LKQ CORPORATION

MEETING DATE	Mon, 08 May 2017 13:30 pm	TYPE	AGM	ISSUE DATE	Tue, 25 Apr 2017
MEETING LOCATION	135 South LaSalle Street, 43rd Floor, Chicago, Illinois 60603				
CURRENT INDICES	S&P500				
SECTOR	Motor vehicles and motor vehicle parts and supplies				

	PROPOSALS	ADVICE
1a	**Re-elect Sukhpal Singh Ahluwalia** Non-Executive Director. Not considered independent as he is Founder, Chairman and former Managing Director from 1978 to 2014 of Euro Car Parts Limited, which was acquired by the Company in 2011. There is insufficient independent representation on the Board.	**Oppose**
1b	**Re-elect A. Clinton Allen** Lead Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1c	**Re-elect Robert M. Hanser** Independent Non-Executive Director.	**For**
1d	**Re-elect Joseph M. Holsten** Executive Chairman. It is a generally accepted norm of good practice that the Chairman of the Board should act with a proper degree of independence from the Company's management team when exercising his or her oversight of the functioning of the Board. Holding an executive position is incompatible with this. Triodos opposes this resolution.	**Oppose**
1e	**Re-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	**Re-elect Paul M. Meister** Non-Executive Director. Not considered independent owing to a tenure of over 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	**Re-elect John F. O Brien** Non-Executive Director. Not considered independent owing to a tenure of over 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	**Re-elect Guhan Subramanian** Independent Non-Executive Director.	**For**
1i	**Re-elect William M. Webster, IV** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1j	**Elect Dominick Zarcone** Chief Executive Officer.	**For**
2	**Appoint the Auditors** Deloitte proposed. Non-audit fees represented 26.57% of audit fees during the year under review and 22.88% on a three-year aggregate basis. This level of non-audit fees raises some concerns about the independence of the statutory auditor. The current auditor has been in place for more than seven years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor. Triodos opposes this resolution.	**Oppose**

3 Advisory Vote on Executive Compensation **Oppose**

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: CCD.

The Company uses EPS as a performance metrics for the LTIP awards and the annual bonus, allowing executives to be rewarded twice for the same performance. Also, the LTIP provides for acceleration of payments upon a change in control. Based on these concerns, Triodos opposes this resolution.

4 Approve the Frequency of Future Advisory Votes on Executive Compensation **1**

The Company is providing shareholders with an advisory vote on whether the advisory vote on executive compensation should be held every one, two or three years. The Board is required by Section 951 of The Dodd-Frank Wall Street Reform and Consumer Protection Act to offer this vote on the frequency of a say-on-pay proposal not less than every six years, although they have the option to offer this proposal more often.

The Board of Directors recommends an annual vote. It is considered that an annual vote on executive compensation is best practice for companies. Executive compensation comprises both fixed and variable pay elements, with the variable including share based incentive awards and cash bonuses over which the compensation committee have discretion. Decisions affecting the quantum and design of variable pay are made annually by the committee and it is therefore appropriate that shareholder approval is sought at the maximum frequency permitted by the new legislation. Contentious compensation payments and issues could occur in the intervening years between votes, if the frequency is less than annually. A one year frequency is supported.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory Vote on Executive Compensation

The Company has achieved: an average level of disclosure; an average balance for rewards; and a below average approach to contracts with executives.

Disclosure: C- Annual cash incentives are based on consolidated earnings per share (EPS) goals. The Company granted long-term incentives in the form of Long-Term Incentive Plan (LTIP) awards and Restricted Stock Units (RSUs). LTIP awards are based on the Company's 3-year EPS growth (42.5%), 3-year revenue growth (42.5%), and 3-year return on equity growth (15%). The Company has disclosed the financial targets for its short-term and long-term incentives. However, the Company used "adjusted" targets which is not best practice.

Balance: C- For fiscal 2016, annual cash awards were not excessive, with overall pay levels below peer group averages. However, the Company failed to include non-financial metrics into the annual bonus structure, which is considered best practice as it provides a wider evaluation of Company performance, and is often linked with driving long-term growth as opposed to financial metrics, which can be easily manipulated year on year. The Company uses EPS as a performance metrics for the LTIP awards and the annual bonus, allowing executives to be rewarded twice for the same performance.

Contract: D- The Company's change of control agreements provide cash severance and other benefits in the event of a qualifying termination within 12 months prior to or 24 months following a change of control. However, upon a change in control, the LTIP provides for acceleration of payments. In addition, the Company has not provided a definition for "good-reason".

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Researcher: Irene Tsopanoglou
Email: pircresearch@pirc.co.uk

PIRC

Pensions & Investment Research Consultants Limited
8th Floor, Suite 8.02, Exchange Tower
2 Harbour Exchange Square
E14 9GE

Tel: 020 7247 2323
Fax: 020 7247 2457
http://www.pirc.co.uk

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