration

The Human Resources & Compensation Committee makes recommendations to the board on remuneration arrangements for the executive team – the people who report directly to the CEO. As directors we approve executive remuneration, the total of STI payments across the Company, and the overall remuneration budget for the Company.

Employee performance reviews are undertaken in a comprehensive process at quarterly intervals. Managers evaluate performance with the assistance of feedback from peers, direct reports and other reviewers.

The CEO reviews each executive's performance – most recently in July 2017 – against specific objectives set the previous year.

### Short-term incentive (STI) plan

STI payments across the whole Company, not just at executive level, have a component linked to the EBITDA performance of the Company and an element attributable to the achievement of specific team or individual objectives.

Terms vary depending on the seniority and role of employees. In general:

	STI % of fixed annual remuneration, at target	Percentage of STI attributable to company's EBITDA performance	Percentage of STI attributable to individual or team performance
Team member	5%	25.0% of STI	75.0% of STI
Senior management	10%	33.3% of STI	66.7% of STI
Executive team	15%	66.7% of STI	33.3% of STI

There is some variation for employees in business development, account management and revenue generating roles, where there is generally additional at risk remuneration related to agreed revenue targets.

Payment is made in late August after finalisation of the Company's results for the previous financial year.

### Long-term incentive (LTI) scheme

We established a Long-term Incentive Scheme for Trade Me executives and senior management at 1 October 2012. The Scheme is an incentive and reward scheme for participating employees with the benefits directly linked to the Company's performance.

The Scheme Deed and Scheme Rules provide for the board to make offers of shares to selected senior employees and to establish Company performance-based hurdles for the vesting of the shares. A wholly-owned subsidiary (TMG Trustee Limited) was incorporated as trustee to administer the Scheme.

The Scheme is a "loan and bonus" type. Shares have been issued annually since October 2012. They are issued to TMG Trustee at the volume weighted average market price for Trade Me shares on NZX, over the 20 trading days prior to the issue date. The trustee holds the shares for each beneficial holder, until performance hurdles are tested. Trade Me's performance is measured at the end of identified intervals from the date of issue of the shares – usually 3 years from issue date. The performance hurdles are separate measures of the Company's total return to shareholders and its earnings per share. The hurdles are described in Note 14.2 to the Financial Statements.

While the shares are still restricted and held by the trustee, they rank equally for dividends (which are paid to the beneficial holders) and have the same voting rights as ordinary shares in the Company.

If the performance hurdles are not met for a round of shares, or the beneficial holders leave Trade Me employment before the shares become unrestricted, the applicable shares are forfeited and cancelled. (We give notice to all shareholders when that happens, as required under the Companies Act 1993 (NZ)).

The LTI shares (all of which are still restricted) at 30 June 2017 were:

Round	Issue date	Hurdle date	Number of shares	Number of holders
LTI 3 (FY15 tranche)	1 October 2014	30 September 2017	295,356	32
LTI 4 (FY16 tranche)	19 November 2015	30 September 2018	316,034	37
LTI 5 (FY17 tranche)	18 October 2016	30 September 2019	261,191	45

## Principle 6

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**Risk management: Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.**

Trade Me has a risk management framework in place to identify, oversee, manage and control risk. That framework includes a risk management policy (available on the Company's investor relations website) and an implementation structure. The risk management framework was put in place in 2013 and was most recently reviewed in June 2017.

Directors have also been provided with specific and detailed presentations from management in particular risk areas, on a regular basis.

Trade Me doesn't have an internal audit function. Management reports at least annually to the Audit & Risk Management committee on improvements and changes to internal controls in relation to the finance function, and undertakes specific quality review projects, identified by the CFO, the scope of which are approved in advance by the Audit & Risk Management Committee.

### Non-financial reporting

As part of its risk review and management work, directors consider a range of non-financial risks, particularly economic, social and governance (ESG) risks:

#### Brand and reputation

Trade Me relies on strong and growing ongoing consumer confidence in the internet as an efficient, simple, safe and trusted channel. The Company's reputation and recognisable brand are valuable components of its business, and underpin users' trust in its websites. Adverse events including issues with fraudulent or other illegal activity on or in connection with its websites, a breach of privacy, sustained or repeated site outages, a failure to effectively address customer disputes or a loss of customer data could damage Trade Me's reputation. To defend against that risk, Trade Me takes a wide range of steps to protect against fraudulent activity, security breaches and outages. We work hard to communicate clearly, effectively and honestly with members.

#### Disruption of information systems, and security

Trade Me is dependent on the technology systems, servers, networks, hardware and software that it has in place. The systems could be vulnerable to unauthorised access, viruses, human error, natural disasters, communications failure, sabotage or terrorism. To defend against those risks the Company has implemented security measures, disaster recovery, systems redundancy, and backup procedures.

#### Threat of disruptive models, technology changes and competition

Online and mobile technology continues to advance rapidly and this could affect Trade Me's ability to retain its existing community of members, maintain and increase its existing level of listings, or implement its growth strategies. The effects of future technological change can't be completely predicted.

We also compete against a broad range of industry participants including domestic and international media companies, online retailers, and niche market operators.

We've taken action to keep enhancing our products, to build on Trade Me's strong brand and reputation, and to build and invest in a portfolio of businesses to manage those risks.

#### Environmental sustainability

The fundamental premise of the Trade Me used goods marketplace business is the reuse and recycling of goods by members – one person sells their unwanted goods to another.

This year we've taken some early steps to look at how sustainable it is to buy and sell on Trade Me, testing this in our fridges category. Fridges contain gases that, if not disposed of properly, can leak into the environment.

Over the past nine years (where we had a good level of detailed data) more than 200,000 Trade Me members have bought and sold fridges on Trade Me. We provided our data in this category to a group of independent experts experienced in assessing sustainability initiatives. The panel estimated the number of fridges that could have ended up in landfill if they hadn't been disposed of properly. They concluded that by giving their fridges an extended life on Trade Me our members have saved an estimated 32,292 tonnes of CO<sub>2</sub> from release into the atmosphere from incorrect disposal, saved an estimated 18,000 fridges from entering landfills around the country and saved \$4.2m in environmental costs. To put that in real terms, to remove that amount of CO<sub>2</sub> from the environment would take a year for a 3,754 hectare forest of mature trees (9–10 years old). The environmental costs are saved by Councils who can prolong the life of their landfills, earn recycling revenue, foster local jobs in addition to the wider environmental benefit of keeping gas emissions from entering our atmosphere.

Used goods is only one part of the business. As a corporate Trade Me has relatively low environmental impacts. The vast majority of our negative impact arises from energy consumption in our offices, and emissions from travel. As employee numbers have grown, more travel has been required between New Zealand and the markets where suppliers are based, between the Company's offices in Wellington, Christchurch and Auckland, and locally to maintain communication with key customers.

Since 2014 we have provided full data annually to Ernst & Young to prepare a Greenhouse Gases (GHG) Emissions Profile for our travel and other energy consumption. We buy carbon credits to fully offset carbon emissions, each year.

Our total GHG inventory for the 2015 calendar year (reported in our 2016 Annual Report) was 670 tonnes CO<sub>2</sub>-e (split 368 tCO<sub>2</sub>-e to travel, vehicles and landfill waste; and 306 tCO<sub>2</sub>-e to power consumption). This year we are publishing our Annual Report before the GHG profile is available. We will report on our investor relations site when we have the 2016 year results.

### **Social sustainability**

Trade Me's values (referred to under Principle 1) are a statement of our culture of ethical corporate conduct.

Trade Me has long been active in promoting the interests of consumers. We have played a key part in the development of legislation to extend consumer protections to online auctions, and for a safe harbour regime under the Harmful Digital Communications Act.

A number of government agencies consult with Trade Me to identify the best means to ensure that legislation, regulation and guidance is practical and effective in a digital environment.

Our team is active in policing listings that cause issues of principle for consumers, although it's not a straightforward exercise to make a call on some types of listings – like the resale of tickets to sporting events not covered by the major events legislation, or the sale of firearms online. We engage actively in the debate on those issues with members, media and government.

We try to have an employment environment that is healthy and safe, fun and responsible. We're proud that Trade Me has been a finalist for the best employer in our category in the IBM Kenexa workplace engagement survey for the last six years consecutively.

Our customers and members have multiple means of communication with the Company – through the Customer Support team by email or phone, on Trade Me's message boards on the site, on Trade Me's social media pages, and in person at shareholder meetings.

### **Community**

Trade Me's commitment to sponsorship and philanthropy is preserved within our values ("Care about our community") and is part of being a good Kiwi company. We think it is important for Trade Me members to be part of a community with a generous spirit and that the wider public feels good about doing business with a company that helps out with worthy causes. Trade Me supports organisations or events that are family-orientated and familiar to Kiwis, and aligned with its vision and values.

A key strength when we work with charities and other organisations is our ability to leverage our platform to help those enterprises reach a wide audience. Trade Me offers a perfect opportunity to give charitable listings exposure.

On the charities and good causes front, we field up to 40 queries a week from around the country, and since 2011 we've had a full-time charities co-ordinator. For larger organisations and campaigns, our support may extend to publicity, pro bono advertising and social media promotion. For smaller campaigns, an acknowledgement that the organisation is doing something worthwhile by refunding their auction success fees is always appreciated.

In F17, nearly \$214,000 in success fees was returned to charities around the country, and approximately 27.5m ad impressions were provided to deserving organisations pro bono. Trade Me Jobs also provided charities with a 33 per cent discount on 1,970 job listings.

Trade Me has had a formal relationship with Plunket since 2005. Plunket is a charitable organisation that relies on donations to provide support services to parents and families. We also work closely to support actual feathered kiwis through national charity Kiwis for kiwi, raising funds and awareness to support kiwi conservation projects. When placing a listing on Trade Me, sellers can choose to round up their success fee to the nearest dollar and donate the difference to either Plunket or Kiwis for kiwi – this tool raised more than \$50,000 for these two charities in F17.

We support One Percent Collective as a business partner. This organisation takes the hassle out of regular charitable giving by asking Kiwis to donate up to one per cent of their income for distribution amongst their six partner charities. Donors can select to choose the amount and frequency of their donations to any or all of these charities. We support by promoting the OPC message.

We have partnered with the Starship Foundation for the Starship Spring Clean initiative for the last six years. This platform allows sellers to pledge funds to Starship from the sale of their items – and get their success fees refunded.

Trade Me also supports The Special Children's Christmas Party (with a donation and volunteers) and a multitude of other one-off events and causes.

In terms of sponsorship, we are biased towards things where the overall equation is better than just writing a cheque. In F17 we supported a wide range of events and initiatives including Wellington Zoo, Code Camp, DevMob, Product Tank, Gather 2016, Codemania, Workchoice Day, WDCNZ, Webstock, NetHui, NodeBots and Summer of Tech.

Trade Me also provides free, public Wi-Fi in Wellington (waterfront) and Christchurch (Re:Start Mall).

### **Health and Safety Risk**

Trade Me is a relatively low-risk, office based business—its most common risk is of trips or falls in the office, or accidents in vehicles, for staff who are account managers. Lost time injury in the business has historically been a very rare occurrence. We're conscious though that stress may affect some employees and we provide access to an entirely confidential counselling service outside Trade Me, which is free to employees.

The Human Resources & Compensation committee is responsible for reviewing, monitoring and making recommendations to the board on Trade Me's health and safety risk management generally. The committee ensures that the systems used to identify and manage health and safety risks are fit for purpose, are being effectively implemented, regularly reviewed and improved. The committee reviewed the health and safety risks in the business and plans to control or mitigate those risks, in 2016. Since then the employee Health and Safety committee has reported to each board meeting on any incident or issue, and on the Company's ongoing actions to minimise health and safety risk.

The frequency of incidents has been very low so the HR & Compensation Committee has not required LTIFR or TRIFR reporting to date. In the year to 30 June 2017, the Company recorded 18 work-related accidents, including those involving Trade Me's social sports teams, and none required any time off work.

## **Principle 7**

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### **Auditors: The board should ensure the quality and independence of the external audit process.**

We have an Audit Independence Policy that requires the external auditor to be independent and to be seen as independent. We're satisfied that there is no relationship between the auditor and Trade Me or any related person at this time, that could compromise the auditor's independence. We also obtain confirmation of independence formally from the auditor.

To ensure full and frank dialogue amongst the Audit & Risk Management committee and the auditors, the auditor's senior representatives meet separately with the Audit & Risk Management committee (without management present) at least twice a year, including immediately before finalisation and release of our half-year and full-year financial results to the market.

### **Non-audit work**

The Audit Independence Policy sets out restrictions on non-audit work that can be performed by the auditor. In F17 there were no occasions where the audit firm did specific non-audit work.

Our policy requires the rotation of the senior audit partner and review partner at least every five years, and we are fully compliant.

## **Principle 8**

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### **Shareholder rights and relations: The board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.**

Our investor relations website is the key place for Trade Me's financial and operational information, and for its important corporate governance documents. It's updated immediately on any announcement being made to the market.

Trade Me keeps shareholders informed through periodic reporting to NZX and ASX, and through its continuous disclosure. We provide briefings and presentations to media and analysts (which are made immediately available on the investor relations website), and communicate with shareholders through our annual and half-year reports and shareholder meetings, as well as through a range of releases to media on Trade Me matters which we believe will interest shareholders and our members.

We encourage shareholders to refer to the investor relations website, and to receive annual and half-year reports electronically but hard copies of the reports can readily be obtained from the share registrar, Link Market Services Limited. We take care to write all shareholder communications in a clear and straightforward way and to limit our use of jargon.

Our results presentations are webcast and are published immediately on our investor relations site.

We have so far held the Annual Meeting in Wellington, which is the Company's base, with all directors and the executive team present. To date we have had a physical rather than virtual Annual Meetings, recognising that for some shareholders this is the best opportunity to engage personally with the board, but we are open to other arrangements.

## Disclosures

### Shareholder information

#### Twenty largest shareholders as at 30 June 2017

Rank	Investor Name	Total Units	% Issued Capital
1	New Zealand Central Securities Depository Limited*	126,671,580	31.91
2	HSBC Custody Nominees (Australia) Limited	80,984,423	20.4
3	J P Morgan Nominees Australia Limited	42,667,818	10.75
4	National Nominees Limited	29,996,337	7.56
5	Citicorp Nominees Pty Limited	24,259,333	6.11
6	Bnp Paribas Nominees Pty Ltd	11,997,650	3.02
7	Citicorp Nominees Pty Limited	6,490,026	1.63
8	UBS Nominees Pty Ltd	6,016,842	1.52
9	Bnp Paribas Nominees Pty Ltd	4,325,965	1.09
10	HSBC Custody Nominees (Australia) Limited	3,873,387	0.98
11	Custodial Services Limited	2,323,928	0.59
12	UBS Nominees Pty Ltd	2,142,577	0.54
13	New Zealand Depository Nominee Limited	2,052,577	0.52
14	Investment Custodial Services Limited	1,953,548	0.49
15	Amp Life Limited	1,770,469	0.45
16	Pt Booster Investments Nominees Limited	1,215,015	0.31
17	RBC Investor Services Australia Nominees Pty Limited	1,198,249	0.3
18	Custodial Services Limited	1,016,085	0.26
19	Brispot Nominees Pty Ltd	987,552	0.25
20	TMG Trustee Limited	872,581	0.22

\*New Zealand Central Securities Depository provides a custodial depository service which allows electronic trading of securities by its members.

#### Distribution of ordinary shares and registered shareholders as at 1 August 2017

Shareholder range	No. of holders	No. of shares	% issued capital
1-1,000	2,759	1,673,251	0.42%
1,001-5,000	4,411	11,512,587	2.90%
5,001-10,000	1,046	7,828,691	1.97%
10,001-50,000	524	9,884,949	2.49%
50,001-100,000	34	2,378,709	0.60%
100,001 and over	53	363,702,635	91.62%
Total	8,827	396,980,822	

As at 30 June 2017, the total number of shares on issue was 396,980,822 ordinary shares.

There is no current share buy-back taking place.

### Substantial product holders

As at 30 June 2017, Trade Me had received notice that the following were substantial product holders in accordance with section 293 of the Financial Markets Conduct Act 2013.

	Date of last disclosure notice before 30 June 2017	Relevant interest in number of shares	% held as at the date of notice
Commonwealth Bank of Australia	18 May 2017	32,166,672	8.099%
Hyperion Asset Management Limited	24 March 2017	44,015,759	11.08%

### Voting rights

Shareholders may vote at a meeting of shareholders, either in person or through a representative. Where voting is by show of hands or by voice, every shareholder present in person or by representative has one vote.

In a poll, every shareholder present in person or by representative has one vote for each share. Unless the board determines otherwise, shareholders may not exercise the right to vote at a meeting by casting postal votes.

### Limitations on the acquisition of Trade Me securities

The terms of the Company's admission to the ASX and ongoing listing requires the following disclosure. Trade Me is incorporated in New Zealand. As such, it is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act 2001 (Australia) dealing with the acquisition of shares (i.e. substantial holdings and takeovers).

Limitations on the acquisition of securities imposed under New Zealand law are as follows:

- In general, securities in Trade Me are freely transferable and the only significant restrictions or limitations in relation to the acquisition of securities are those imposed by New Zealand laws relating to takeovers, overseas investment and competition.
- The New Zealand Takeovers Code creates a general rule under which the acquisition of 20% of more of the voting rights in Trade Me, or the increase of an existing holding of 20% or more of the voting rights of Trade Me, can only occur in certain permitted ways. These include a full takeover offer in accordance with the Takeovers Code, an acquisition approved by an ordinary resolution, an allotment approved by an ordinary resolution, a creeping acquisition (in certain circumstances), or compulsory acquisition of a shareholder holding 90% or more of the shares.
- The New Zealand Overseas Investment Act 2005 and Overseas Investment Regulations 2005 (New Zealand) regulate certain investments in New Zealand by overseas interests. In general terms, the consent of the New Zealand Overseas Investment Office is likely to be required where an "overseas person" acquires shares in the Company that amount to 25% or more of the shares issued by Trade Me, or if the overseas person already holds 25% or more, the acquisition increases that holding.
- The New Zealand Commerce Act 1986 is likely to prevent a person from acquiring shares in Trade Me if the acquisition would have, or would be likely to have, the effect of substantially lessening competition in the market.

In accordance with the requirements of the ASX waiver provided at the time of the Company's admission to the ASX, Trade Me certifies that during the period from 1 July 2016 to 30 June 2017 it has been subject to, and has complied with the requirements of NZX with respect to the issue of new securities. Trade Me continues to comply with these requirements.

### Credit rating

The Company has no credit rating.

### Donations

The Company made donations of \$7.5k during the year to 30 June 2017.

### Company Secretary

Trade Me's Company Secretary is Sarah Hard.

## Director and employee remuneration

### Employee remuneration

There were 170 Trade Me employees (or former employees) who received remuneration and other benefits in excess of \$100,000 in their capacity as employees in F17, as set out in the table below.

This includes salary, Kiwisaver contributions, STI payments, and the fair value of LTI shares at 30 June 2017. It also includes any settlement payments and payments in lieu of notice upon departure from the Company.

Salary bands (\$)	Number
100,000–110,000	36
110,001–120,000	40
120,001–130,000	22
130,001–140,000	15
140,001–150,000	11
150,001–160,000	8
160,001–170,000	2
170,001–180,000	3
180,001–190,000	4
190,001–200,000	3
200,001–210,000	2
210,001–220,000	4
220,001–230,000	2
230,001–240,000	3
240,001–250,000	2
250,001–260,000	2
300,001–310,000	1
310,001–320,000	1
320,001–330,000	3
330,001–340,000	1
350,001–360,000	1
460,001–470,000	1
490,001–500,000	1
530,001–540,000	1
1,150,001–1,160,000	1
Total	170

### Remuneration of directors

Remuneration paid to directors of Trade Me for the F17 year is as follows:

David Kirk	\$215,000
Katrina Johnson	\$105,000
Sam Morgan (part year)	\$48,125
Paul McCarney	\$105,000
Joanna Perry	\$130,000
Simon West (part year)	\$51,458

None of the directors have received or become entitled to receive a benefit other than director's fees since the end of the financial year. Directors are reimbursed for travel and other incidental expenses incurred in attending board meetings.

## Directors' disclosures

### Interests register

Pursuant to section 140(2) of the Companies Act 1993, directors made the following general disclosure of interests. The following information was included in Trade Me's interest register as at 30 June 2017. Where changes in the interests register were notified during the year or subsequently they have been indicated below.

#### David Kirk

Bailador Investment Management Limited	Director/shareholder
Docscorp Pty Limited*	Director
Forsyth Barr Limited	Director
Instaclustr Pty Limited*	Alternate director
Kathmandu Holdings Limited	Chairman
NZ Performance Horses Limited	Director/shareholder
Online Ventures Pty Limited (trading as SiteMinder)*	Director/shareholder
Rezdy Pty Limited*	Director
SMI Holding Company Pty Limited*	Director/shareholder
Sydney Festival Limited	Chairman
Viocorp International Pty Limited*	Director/shareholder

(\*Companies in which Bailador has invested)

#### Katrina Johnson

eBay, Inc	Shareholder (restricted stock units arising from prior employment)
PayPal Holdings, Inc	Shareholder (restricted stock units arising from prior employment)

#### Paul McCarney

BTBI TCo Pty Limited	Director/shareholder
BTBI Holdings Pty Ltd	Director/shareholder
Codylan Pty Ltd	Director/shareholder
Culture Amp Pty Limited	Adviser
Data Republic Pty Limited	Executive Director/shareholder
Notee Finance Pty Ltd	Director/shareholder
Nuda Ruddy Pty Ltd	Director/shareholder

### Sam Morgan

Jasmine Charitable Trust	Trustee
Jasmine Investment Trusts 1-3	Trustee
Jasmine Investment Holdings Limited	Director/shareholder
Jasmine Investment Holdings Limited No.2-5 (includes holdings in Goodnest Limited and Wynyard Limited)	Director/shareholder
Kiwi Landing Pad Limited	Director/shareholder
Vend Limited	Director
vWork Limited (formerly known as Visfleet)	Director/shareholder
Willis Bond Capital Partners Limited	Advisory Board member
Willis Bond Capital Partners No2 Limited	Advisory Board member

### Joanna Perry

Genesis Energy Limited	Director
IFRS Advisory Council	Chair
JMGP Limited	Director/shareholder
Kiwi Property Group Limited	Director
Partners Group Holdings Limited	Director/shareholder
Partners Life Limited	Director
Regional Facilities Auckland	Director
Rowing New Zealand Limited	Director (resigned May 2017)
Sports and Recreation New Zealand	Director (resigned June 2017)

### Simon West

West Holdings Limited	Director/shareholder
West Investment Holdings Limited	Director
Max Fashions Limited	Director/shareholder
Max Fashions Holdings Limited	Director
Onceit Limited	Director/shareholder
Rhombus Investments Limited	Director/shareholder

### Directors' and officers' indemnities and insurance

In accordance with Section 162 of the Companies Act 1993 and the Company's Constitution, Trade Me indemnifies and insures directors and officers against liability to other parties that may arise from their position. Details are maintained in the interests register as required by the Companies Act 1993.

### Disclosure of directors' interests in share transactions

There were no disclosures made of acquisitions or dispositions of Trade Me shares by directors (under section 148(2) of the Companies Act 1993) in the year ending 30 June 2017.

## Directors' relevant interests in shares

Directors held the following relevant interests in voting securities of Trade Me as at 30 June 2017.

	Directly held	Held by associated persons
David Kirk		157,625
Katrina Johnson	0	0
Paul McCarney		30,000
Sam Morgan (resigned December 2016)		525,680
Joanna Perry	26,000	
Simon West	0	0

## Subsidiary Company directors

The directors of the Company's New Zealand subsidiary companies during the F17 year were Jon Macdonald and Caroline Rawlinson (from 22 September 2016), of both the NZ and Australian subsidiaries.

In the case of Kevin's Australian Investments Pty Limited and MotorWeb Australia Pty Limited, the directors were David Kirk and Caroline Rawlinson (from 22 September 2016). Colin Rohloff was a director from 1 July to 22 September 2016.

They do not receive or retain any remuneration as directors.

The subsidiaries are:

- Trade Me Limited
- Old Friends Limited
- Paystation Limited
- Trade Me Comparisons Limited
- TMG Trustee Limited
- Kevin's Australian Investments Pty Limited
- MotorWeb Australia Pty Limited

## Shareholder communications

Trade Me prefers to communicate with shareholders online and via email. However, shareholders have the right to receive a copy of the Annual Report on request.

## Share registry

The contact details for Link Market Services, Trade Me's share registry, are set out in the Directory on page 81.

## Further information online

Please visit the Trade Me investor relations website ([investors.trademe.co.nz](http://investors.trademe.co.nz)) for more information, including details of announcements, corporate governance policies, and FAQs.