

## GOVERNANCE – Corporate governance report

### Introduction

The following sections explain how the Company applies the main provisions set out in the 2014 UK Corporate Governance Code, (the Code) issued by the Financial Reporting Council (FRC), as required by the Listing Rules of the Financial Conduct Authority (FCA) and meets the relevant information provisions of the Disclosure and Transparency Rules of the FCA.

The statement of corporate governance covers:

- the structure and role of the Board and its committees;
- relations with the Company's shareholders and the Annual General Meeting (AGM); and
- the reports of the Audit Committee and Nomination Committee including Board effectiveness and evaluation.

The report of the Remuneration Committee is set out separately in the Directors' Remuneration Report on pages 53 to 84.

The Group's risk management and internal control framework and the principal risks and uncertainties are described on pages 18 to 20. The Directors' Report on pages 48 to 51 also contains information required to be included in this statement of corporate governance.

### Statement of compliance

The Code sets out the principles and provisions relating to good governance of UK listed companies and can be found on the FRC's website at <https://frc.org.uk>.

We are pleased to confirm that, for the year under review, the Company has complied fully with the principles and provisions of the Code.

### The Board's role

The Board is collectively responsible to shareholders for the overall direction and control of the Group and has the powers and duties set out in the Companies Act and the Company's Articles of Association. The Board delegates certain matters to the Board committees and delegates the day to day operational aspects of the business to the executive directors.

During the year, the Board has adopted an updated schedule of matters requiring Board approval. These include approval of:

- Rightmove's business strategy;
- the annual business plan;
- changes to the Group's capital structure;
- the capital management and dividend policies;
- the annual and half year results and shareholder communications;
- major acquisitions and disposals;
- appointment and removal of officers of the Company; and
- the system of internal control and risk management.

The key responsibilities and actions carried out by the Board during the year are set out below:

Responsibility	Specific actions and information received during the year			
Strategy and direction	The June Board meeting was devoted to Rightmove's strategy and included a discussion of the potential influences, threats and opportunities to Rightmove's business model arising from economic, regulatory and other market changes. Priority strategic initiatives are featured for monitoring, analysis and discussion at every Board meeting throughout the year	Approved the Group's budget for 2017 and its three-year business plan to 2019	Presentation from a media analyst on the online classifieds marketplace and global peer benchmarking	
Performance monitoring	Regular market updates and reports about competitive landscape including new business models and innovation	Regular updates on business performance relative to analyst consensus forecasts and business plan	Presentations from senior management providing an update on Agency and New Homes business performance and progress against the Rightmove customer value equation	Housing market updates
Shareholder engagement	Investor feedback received via the executive directors throughout the year, particularly post results and investor roadshows	Received monthly reports on shareholder composition and analysis of significant changes to the shareholder register	Presentation from UBS, Rightmove's corporate broker explaining the key drivers of the Group's valuation	Investor consultation eliciting feedback on the proposed Remuneration Policy received via the Remuneration Committee

Governance and risk	<p>Reviewed key risks appearing on the risk register. Discussed changes in significant risks affecting the business and considered emerging risks</p> <p>Received reports from the Audit Committee on the findings of Rightmove Assurance</p>	Reviewed and approved the Group's regulatory results announcements and Annual Report	Briefings and presentations from senior management covering a wide range of topics including cyber and information security risks, corporate governance and 2017 insurance renewal programme	Consideration of Board Strategy Review externally facilitated by Korn Ferry including analysis of relevant experience and skills on the Board to best support the Group's achievement of its strategic objectives
People and values	Presentations by senior managers throughout the year to ensure the Board's exposure to the breadth and depth of talent supporting business growth	The Audit Committee reported on Rightmove Assurance's review of employee incentivisation arrangements	The Remuneration Committee reported on the proposed executive Remuneration Policy	Monitoring of Group employee satisfaction scores across a range of criteria

There are usually seven or eight scheduled Board meetings each year including one meeting or away day devoted to consideration of the Group's strategy. Additional meetings can be arranged at short notice at the request of any director, if required. In addition to scheduled Board meetings, there is regular informal dialogue between all directors.

Committee	Role and terms of reference	Membership required under the terms of reference	Minimum number of meetings per year
<b>Audit</b>	<p>Reviews and reports to the Board on:</p> <ul style="list-style-type: none"> <li>Group financial reporting;</li> <li>the system of internal control and risk management;</li> <li>independence and effectiveness of the external audit process; and</li> <li>the internal audit plan, results and effectiveness of Rightmove Assurance, the outsourced internal audit function.</li> </ul> <p>Recommends the appointment of the external auditors to the Board for approval by shareholders</p>	At least three members who should be independent non-executive directors	Three

<b>Remuneration</b>	<p>Makes recommendations to the Board on:</p> <ul style="list-style-type: none"> <li>• the Remuneration Policy and strategy for executive directors and senior managers;</li> <li>• long-term incentive arrangements;</li> <li>• the design and determination of targets under any performance-related pay scheme; and</li> <li>• any major changes in employee benefit structures</li> </ul> <p>with the objective of ensuring that directors and employees are incentivised and fairly rewarded for their individual contributions to the Group's overall performance. Careful consideration is given to the interests of the shareholders and to the financial and commercial health of the Group</p>	At least three members who should be independent non-executive directors	Two
<b>Nomination</b>	<p>Undertakes an annual review of organisation and succession planning and ensures that the membership and composition of the Board, including the balance of skills, remains appropriate</p> <p>Makes recommendations for the membership of the Board, Audit and Remuneration Committees</p>	At least three members, the majority of whom should be independent non-executive directors	Two

Directors receive Board papers well in advance of meetings to allow sufficient time for review and consideration. If any director raises a concern or challenges any aspect of the business conducted at a Board meeting, the Company Secretary will ensure their comments are appropriately recorded in the Board minutes. In addition to formal Board papers, directors receive monthly management and financial reports on the operational and financial performance of the business setting out actual and forecast financial performance against approved budgets and other key performance indicators. The Board also receives copies of broker reports and press releases relating to the Group.

### **Board committees**

The Board has established three principal committees, the Audit Committee, the Remuneration Committee and the Nomination Committee, to assist it in the execution of its duties. The Chairman of each Committee reports on the respective Committee's activities at the subsequent Board meeting.

The Committees' terms of reference are available on the Company's corporate website, [plc.rightmove.co.uk](http://plc.rightmove.co.uk) or by request from the Company Secretary.

Each of the Committees is authorised, at the Company's expense, to obtain legal or other professional advice to assist in carrying out its duties. No person other than a Committee member is entitled to attend the meetings of these Committees, except by invitation of the Chairman of that Committee.

Current membership of the Committees is shown on page 37. The composition of these Committees is reviewed regularly, taking into consideration the recommendations of the Nomination Committee.

### **Board composition**

The Board at the date of this report comprises three executive directors and six non-executive directors, including the Chairman. The three executive directors are Nick McKittrick (Chief Executive Officer), Peter Brooks-Johnson (Chief Operating Officer) and Robyn Perriss (Finance Director). The non-executive directors are Scott Forbes (Chairman), Peter Williams (Senior Independent Director), Ashley Martin, Colin Kemp, Rakhi Goss-Custard and Jacqueline de Rojas.

Biographical details of all directors at the date of this report appear on pages 27 to 30 and details of Committee membership appear on page 37.

Consideration of the Board size and composition is kept under regular review by the Nomination Committee.

### **Board changes**

As part of the organisational changes announced on 24 February 2017, Nick McKittrick, Chief Executive Officer, will retire from the Board at the next AGM being 9 May 2017, and Peter Brooks-Johnson (currently Chief Operating Officer) will become the Chief Executive Officer from that date. Nick McKittrick will remain with the Company through to 30 June 2017 to ensure a smooth transition process.

Colin Kemp will also retire from the Board and relevant Committees with effect from the AGM date, having served nine years as a non-executive director.

Jacqueline de Rojas joined the Board on 30 December 2016. All other directors served throughout the year.

### **Division of responsibilities**

The posts of Chairman and Chief Executive Officer are separate and there are clear written guidelines to support their division of responsibilities. The key responsibilities of the Board members are summarised below:

<b>Chairman</b>	Responsible for the leadership and governance of the Board, including: <ul style="list-style-type: none"><li>• ensuring its effectiveness by creating and managing constructive relationships between the executive and non-executive directors;</li><li>• ensuring there is ongoing and effective communication between the Board and its key shareholders; and</li><li>• with the assistance of the Company Secretary, setting the Board's agenda and ensuring that adequate time is available for discussion and effective decision making, and that directors receive sufficient, pertinent, timely and clear information.</li></ul>
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<b>Chief Executive Officer</b>	<p>Responsible for the day to day management of the Group, including:</p> <ul style="list-style-type: none"> <li>• the operational and financial performance of the Group;</li> <li>• developing the Group's objectives and strategy and following Board approval, the successful execution of strategy;</li> <li>• effective and ongoing communication with shareholders; and</li> <li>• chairing the Executive Committee.</li> </ul>
<b>Non-executive directors</b>	<p>The role of the non-executive directors is to:</p> <ul style="list-style-type: none"> <li>• constructively challenge the executive directors; and</li> <li>• monitor the delivery of the strategy within the risk and control framework set by the Board.</li> </ul> <p>The non-executive directors bring wide and varied commercial experience and independent judgement to the Board and the Committees' deliberations.</p> <p>The breadth of management, financial and listed company experience of the non-executive directors is described in the biographical details on pages 27 to 30 and demonstrates a range of business expertise that provides the right mix of skills and experience given the size of the Group.</p>
<b>Senior Independent Director</b>	<p>The role of the Senior Independent Director is to:</p> <ul style="list-style-type: none"> <li>• act in an advisory capacity to the Chairman;</li> <li>• deputise for the Chairman if required;</li> <li>• serve as an intermediary for other directors when necessary;</li> <li>• be available to shareholders if they have concerns which they have not been able to resolve through the normal channels of the Chairman and Chief Executive Officer or other executive directors for which such contact is inappropriate; and</li> <li>• conduct an annual review of the performance of the Chairman and, in the event it should be necessary, convening a meeting of the non-executive directors.</li> </ul>
<b>Company Secretary</b>	<p>The Company Secretary:</p> <ul style="list-style-type: none"> <li>• monitors compliance with appropriate Board procedures;</li> <li>• advises the Board on corporate governance matters;</li> <li>• assists the Chairman in ensuring that all the directors have full and timely access to relevant information; and</li> <li>• assists the Chairman by organising directors' induction and training programmes.</li> </ul> <p>The Company Secretary also acts as Secretary to the Audit, Remuneration and Nomination Committees.</p> <p>The appointment and removal of the Company Secretary is a matter for Board approval.</p>

### Board diversity

We are committed to a Board comprised of directors from different backgrounds with diverse and relevant experience, perspectives, skills and knowledge. We believe that diversity, including gender diversity, amongst directors contributes towards a high performing and effective Board and business, so we strive to maintain the optimal balance. We endorse both a meritocratic Board appointment process and balanced gender representation on the Board. As at 31 December 2016, 33% of Board members were female and following the retirement of Nick McKittrick and Colin Kemp as Board directors in May 2017, this will rise to 43% with 50:50 representation at an executive director level. We remain committed to recruiting the best people and appropriate talent for the business and will seek to recruit qualified directors with an ideal of achieving as near equivalent gender balance on the Board as possible.

### Board independence

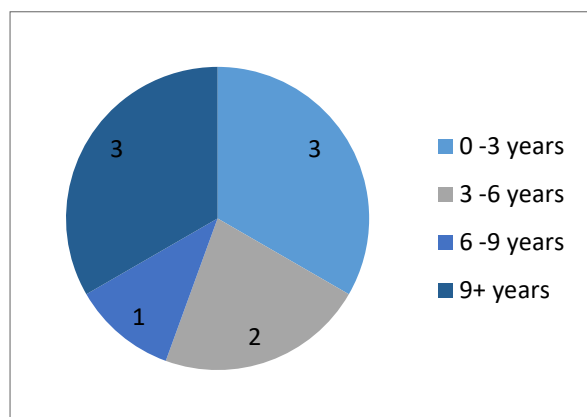
The Code provides that the Board should identify in the Annual Report each non-executive director that it considers to be independent. That is, to determine whether the director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement.

The Board reviews non-executive director independence on an annual basis taking into account such factors as their contribution to unbiased and independent debate during meetings. The Board considers that there is an appropriate balance between the executive and non-executive directors and that all non-executive directors are fully independent of management and independent in character and judgement. Colin Kemp completed nine years' service as a non-executive director in July 2016 and will retire following the 2017 AGM. The Board does not believe that the period from his nine-year anniversary to his retirement date will impair Colin Kemp's independence in character or judgement.

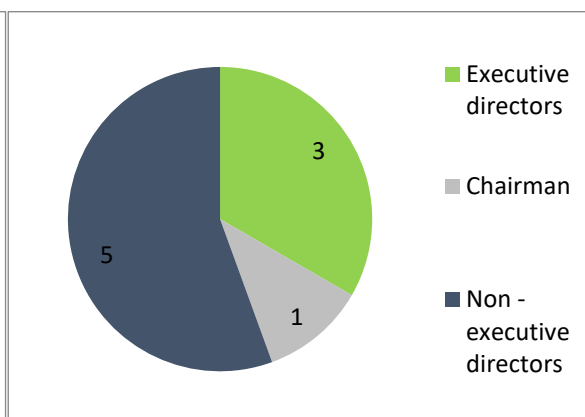
To safeguard their independence, a director is not entitled to vote on any matter in which they may be conflicted or have a personal interest. Where necessary, directors are required to absent themselves from a meeting of the Board while such matters are being discussed. In cases of doubt, the Chairman of the Board is responsible for determining whether a conflict of interest exists.

The Chairman is also the Chairman of another publically listed company. The executive directors do not hold any other non-executive directorships or commitments requiring disclosure under the Code.

**Board tenure as at 31 December 2016**



**Balance of directors as at 31 December 2016**



### Re-election to the Board

Directors are appointed and may be removed in accordance with the Articles of Association of the Company and the provisions of the Companies Act. All directors are subject to election at the first AGM following their appointment and in accordance with the Code, all directors will seek re-election at the 2017 AGM with the exception of Nick McKittrick and Colin Kemp, who have notified the Company of their retirement from the Board as at this date.

### Board and Committee membership and attendance

The membership of the Committees of the Board and attendance at Board and Committee meetings for the year under review are set out in the table below:

	Board	Remuneration Committee	Audit Committee	Nomination Committee
<b>Total meetings</b>	<b>7</b>	<b>6</b>	<b>5</b>	<b>2</b>
Scott Forbes	7	4 <sup>(1)</sup>	-	2
Nick McKittrick	7	-	-	-
Peter Brooks-Johnson	7	-	-	-
Robyn Perriss	7	-	-	-
Colin Kemp	7	6	-	2
Ashley Martin	7	1 <sup>(2)</sup>	5	2
Peter Williams	7	6	5	2
Rakhi Goss-Custard	7	6	5	2 <sup>(3)</sup>

(1) The Remuneration Committee Chairman invited the Chairman of the Board to attend all Remuneration Committee meetings.

(2) The Remuneration Committee Chairman invited Ashley Martin to attend one Remuneration Committee meeting as a guest for consideration of bonus and long-term incentive plan performance targets.

(3) Rakhi Goss-Custard was invited to attend two Nomination Committee meetings on a guest basis.

In addition to the above meetings, the Chairman conducts meetings with the non-executive directors without the executive directors being present when required. Peter Williams, the Senior Independent Director, chaired a meeting of the non-executive directors at which the performance of the Chairman was also reviewed, without the presence of the Chairman.

### Indemnification of directors

The Articles of Association of the Company allow for a qualifying third party indemnity provision between the Company and its directors and officers, which remains in force at the date of this report. The Group has also arranged directors' and officers' insurance cover in respect of legal action against the directors. Neither our indemnity nor the insurance provides cover in the event that a director is proven to have acted dishonestly or fraudulently.

The Group has a Dealing Code setting out the process and timing for dealing in shares, which is compliant with the Market Abuse Regulation. The Dealing Code applies to all directors, who are persons discharging managerial responsibility, and other insiders.

### Shareholder relations

The Board is accountable to shareholders for the performance and activities of the Group and welcomes opportunities to engage with shareholders.

Within the terms of the regulatory framework, the directors have conducted regular dialogue



with shareholders through ongoing meetings with institutional investors and research firms to discuss strategy and operational and financial performance. Contact in the UK is principally with the Chief Executive Officer and the Finance Director. The Chairman attends selected investor meetings in the UK and the USA. The Senior Independent Director is also available to shareholders if they wish to supplement their communication, or if contact through the normal channels is inappropriate.

The Board is kept informed of the views and opinions of those with an interest in the Company's investors through reports from the Chief Executive Officer and the Finance Director, as well as reports from the Company's joint brokers, UBS and Numis.

Shareholders are also kept up to date with the Group's activities through the half year results statement and Annual Report and the investor relations section of its website, at [plc.rightmove.co.uk](http://plc.rightmove.co.uk), which provides details of all the directors, the financial calendar, latest news including financial results, investor presentations and Stock Exchange announcements.