LKQ CORPORATION

MEETING DATE	Mon, 02 May 2016 13:30 pm	TYPE	AGM	ISSUE DATE	Mon, 25 Apr 2016
MEETING LOCATION	135 South LaSalle Street, 43rd Floor, Chicago, Illinois 60603				
CURRENT INDICES	PIRC Global				
SECTOR	Motor vehicles and motor vehicle parts and supplies				

	PROPOSALS	ADVICE
1a	**Elect Sukhpal Singh Ahluwalia** Chairman of Euro Car Parts Limited, a Company subsidiary which the Company acquired in 2011. There is insufficient independent representation on the Board.	**Oppose**
1b	**Elect A. Clinton Allen** Lead Director. Not considered independent as he has served on the Board for more than nine years. There is insufficient independent representation on the Board.	**Oppose**
1c	**Elect Robert M. Hanser** Independent Non-Executive Director. He is newly appointed to the Board and his appointment does not improve the gender balance which Triodos does not support.	**Oppose**
1d	**Elect Joseph M. Holsten** Chairman. It is not considered good practice for a Chairman to hold an executive position in the Company as we believe that the management of the business and the functioning of the Board are best kept separate. An oppose vote is recommended.	**Oppose**
1e	**Elect Blythe J. McGarvie** Independent Non-Executive Director. She is chair of the Audit committee which is not fully independent which Triodos does not support.	**Oppose**
1f	**Elect Paul M. Meister** Non-Executive Director. Not considered independent as he has served on the Board for more than nine years. There is insufficient independent representation on the Board. He is chair of the Remuneration committee which is not fully independent which Triodos does not support.	**Oppose**
1g	**Elect John F. O'Brien** Non-Executive Director. Not considered independent as he has served on the Board for more than nine years. There is insufficient independent representation on the Board. He is chair of the Nomination committee and less than 20% of the Board are women which Triodos does not support.	**Oppose**
1h	**Elect Guhan Subramanian** Independent Non-Executive Director.	**For**
1i	**Elect Robert L. Wagman** Chief Executive Officer.	**For**
1j	**Elect William M. Webster** Non-Executive Director. Not considered independent as he has served on the Board for more than nine years. There is insufficient independent representation on the Board.	**Oppose**
2	**Appoint the Auditors** Deloitte & Touche LLP proposed. Non-audit fees represented 17.76% of audit fees during the year under review and 18% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditors. The current auditor has been in place for more than ten years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor. An oppose vote is recommended.	**Oppose**

3	**Re-approve the Management Incentive Plan to maintain qualification of payouts under the plan as tax-deductible performance-based compensation** The Company has put forward a resolution requesting shareholders to re-approve the material terms of the Company's Management Incentive Plan in order for certain incentive awards granted under the Management Incentive Plan to qualify as tax-deductible performance-based compensation under Section 162(m) of the Internal Revenue Code. The Plan is open to all employees and will be administered by the Compensation Committee which has the authority to select the employees who participate in the plan; establish goals upon which awards will be based and establish the amount payable to a participant under the plan. Pursuant to the Plan, in no event may a participant's award for any performance period exceed $5 million. The Plan allows the Committee too much discretion to determine the size, type and term of awards. There are concerns that performance conditions may be attached to awards at the Committee's discretion and as a result awards may not be subject to robust enough performance targets, and be insufficiently challenging. As a result, Triodos opposes this resolution.	**Oppose**
4	**Re-approval an amendment to the Company's Long Term Incentive Plan to maintain qualification of payouts under the plan as tax-deductible performance-based compensation** The Company has put forward a resolution requesting shareholders to re-approve the material terms of the Company's Long Term Incentive Plan and approve a change to the maximum annual award payable to certain of the Company's executive officers. Approximately 50 persons are part of the class of employees who are eligible to participate in the plan. The Plan will be administered by the Compensation Committee which has the authority to select the participants, determine the performance objectives that must be met to receive an award payment, and interpret the terms of the plan and of the awards granted under the plan. Under the Plan, the maximum amount was adjusted by the Compensation Committee to $1 million, to be increased to $3 million. The performance targets, for awards granted under the plan that are performance based, are not disclosed which prevents shareholder assessment whether future payouts will be commensurate with performance. As a result, Triodos opposes this resolution.	**Oppose**
5	**Advisory vote on executive compensation** The Company has submitted a proposal for shareholder ratification of its executive compensation policy and practices. The voting outcome for this resolution reflects the balance of opinion on the adequacy of disclosure, the balance of performance and reward and the terms of executive employment. The compensation rating is: CDE. RSUs include a time-based vesting condition and vest in equal tranches on each six-month anniversary of the grant date which is not sufficiently long term. Also, there are concerns over the Compensation Committee's wide area of discretion when making awards. Based on these concerns, Triodos opposes this resolution.	**Oppose**

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 5 - Advisory vote on executive compensation

Disclosure: C- Annual cash incentives are based on consolidated earnings per share (EPS) goals. The Company awarded Long-Term Incentive Plan (LTIP) awards and Restricted Stock Units (RSUs). LTIP awards are based on the Company's 3-year EPS growth (45%), 3-year revenue growth (45%), and 3-year return on equity growth (10%). The RSUs include both a performance-based vesting condition and a time-based vesting condition. The Company has disclosed the financial targets for its short-term and long term incentives.
Balance: D- For fiscal year 2015, annual cash awards were not excessive and no payout exceeded 200% of base salary. However, the absence of non-financial metrics attached to annual cash incentives is not best practice. Also, there are important concerns over certain features of the equity awards. RSUs include a time-based vesting condition and vest in equal tranches on each six-month anniversary of the grant date which is not sufficiently long term. Also, there are concerns over the Compensation Committee's wide area of discretion when making awards. In March 2015, Mr. Zarcone received a special RSU grant as an incentive to join the Company as Chief Financial Officer.
Contract: E- The Company does not have a compensation claw back policy.

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