

GROUP 1 AUTOMOTIVE INC  
Form DEF 14A  
April 13, 2015

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

**GROUP 1 AUTOMOTIVE, INC.**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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(4) Date Filed:

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April 13, 2015

Dear Fellow Stockholder:

You are cordially invited to attend Group 1 Automotive's 2015 Annual Meeting of Stockholders to be held at the Company's Sterling McCall Lexus dealership, 10025 Southwest Freeway, Houston, TX 77074, on Tuesday, May 19, 2015, at 10:00 a.m. Central Daylight Time.

2014 was an exciting year for both the Company and its shareholders, as it marked the fifth consecutive year of double-digit growth of both net income and revenue. While revenue increased across each of our business segments in 2014, management remained focused on shareholder value by leveraging revenue growth, optimizing our brand and dealership portfolio here in the United States, strategically expanding our presence in Brazil and the United Kingdom, simplifying our capital structure, repurchasing shares, increasing the quarterly cash dividend, and building the expertise within our board of directors.

This year's meeting agenda includes a vote to (i) elect two Class I directors, (ii) approve an amendment to our Restated Certificate of Incorporation to declassify our Board of Directors, (iii) approve, on a non-binding advisory basis, our executive compensation, (iv) approve our Employee Stock Purchase Plan (as amended and restated), and, (v) ratify Ernst & Young LLP as our independent registered public accountants. Management will also review the Company's record business and financial performance.

The Company's success involves thoughtful planning and dialogue from a dedicated team of people which include our customers, our employees, and you, our shareholders. We hope you are able to join us at the Annual Meeting, but if you cannot we look forward to hearing your voice via your participation in voting on the business items set forth in the attached notice. Regardless of the number of shares you own, your vote matters. We encourage you to sign and return your proxy card, or use telephone or Internet voting prior to the meeting, to assure that your shares are represented and voted at the meeting.

Thank you for your time and interest in Group 1.

Sincerely,

John L. Adams  
*Chairman of the Board*

Earl J. Hesterberg  
*President & Chief Executive Officer*

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
OF GROUP 1 AUTOMOTIVE, INC.**

**Date:** May 19, 2015  
**Time:** 10:00 a.m. Central Daylight Time  
**Place:** Sterling McCall Lexus  
10025 Southwest Freeway  
Houston, TX 77074

Matters to be voted on:

1. To elect two Class I directors to serve until the 2018 Annual Meeting of Stockholders;
2. To approve an Amendment to our Restated Certificate of Incorporation to declassify our Board of Directors;
3. To approve, on a non-binding advisory basis, our executive compensation;
4. To approve the Group 1 Automotive, Inc. Employee Stock Purchase Plan (as Amended and Restated);
5. To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2015; and
6. To transact such other business as may be properly brought before the meeting.

Stockholders of record at the close of business on March 23, 2015, will be entitled to notice of and to vote at the Annual Meeting and at any adjournments or postponements thereof. A list of stockholders will be available and may be inspected during normal business hours for a period of at least 10 days prior to the Annual Meeting at the offices of Group 1, 800 Gessner, Suite 500, Houston, Texas 77024. The list of stockholders will also be available for your review at the Annual Meeting. In the event there are not sufficient votes for a quorum or to approve the foregoing proposals at the time of the Annual Meeting, the Annual Meeting may be adjourned in order to permit further solicitation of proxies.

The proxy materials, including this Notice of Annual Meeting, the proxy statement, a proxy card, and our Annual Report to Stockholders for the fiscal year ended December 31, 2014 are being distributed and made available on or about April 13, 2015.

Your vote is important. We urge you to review the accompanying materials carefully and to vote by telephone or Internet as promptly as possible. Alternatively, you may complete, sign and return the proxy card by mail.

By Order of the Board of Directors,

Beth Sibley  
*Corporate Secretary*

Houston, Texas  
April 13, 2015

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS  
FOR THE STOCKHOLDER MEETING TO BE HELD ON MAY 19, 2015**

**The Notice of Annual Meeting of Stockholders, our Proxy Statement for the Annual Meeting and our Annual Report to Stockholders for the fiscal year ended December 31, 2014 are available at <http://www.proxyvote.com>.**

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## 2015 Proxy Summary

This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider, and you should read the entire proxy statement carefully before voting.

This proxy statement is being distributed and made available on or about April 13, 2015 in connection with the solicitation of proxies by the Board of Directors of Group 1 Automotive, Inc. for use at our 2015 Annual Meeting of Stockholders.

### Annual Meeting of Stockholders:

Date: May 19, 2015  
 Time: 10:00 a.m., Central Daylight Time  
 Place: Sterling McCall Lexus  
 10025 Southwest Freeway  
 Houston, TX 77074  
 Record date: March 23, 2015  
 Voting: Stockholders as of the record date are entitled to vote. Each share of common stock is entitled to one vote for each director nominee and one vote for each of the proposals to be voted on. All elections of directors shall be decided by plurality vote. In plurality voting, the nominees who receive the highest number of votes are elected. All other matters submitted to the stockholders shall be decided by the affirmative vote of a majority of the votes cast with respect to the matter presented, except for the amendment to our Restated Certificate of Incorporation providing for the declassification of the Board, which requires the affirmative vote of 80% of our issued and outstanding shares of common stock.

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#### Compensation and Corporate Governance Highlights

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Independent Compensation Consultant retained by our Compensation Committee, who does not perform any other work for our Company	Regular Board and Committee Self-Evaluations

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**Class I Director Nominees (Proposal 1)**

The following table provides summary information about our nominees for election to the Board of Directors. Additional information for all of our directors, including the nominees, may be found beginning on page 18.

Doyle L. Arnold	66	2015	Vice Chairman & Chief Financial Officer, Zions Bancorporation	I, AC NGC	
Earl J. Hesterberg	61	2005	President & Chief Executive Officer, Group 1 Automotive	FRM	Stage Stores, Inc.

(1)

I Independent Director  
AC Audit Committee  
CC Compensation Committee  
FRM Finance/Risk Management Committee  
NGC Nominating/Governance Committee

The Board recommends a vote **"FOR"** each Class I director nominee.

**Amendment to our Restated Certificate of Incorporation to declassify our Board of Directors (Proposal 2)**

We are asking stockholders to approve an amendment to our Restated Certificate of Incorporation to allow directors to be elected by our stockholders on an annual basis. The Board and Nominating/Governance Committee believe that this additional stockholder right is in the best interest of stockholders as it enhances accountability of the Board to stockholders.

The Board of Directors recommends a vote **"FOR"** the Amendment to our Restated Certificate of Incorporation to declassify our Board.



Table of Contents**Frequency of Say-on-Pay Vote**

In 2011, our stockholders indicated a preference for an annual "Say-on-Pay" vote. At last year's Annual Meeting of Stockholders, our stockholders approved the compensation of our named executive officers with a substantial majority of our stockholders (93% of votes cast) voting in favor. In evaluating this year's "Say-on-Pay" proposal, we recommend that you review our CD&A, which explains how and why the Compensation Committee arrived at its executive compensation actions and decisions for 2014.

**Executive Compensation Advisory Vote (Proposal 3)**

We are asking our stockholders to approve, on a non-binding advisory basis, the compensation of our Named Executive Officers. We believe that our compensation policies and practices are effective in achieving our Company's goals of rewarding sustained financial and operating performance, leadership excellence and aligning the executives' long-term interests with those of our stockholders. Our compensation philosophy is to set the fixed compensation of our Named Executive Officers competitively for their demonstrated skills and industry experience. Our variable compensation, both annual and long-term, reflects the results of performance against a combination of quantitative and subjective measures. The Compensation Committee targets the median of the market for all elements of pay, including base salary, annual incentive, long-term incentives and appropriate perquisites.

**Compensation Components**

Cash	Salary	Set annually based on market conditions, peer data and other factors
Cash	Annual Incentive	Linked to financial-based and mission-based goals, but discretionary factors are also considered
Equity	Long-Term Incentive Awards	Restricted stock with restrictions lapsing over a five-year period: 0%-40%-20%-20%-20%, to reward performance and promote retention of certain key employees
Other	Employment Agreements and Severance and Change of Control Arrangements	Change of Control payment equal to 30 months base salary for our President/CEO and our Senior Vice President/CFO and 15 months base salary for our Vice President/General Counsel, plus prior year's pro rata annual bonus  Under certain circumstances (as more fully described on pages 59-63), our CEO and his spouse will receive continued medical coverage for a period up to 36 months
Other	Deferred Compensation Plan	Allows deferral of up to 50% base salary and 100% of incentive bonus
Other	Perquisites	Demonstrator vehicle(s) and/or vehicle allowance  Our CEO may use our Company aircraft for up to 40 hours of personal use, provided he reimburses us based on the published standard industry fare level valuation method; we pay for club membership privileges that are used for business and personal purposes by our CEO
Other	Benefits	On same terms as other employees, including our employee stock purchase plan
Other	Indemnification Agreements	Indemnification for our Named Executive Officers provided the executive was acting in good faith and in the best interest of our Company



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Table of Contents**2014 Summary Compensation**

Set forth below is the 2014 compensation for each Named Executive Officer.

Earl J. Hesterberg <i>President and CEO</i>	1,000,000		2,881,350	1,250,000	119,519	553,792	5,804,661
John C. Rickel <i>Senior Vice President and CFO</i>	566,500		992,465	651,475	155,433	24,550	2,390,423
Darryl M. Burman <i>Vice President and General Counsel</i>	427,500		640,300	320,625	11,147	28,586	1,428,158
Peter C.DeLongchamps <i>Vice President, Financial Services, Manufacturer Relations and Public Affairs</i>	443,000	100,000	704,330	332,250	40,559	25,060	1,645,199
J. Brooks O'Hara <i>Vice President, Human Resources</i>	309,200		531,449	231,900	30,002	19,100	1,121,651

(1)

The amounts in the "Stock Awards" column reflect the required accounting expense for these awards and do not correspond to the actual value that may be recognized. These amounts represent the grant date fair value of awards computed in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718. Assumptions made in the calculation of these amounts are included in Note 5 to the audited financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014. Certain of these awards have no intrinsic value to the recipient until the performance or vesting schedule is met. Vesting schedules for equity awards can be found in the footnotes to the "Outstanding Equity Awards as of December 31, 2014" table.

(2)

Amounts reflect above-market earnings on the Deferred Compensation Plan. Amounts are reflective of earnings in excess of 120% of the applicable federal long-term rate, with compounding, of 3.92%. We do not offer a pension plan.

The Board recommends a vote "**FOR**" the non-binding advisory approval of our executive compensation.



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## Approval of the Group 1 Automotive, Inc. Employee Stock Purchase Plan (as Amended and Restated) (Proposal 4)

The purpose of our employee stock purchase plan is to provide an incentive to our employees to purchase a proprietary interest in our Company through their purchase of shares of our common stock. We are asking our stockholders to approve the Group 1 Automotive, Inc. Employee Stock Purchase Plan (as Amended and Restated). We believe that owning shares of our common stock is a retention tool, and directly ties the interests of our employees to the interests of our stockholders. Additional details concerning our employee stock purchase plan can be found on pages 28-33.

The Board recommends a vote "**FOR**" approval of the  
Group 1 Automotive, Inc.  
Employee Stock Purchase Plan (as Amended and Restated).

## Ratification of Ernst & Young LLP as Independent Registered Public Accounting Firm for 2015 (Proposal 5)

As a matter of good corporate governance, we are asking our stockholders to ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for 2015. Set forth below is summary information with respect to Ernst & Young's fees for services provided in 2013 and 2014.

Audit Fees	1,909,493	2,439,000
Audit Related Fees	631,880	
Tax Fees	526,780	201,267
All Other Fees	2,200	2,160
<b>Total</b>	<b>3,070,353</b>	<b>2,642,427</b>

The Board recommends a vote "**FOR**" ratification of  
Ernst & Young LLP as our independent registered public accounting firm for 2015.

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800 Gessner, Suite 500  
Houston, TX 77024

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**Proxy Statement**

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This proxy statement is being furnished to you in connection with the solicitation of proxies by the Board of Directors ("our Board" or the "Board") of Group 1 Automotive, Inc. ("Group 1", the "Company" or "our Company") for use at our 2015 Annual Meeting of Stockholders (the "Annual Meeting"), and at any adjournment or postponement thereof. Proxy materials were first sent to stockholders on or about April 13, 2015.

## **2015 Annual Meeting Date and Location**

Our Annual Meeting will be held at Sterling McCall Lexus, 10025 Southwest Freeway, Houston, TX 77074, on Tuesday, May 19, 2015, at 10:00 a.m., Central Daylight Time, or at such other time and place to which the meeting may be adjourned.

References in this proxy statement to the Annual Meeting also refer to any adjournments, postponements or changes in location of the meeting, to the extent applicable.

## **Delivery of Proxy Materials**

The proxy materials, including this proxy statement, the Notice of Annual Meeting, a proxy card, and our Annual Report to Stockholders for the fiscal year ended December 31, 2014 were mailed to stockholders on or about April 13, 2015.

The Notice of Internet Availability provides instructions on how to inform us to send future proxy materials to you electronically by e-mail or in printed form by mail. If you choose to receive future proxy materials by e-mail, you will receive an

e-mail next year with instructions containing a link to those materials and a link to the proxy voting site. Your election to receive proxy materials by e-mail or printed form will remain in effect until you terminate it.

Choosing to receive future proxy materials by e-mail will allow us to provide you with the information you need in a timelier manner, save us the cost of printing and mailing documents to you, and conserve natural resources.

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## Questions and Answers about the Annual Meeting

### What is the purpose of the meeting?

At our Annual Meeting, stockholders will act upon the matters outlined in the notice of meeting, including the election of two Class I directors, the amendment to our Restated Certificate of Incorporation to declassify our Board of Directors, the advisory vote to approve executive compensation, the approval of the Group 1 Automotive, Inc. Employee Stock Purchase Plan,

and the ratification of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2015, and the consideration of any other matters properly presented at the meeting. In addition, senior management will report on our business and financial performance during fiscal year 2014 and respond to your questions.

### Who is entitled to vote at the meeting?

Only our stockholders as of 5:00 p.m., Central Daylight Time, on March 23, 2015 (the record date) are entitled to receive notice of the Annual Meeting and to vote at the meeting. On March 23, 2015,

there were 24,279,051 shares of Group 1 common stock issued and outstanding and entitled to vote at the meeting.

### How many votes may I cast?

You are entitled to one vote for each share of Group 1 common stock you owned at 5:00 p.m.,

Central Daylight Time, on March 23, 2015, on all matters presented at the meeting.

### What is the difference between a stockholder of record and a beneficial owner or "street name" holder?

If your shares are registered directly in your name with our registrar and transfer agent, American Stock Transfer & Trust Company, LLC, you are considered a stockholder of record with respect to

those shares. If your shares are held in a brokerage account or by a bank or other nominee, you are considered the "beneficial owner" of those shares, and your shares are held in "street name."

### How do I vote my shares?

If you are a stockholder of record on the record date, you may vote in person at the Annual Meeting or by proxy using any of the following methods:

**Internet** visit the website shown on the proxy card ([www.proxyvote.com](http://www.proxyvote.com)) and follow the instructions at that website at any time prior to 11:59 p.m., Eastern Daylight Time, on May 18, 2015;

**Telephone** within the U.S. or Canada, call the toll-free telephone number shown on the proxy card or and follow the instructions at any time prior to 11:59 p.m., Eastern Daylight Time, on May 18, 2015; or

**Mail** if you receive a paper copy of the proxy materials, complete, sign and date the proxy card and return the proxy card in the prepaid envelope. Your proxy card must be received by the Company before the voting polls close at the Annual Meeting.

If you vote by Internet or telephone, do not return your proxy card. The telephone and Internet voting procedures are designed to authenticate stockholders' identities, to allow stockholders to give their voting instructions and to confirm that stockholders' instructions have been recorded properly. Submitting your proxy by Internet or telephone will not affect your right to vote in person should you decide to attend the Annual



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## Questions and Answers about the Annual Meeting

Meeting. If you want to vote in person at the meeting, you must request a ballot. For directions to the Annual Meeting visit [www.sterlingmccalllexus.com/HoursAndDirections](http://www.sterlingmccalllexus.com/HoursAndDirections).

If you hold your shares in street name, you will receive instructions from your broker, bank or other nominee describing how to vote your shares. Beneficial owners voting by telephone or Internet

are subject to the same deadlines as described above for holders of record. If you want to vote in person, you must obtain a legal proxy from your broker, bank or other nominee and bring it to the meeting.

If you hold common stock in **BOTH** street name and as a stockholder of record, **YOU MUST VOTE SEPARATELY** for each position of common stock.

### Can I change my vote or revoke my proxy?

If you are a stockholder of record on the record date, you can revoke your proxy prior to the completion of voting at the Annual Meeting by:

delivering an executed, later-dated proxy that is received by the Corporate Secretary of the Company before the voting polls close at the Annual Meeting;

resubmitting your proxy by Internet or telephone at any time prior to 11:59 p.m., Eastern Daylight Time, on May 18, 2015;

delivering a written notice of revocation of the proxy to Beth Sibley, Corporate Secretary, Group 1 Automotive, Inc., 800 Gessner,

Suite 500, Houston, Texas 77024 no later than May 18, 2015; or

voting in person at the Annual Meeting.

Only your latest dated proxy we receive prior to the Annual Meeting will be counted. Further, your attendance at the Annual Meeting will not automatically revoke your proxy.

If you are a street name stockholder you must follow the instructions of your broker, bank or other nominee to revoke your voting instructions. You may also vote in person at the Annual Meeting if you obtain a legal proxy from your broker, bank or other nominee.

### What is the effect of broker non-votes and abstentions and what vote is required to approve each proposal?

If you hold your shares in "street name," you will receive instructions from your broker, bank or other nominee describing how to vote your shares. If you do not instruct your broker, bank or other nominee how to vote your shares, they may vote your shares as they decide as to each routine matter under the rules of the New York Stock Exchange.

If you do not provide specific voting instructions to your broker on non-routine matters, your broker may not cast a vote on the proposal, resulting in a broker non-vote. Although any broker non-vote would be counted as present at the meeting for

purposes of determining a quorum, it would be treated as not entitled to vote with respect to non-routine matters. If you are a beneficial owner holding shares through a broker, bank or other nominee and you do not vote on certain matters, your broker may cast a vote on your behalf for Proposal No. 5, but may not cast a vote on Proposals No. 1, 2, 3 or 4. Abstentions occur when stockholders are present at the Annual Meeting



but fail to vote or voluntarily withhold their vote for any of the matters upon which the stockholders are voting.

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Table of Contents**Questions and Answers about the Annual Meeting**

The table below describes the vote required for approval of each matter to be brought before the meeting, as well as the treatment of abstentions and broker non-votes as to each matter.

1	Each nominee must receive the affirmative vote of a plurality of the votes cast. Class I nominees with the most votes are elected, subject to our majority voting policy described below	Not applicable	Not taken into account
2	The affirmative vote of the holders of at least 80% of the shares outstanding	Against	Against
3	The affirmative vote of the holders of a majority of the votes cast	Not applicable	Not taken into account
4	The affirmative vote of the holders of a majority of the votes cast	Not applicable	Not taken into account
5	The affirmative vote of the holders of a majority of the votes cast	Not applicable	Not applicable

The Company's majority voting policy requires any director nominee in an uncontested election who receives a greater number of votes "withheld" than votes "for" his or her election to tender his or her resignation promptly following the certification of the election results. The Nominating/Governance Committee of the Board will consider all of the relevant facts and circumstances and make a recommendation to the Board with respect to whether to accept the resignation. Within 90 days, the Board is required to take action with respect to the recommendation and to promptly disclose its decision. The majority voting policy is more fully described in "Information about Our Board of Directors and Its Committees - Majority Voting Policy."

Our Board has appointed Earl J. Hesterberg, our President and Chief Executive Officer, and John C. Rickel, our Senior Vice President and Chief Financial Officer, as the management proxy holders for the Annual Meeting. If you are a stockholder of record, your shares will be voted by the management proxy holders in accordance with the instructions on the proxy card you submit by mail, or the instructions provided for any proxy submitted by telephone or Internet, as applicable. For stockholders who have their shares voted by duly submitting a proxy by mail, telephone or Internet, the management proxy holders will vote all shares represented by such valid proxies as our Board recommends, unless a stockholder appropriately specifies otherwise.

**How does the Board recommend I vote?**

Our Board of Directors recommends that you vote your shares **"FOR"** each of the Class I director nominees; **"FOR"** the proposal to amend our Restated Certificate of Incorporation to declassify our Board; **"FOR"** the approval, on a non-binding advisory basis, of our executive compensation;

**"FOR"** approval of the Group 1 Automotive, Inc. Employee Stock Purchase Plan; and **"FOR"** the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2015.



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## Questions and Answers about the Annual Meeting

### **What is a quorum?**

We need a quorum with respect to each proposal being submitted for stockholder vote. A quorum will be present for purposes of proposals 1, 3, 4 and 5 if the holders of a majority of the shares of common stock entitled to vote are present in person or represented by proxy at the Annual Meeting. A quorum exists for purposes of proposal 2 when holders of at least 80% of the outstanding shares of the common stock are present in person or represented by proxy at the Annual Meeting. Our independent inspector of election, Broadridge Financial Solutions will determine whether or not a quorum is present. There must be a quorum for the Annual Meeting to be held. Proxies received but marked as abstentions or broker non-votes will be included in the calculation of votes considered to be present at the Annual Meeting.

If less than a quorum is represented at the meeting, a majority of the shares so represented may adjourn the meeting from time to time without further notice, and the persons named as proxies

will vote the proxies they have been authorized at the Annual Meeting in favor of such an adjournment.

In the event a quorum is present at the Annual Meeting but sufficient votes to approve any of the items proposed by our Board have not been received, the persons named as proxies may propose one or more adjournments of the meeting to permit further solicitation of proxies. A stockholder vote may be taken on one or more of the proposals in this proxy statement prior to such adjournment if sufficient proxies have been received and it is otherwise appropriate. Any adjournment will require the affirmative vote of the holders of a majority of those shares of common stock represented at the meeting in person or by proxy. If a quorum is present, the persons named as proxies will vote the proxies they have been authorized to vote on any other business properly before the meeting in favor of such an adjournment.

### **Who will bear the cost of soliciting votes for the Annual Meeting?**

We have engaged Alliance Advisors to assist with the solicitation of proxies for a fee not to exceed \$5,000, plus reimbursement for reasonable out-of-pocket expenses. We will bear all expenses of soliciting proxies. We may reimburse brokerage firms, custodians, nominees, fiduciaries and other persons representing beneficial owners of our common stock for their reasonable expenses in

forwarding solicitation material to such beneficial owners. Directors, officers and employees of Group 1 may also solicit proxies in person or by other means of communication. Such directors, officers and employees will not be additionally compensated but may be reimbursed for reasonable out-of-pocket expenses in connection with such solicitation.

### **Who will count the votes?**

We have engaged Broadridge Financial Solutions to tabulate the votes and to serve as inspector of election at the Annual Meeting for a fee of approximately \$3,500. Broadridge will separately

tabulate For, Against and Withhold votes, abstentions and broker non-votes. Broadridge will also certify the election results and perform any other acts required by the Delaware General Corporation Law.

### **May I propose actions for consideration at next year's Annual Meeting of Stockholders or nominate individuals to serve as directors?**

You may submit proposals for consideration at future stockholder meetings, including director nominations. Please read "Stockholder Proposals for 2016 Annual Meeting" for information regarding

the submission of stockholder proposals and director nominations for consideration at next year's Annual Meeting.



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## Information about our Board of Directors and its Committees

In 2014, the Board held 10 meetings and acted by unanimous written consent nine times. Committees of the Board held a combined total of 21 meetings. Each incumbent director attended 98% or more of the aggregate of all meetings of the Board and the committees on which he or she served during 2014, and, except for two directors who were unable to attend one Board meeting, attendance at such meetings was 100% for all directors. Under our Corporate Governance Guidelines, our directors are encouraged to attend the Annual Meeting of our stockholders. All of the then-sitting

directors attended our 2014 Annual Meeting of Stockholders. We currently expect all of our directors standing for election to be present at the 2015 Annual Meeting.

Our Board and each of its committees annually conduct a self-evaluation to assess, and identify opportunities to improve, their respective performance. The Nominating/Governance Committee leads our Board in its annual self-evaluation.

### Corporate Governance

We are committed to good corporate governance which includes the highest standards of professional and personal conduct. Our Board has adopted several governance documents to guide the operation and direction of our Board and its committees, which include our Corporate Governance Guidelines, Code of Ethics, Code of Conduct and charters for the Audit Committee,

Compensation Committee, Nominating/Governance Committee and Finance/Risk Management Committee. Each of these documents is available on our website at [www.group1auto.com](http://www.group1auto.com) and stockholders may obtain a printed copy, free of charge, by sending a written request to Group 1 Automotive, Inc., 800 Gessner, Suite 500, Houston, TX 77024, Attn: Corporate Secretary.

### Board Leadership Structure

The Nominating/Governance Committee's charter provides that the committee will annually assess the leadership structure of the Board and recommend a structure to the Board for approval. In 2014, the Nominating/Governance Committee conducted that assessment, and determined that having an independent director serve as non-executive Chairman of the Board continues to be in the best interest of our stockholders at this time. Our Chief Executive Officer is responsible for setting our strategic direction and providing day-to-day leadership, while the Chairman of the

Board sets the agenda for Board meetings, presides over meetings of the full Board and provides guidance to our Chief Executive Officer. We believe this structure ensures a greater role for the independent directors in the oversight of our Company and active participation of the independent directors in setting agendas and establishing priorities and procedures for the work of our Board. We discuss our directors' qualifications and characteristics under "Proposals to be Voted on by Stockholders Proposal 1 Election of Directors Board of Directors."

### Board Diversity

Our Nominating/Governance Committee is responsible for identifying and recommending to our Board qualified individuals to be nominated to serve on our Board. Our Board's objective is to select individuals that have a demonstrated record

of integrity, sound business judgment, leadership, objectivity, independence of mind, and commitment. In selecting potential Board candidates, our Board seeks independent directors who represent a mix of backgrounds and



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## Information about our Board of Directors and its Committees

experiences that will enhance the quality of our Board's deliberations and decisions. Board membership should reflect diversity in its broadest sense, including persons diverse in perspectives,

personal and professional experiences, geography, gender, and ethnicity. This process has resulted in a Board that is comprised of highly qualified directors that reflect diversity as we define it.

### Independence of the Members of our Board

The Board has analyzed the independence of each director. It has affirmatively determined that Ms. Wright and Messrs. Adams, Arnold, Quinn, Strange and Watson (all of our non-employee directors) are independent directors under the New York Stock Exchange's listing standards. As part of its analysis, the Board determined that none of these directors has a material relationship with our

Company. Mr. Hesterberg was determined not to be independent because he is our President and Chief Executive Officer, and Mr. Pereira, who was appointed to the Board following our acquisition of UAB Motors Participações, S.A. ("UAB"), was determined not to be independent because he is our Regional Vice President, Brazil and the Chairman of UAB.

### Charitable Contributions

We have in the past, and may, in the future, make donations to various charitable organizations. From time to time, some of our directors, officers and employees have been, and in the future may be,

affiliated with such charities. During the annual independence review, our Board determined that any such affiliations did not impact the independence of our directors.

### Majority Voting Policy

Under our majority voting policy, in an uncontested election of directors, any nominee who receives a greater number of votes "withheld" than votes "for" his or her election will, promptly following the certification of the stockholder vote, tender his or her written resignation to the Board for consideration by the Nominating/Governance Committee. The Nominating/Governance Committee will consider the resignation and will make a recommendation to the Board concerning whether to accept or reject it.

In determining its recommendation to the Board, the Nominating/Governance Committee will consider all factors it considers relevant, which may include:

the stated reason or reasons why stockholders who cast withhold votes for the director did so;

the qualifications of the director; and

the results of the most recent evaluation of the tendering director's performance by the Nominating/Governance Committee and other members of the Board.

Under our majority voting policy, the Board will take formal action on the recommendation no later than 90 days following the certification of the results of the stockholders' meeting. In considering the recommendation, the Board will consider the information, factors and alternatives considered by the Nominating and Governance Committee and any additional information that the Board considers relevant. The Company will promptly disclose the Board's decision whether to accept or reject the director's tendered resignation. If applicable, the Board will also disclose the reason or reasons for rejecting the tendered resignation.



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## Information about our Board of Directors and its Committees

### Executive Sessions of our Board

The independent directors meet in executive session at each regularly scheduled meeting of our Board. Mr. Adams, our non-executive Chairman of the Board,

presides over these meetings and is responsible for preparing an agenda for the meetings of the independent directors in executive session.

### Risk Oversight

Our Board, as a whole and through its committees, has broad responsibility for the oversight of risk management as well as specific risk management accountability for governance, overall operational risk, executive compensation, Chief Executive Officer succession planning and our system of internal controls, including financial reporting. In its risk management role, our Board has the responsibility to satisfy itself that our risk management processes and controls are adequate and functioning as designed and that our business is conducted wisely and in compliance with proper governance and applicable laws and regulations.

Much of our Board's oversight work is delegated to various committees, which meet regularly and report back to the full Board. All committees have significant roles in carrying out the risk oversight and management function. Each committee is comprised entirely of independent directors, except the Finance/Risk Management Committee, and is responsible for overseeing risks associated with its respective area of responsibility as further detailed below.

The Finance/Risk Management Committee is charged with oversight of our risk exposure related to our operations, including, among other things, cyber security and data protection and litigation management, enterprise risk management strategies, strategies for our insurance programs and our compliance with material debt instruments. The Finance/Risk Management Committee monitors our finance-related activities and provides guidance to management and the Board concerning our long-range financial policies and objectives.

The Audit Committee is responsible for oversight of Company risks relating to accounting matters, financial reporting (primarily internal control risks)

and legal and regulatory compliance. In fulfilling these oversight responsibilities, the Audit Committee meets with our management and independent registered public accounting firm regarding the adequacy of our financial controls and our compliance with legal, tax and regulatory matters, as well as our significant financial and accounting policies. The Audit Committee also separately meets with our director of internal audit on a regular basis, and with other members of management, as deemed appropriate, to review, among other things, the identified risk areas and scope of the internal audit approach. The Audit Committee receives regular reports regarding the status and findings of audits being conducted by the internal auditors and independent registered public accounting firm, accounting changes that could affect our financial statements and proposed audit adjustments. Further, the Audit Committee chair routinely meets between formal Audit Committee meetings with our chief financial officer, corporate controller, director of internal audit and our independent registered public accounting firm.

The Compensation Committee is responsible for overseeing risks relating to employment policies, our compensation policies and programs and our benefits systems. To assist it in satisfying these oversight responsibilities, from time to time the Compensation Committee has retained its own compensation consultant and meets regularly with management to understand the financial, human resources and stockholder implications of compensation decisions being made. A separate discussion regarding the risk considerations in our compensation programs, including the processes that are put in place by the Compensation Committee and management to identify, manage and mitigate potential risks in compensation, can be found on page 51 of this proxy statement.



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The Nominating/Governance Committee is responsible for oversight of risks relating to succession planning for our Chief Executive Officer and other key officers, our corporate governance guidelines and practices and our corporate compliance program. To satisfy these oversight responsibilities, the Committee receives regular reports from our officers that are responsible for each of these areas on matters such as progress against succession planning programs and goals that could affect our operations. In addition, on an annual basis, the Nominating/Governance Committee conducts a review of the performance of the Board and its committees and reviews and reassesses the adequacy of the corporate governance guidelines and recommends any proposed changes to the Board.

In addition to reports from its committees, our Board receives regular reports directly from the officers responsible for oversight of particular risks within our Company. Specifically, our officers report

to our Board regarding the Enterprise Risk Management Program that management has implemented to assess, manage and monitor areas of risk that are significant to our business, including safety and risk, strategic planning and operational risk, financial and accounting risk, and governance, regulatory and legislative risk. Risk profiles are updated annually to insure that all risks continue to be identified. Our officers also report to our Board on which risks management has assessed as the most significant, together with management's plans to mitigate those risks. Further, our outside counsel reports in person to our Board periodically on an as-needed basis to keep our directors informed concerning legal risks and other legal matters involving our Company. Finally, we have robust internal audit systems in place to review adherence to policies and procedures, which are supported by a separate internal audit department.

**Committees of our Board**

Our Board has established four standing committees to assist it in discharging its responsibilities: the Audit Committee, the Compensation Committee, the Nominating/Governance Committee and the Finance/Risk Management Committee. The following chart reflects the current membership of each committee:

John L. Adams	M	M	C	M
Doyle L. Arnold	M		M	
Earl J. Hesterberg				M
Lincoln Pereira				M
Stephen D. Quinn	M	M		C
J. Terry Strange	C	M		M
Max P. Watson, Jr.		C	M	M
MaryAnn Wright	M		M	

M Member

C Chairman

Each of the committee charters is available on our website at [www.group1auto.com](http://www.group1auto.com) and stockholders may obtain printed copies, free of charge, by sending a written request to Group 1 Automotive, Inc., 800 Gessner, Suite 500, Houston, TX 77024, Attn: Corporate Secretary.

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## Information about our Board of Directors and its Committees

### Audit Committee

Pursuant to its charter, the purposes and responsibilities of our Audit Committee are to:

oversee the quality, integrity and reliability of the financial statements and other financial information we provide to any governmental body or the public;

oversee our compliance with legal and regulatory requirements;

oversee the qualifications, performance and independence of our independent registered public accounting firm;

oversee the performance of our internal audit function;

oversee our systems of internal controls regarding finance, accounting, legal compliance and ethics that our management and our Board have established;

provide an open avenue of communication among our independent registered public accounting firm, financial and senior management, the internal auditing department, and our Board, always emphasizing that the independent registered public accounting firm is accountable to the Audit Committee; and

perform such other functions as our Board may assign to the Audit Committee from time to time.

In addition to, and in connection with, the purposes and responsibilities described above, the Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the work of our independent registered public accounting firm. The Audit Committee also reviews our annual and quarterly financial statements and confirms the independence of our independent registered public accounting firm.

While the Audit Committee has the responsibilities and powers set forth in its charter, it is not the duty of the Audit Committee to plan or conduct audits, to determine that our financial statements are complete and accurate, or to determine that such statements are in accordance with accounting

principles generally accepted in the United States and other applicable rules and regulations. Our management is responsible for the preparation of our financial statements in accordance with accounting principles generally accepted in the United States and our internal controls. Our independent registered public accounting firm is responsible for the audit work on our financial statements. It is also not the duty of the Audit Committee to conduct investigations or to assure compliance with laws and regulations and our policies and procedures. Our management is responsible for compliance with laws and regulations and compliance with our policies and procedures.

All members of the Audit Committee are independent as that term is defined in the New York Stock Exchange's (the "NYSE") listing standards and by Rule 10A-3 promulgated under the Securities Exchange Act of 1934 (the "Exchange Act"). Our Board has determined that each member of the Audit Committee is financially literate and that Mr. Strange has the necessary accounting and financial expertise to serve as Chairman. Mr. Strange also serves on the Audit Committees of New Jersey Resources Corporation, Newfield Exploration Company and BBVA Compass. Our Board has determined that Mr. Strange's simultaneous service on these other Audit Committees and our Audit Committee does not impair his ability to serve effectively on our Audit Committee.

Our Board has also determined that Mr. Strange is an "audit committee financial expert" following a determination that Mr. Strange met the criteria for such designation under the Securities and Exchange Commission's ("SEC") rules and regulations. For information regarding Mr. Strange's business experience, please read "Proposal 1 Election of Directors Board of Directors." The Audit Committee held eight meetings

during 2014, with all members attending.

The Report of the Audit Committee is set forth on page 36 of this proxy statement.

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## Information about our Board of Directors and its Committees

### Compensation Committee

Pursuant to its charter, the purposes and responsibilities of our Compensation Committee are to:

review, evaluate, and approve our agreements, plans, policies, and programs to compensate our senior corporate officers;

review and discuss with our management the Compensation Discussion and Analysis to be included in our proxy statement for the Annual Meeting of Stockholders and to determine whether to recommend to our Board that the Compensation Discussion and Analysis be included in the proxy statement, in accordance with applicable rules and regulations;

produce the Compensation Committee Report for inclusion in the proxy statement, in accordance with applicable rules and regulations;

otherwise discharge our Board's responsibility relating to compensation of our senior corporate officers; and

perform such other functions as our Board may assign to the Compensation Committee from time to time.

In connection with these purposes, our Board has entrusted the Compensation Committee with the overall responsibility for establishing, implementing and monitoring the compensation for our senior corporate officers (our executive officers and officers that report directly to our Chief Executive Officer). The Compensation Committee reviews and approves the compensation of our senior corporate officers and makes appropriate adjustments based on Company performance, achievement of predetermined goals and changes in an officer's duties and responsibilities. The Compensation Committee also approves all employment agreements related to the senior corporate officers and approves recommendations regarding equity awards for all employees. Together with management, and any counsel or other advisors deemed appropriate by the

Compensation Committee, the Compensation Committee typically reviews and discusses the particular executive compensation matter presented and makes a final determination, with the exception of compensation matters relating to our Chief Executive Officer. In the case of our Chief Executive Officer, the Compensation Committee reviews and discusses the particular compensation matter (together with our management and any counsel or other advisors deemed appropriate) and formulates a recommendation. The Compensation Committee's Chairman then generally reports the Compensation Committee's recommendation for approval by the full Board or, in certain cases, by the independent directors.

In general, executive compensation matters are presented to the Compensation Committee or raised with the Compensation Committee in one of the following ways: (1) at the request of the Compensation Committee Chairman or another Compensation Committee member or member of our Board, (2) in accordance with the Compensation Committee's agenda, which is reviewed by the Compensation Committee members and other directors on an annual basis, (3) by our Chief Executive Officer or Vice President of Human Resources or (4) by the Compensation Committee's outside compensation consultant.

The Compensation Committee works with the management team, our Chief Executive Officer and our Vice President of Human Resources to implement and promote our executive compensation strategy. The most significant aspects of management's involvement in this process are:

preparing materials in advance of Compensation Committee meetings for review by the Compensation Committee members;

evaluating executive performance;



establishing our business goals; and

recommending the compensation arrangements and components for our executives.

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## Information about our Board of Directors and its Committees

Our Chief Executive Officer is instrumental to this process. Specifically, the Chief Executive Officer assists the Compensation Committee by:

evaluating senior corporate officer performance;

providing background information regarding our business goals; and

recommending compensation arrangements and components for our senior corporate officers (other than himself).

In addition, our Vice President of Human Resources is involved in the executive compensation process by:

providing the necessary compensation information to, and acting as our liaison with, the compensation consultant;

updating and modifying compensation plan policies, guidelines and materials, as needed; and

providing recommendations to the Compensation Committee and our Chief Executive Officer regarding compensation structure, awards and plan design changes.

Under its charter, the Compensation Committee has the sole authority to retain and terminate any compensation consultant to be used to assist in the evaluation of the compensation of our senior corporate officers and our directors and also has the sole authority to approve the consultant's fees and other retention terms. To the extent permitted by applicable law, the Compensation Committee may delegate some or all of its authority to subcommittees as it deems appropriate.

During 2014, the Compensation Committee engaged Pearl Meyer & Partners ("PM&P") to conduct a compensation analysis which involved the comparison of long-term, short-term and total compensation of our Named Executive Officers with a selected group of peer companies. We generally compare compensation data at the 25th, 50th and 75th percentiles of the market and engage PM&P to review our analysis. While we do not think it is appropriate to establish compensation based solely on benchmarking, we believe that this practice is useful for two reasons.

First, our compensation practices must be competitive in order to attract and retain executives with the ability and experience necessary to provide leadership and to deliver strong performance to our stockholders. Second, benchmarking allows us to assess the reasonableness of our compensation practices. This process allows us to achieve one of our primary objectives of maintaining competitive compensation to ensure retention when justified and rewarding the achievement of Company objectives so as to align with stockholder interest. PM&P is an independent compensation consulting firm and does not provide any other services to us outside of matters pertaining to executive officer and director compensation. PM&P reports directly to the Compensation Committee, which is the sole party responsible for determining the scope of services performed by PM&P and the directions given to PM&P regarding the performance of such services.

In February 2015, the Compensation Committee considered the independence of PM&P in light of SEC rules and listing standards of the NYSE. The Compensation Committee requested and received a letter from PM&P addressing the consulting firm's independence, including the following factors: (1) other services provided to us by the consultant; (2) fees paid by us as a percentage of the consulting firm's total revenue; (3) policies or procedures maintained by the consulting firm that are designed to prevent a conflict of interest; (4) any business or personal relationships between the individual consultants involved in the engagement and a member of the Compensation Committee; (5) any company stock owned by the individual consultants involved in the engagement; and (6) any business or personal relationships between our executive officers and the consulting firm or the individual consultants involved in the engagement. The letter highlighted three additional factors that supported their independence: (1) PM&P has regular discussions with only the Compensation Committee (or select members of the Compensation Committee) present and where



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## Information about our Board of Directors and its Committees

PM&P interacts with management, it is at the Compensation Committee Chair's request and/or with the Chair's knowledge and approval, (2) PM&P has not provided any gifts, benefits, or donations to our Company or received any gifts, benefits, or donations from our Company and (3) PM&P is bound by strict confidentiality and information sharing protocols. The Compensation Committee discussed these considerations, among other things, and concluded that the work of PM&P did not raise any conflict of interest.

All members of the Compensation Committee are independent as that term is defined in the NYSE's listing standards. The Compensation Committee held five meetings during 2014 and all incumbent members were in attendance.

The Report of the Compensation Committee is set forth on page 52 of this proxy statement.

### **Nominating/Governance Committee**

Pursuant to its charter, the purposes and responsibilities of our Nominating/Governance Committee are to:

assist our Board by identifying individuals qualified to become members of our Board and recommend director nominees to our Board for election at the Annual Meetings of stockholders or for appointment to fill vacancies;

recommend to our Board the appropriate composition of our Board and its committees and Board committee membership and leadership;

advise our Board about and recommend to our Board appropriate corporate governance guidelines and practices and assist our Board in implementing those guidelines and practices;

lead our Board in its annual review of the performance of our Board and its committees;

direct all matters relating to the succession of our Chief Executive Officer and other key officers of the Company; and

perform such other functions as our Board may assign to the Nominating/Governance Committee from time to time.

In connection with these purposes, the Nominating/Governance Committee actively seeks individuals qualified to become members of our Board, seeks to implement the independence standards required by law, applicable listing standards, our Restated Certificate of Incorporation, our Amended and Restated Bylaws and our Corporate Governance Guidelines, and

identifies the qualities and characteristics necessary for an effective Chief Executive Officer.

In considering candidates for our Board, the Nominating/ Governance Committee will consider the entirety of each candidate's credentials. There is currently no set of specific minimum qualifications that must be met by a nominee recommended by the Nominating/Governance Committee, as different factors may assume greater or lesser significance at particular times and the needs of our Board may vary in light of its composition and the Nominating/Governance Committee's perceptions about future issues and needs. However, while the Nominating/Governance Committee does not maintain a formal list of qualifications, in making its evaluation and recommendation of candidates, the Nominating/Governance Committee may consider, among other factors, diversity, age, skill, experience in the context of the needs of our Board, independence qualifications, moral character and whether prospective nominees have relevant business and financial experience or have industry or other specialized expertise.

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The Nominating/Governance Committee may consider candidates for our Board from any reasonable source, including from a search firm engaged by the Nominating/Governance Committee or stockholder recommendations, provided that the procedures set forth below are followed. The Nominating/Governance Committee does not intend to alter the manner in which it evaluates candidates based on whether the

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## Information about our Board of Directors and its Committees

candidate is recommended by a stockholder or not. However, in evaluating a candidate's relevant business experience, the Nominating/Governance Committee may consider previous experience as a member of our Board. Any invitation to join our Board must be extended by our Board as a whole, by the Chairman of the Nominating/Governance Committee and by the Chairman of the Board.

Stockholders or a group of stockholders may recommend potential candidates for consideration by the Nominating/Governance Committee. For additional information on such requests and the applicable timing, please see "Stockholder Proposals for 2016 Annual Meeting."

In addition to the purposes described above, our Board has entrusted the Nominating/Governance Committee with the responsibility for establishing, implementing and monitoring the compensation for our directors. The Nominating/Governance Committee establishes, reviews and approves the

compensation of our directors and makes appropriate adjustments based on Company performance, duties and responsibilities of the directors and competitive environment. The Nominating/Governance Committee's primary objectives in establishing and implementing director compensation are to:

ensure the ability to attract, motivate and retain the talent necessary to provide qualified Board leadership; and

use the appropriate mix of long-term and short-term compensation to ensure high Board/committee performance.

All members of the Nominating/Governance Committee are independent as defined under the NYSE's listing standards. The Nominating/Governance Committee held four meetings during 2014, and all incumbent members were in attendance.

### **Finance/Risk Management Committee**

Pursuant to its charter, the purposes of our Finance/Risk Management Committee are to:

review, oversee and report to our Board regarding our financial status and capital structure, debt and equity financings, cash management and other banking activities, compliance with covenants of material debt instruments, investor/stockholder relations, relationships with various financial constituents and securities repurchase activities, and authorize transactions related thereto within limits prescribed by our Board;

review and assess risk exposure and insurance related to our operations and authorize transactions within limits prescribed by our Board; and

review capital expenditures and other capital spending plans, including significant acquisitions and dispositions of business or assets, and authorize transactions within limits prescribed by our Board.

In connection with these purposes, the Finance/Risk Management Committee reviews periodically our financial status and capital structure and can authorize finance-related activities within limits prescribed by our Board. The Finance/Risk Management Committee reviews with management the status of current litigation matters and regularly reports to our Board on litigation and contingent liabilities. The Finance/Risk Management Committee also consults with management on matters that could have a significant financial impact on our Company and reviews our financial policies and procedures, our compliance with material debt instruments and our significant banking relationships. In addition, the Finance/Risk Management Committee reviews and assesses periodically the risk exposure of our operations and plans and strategies for insurance programs, and authorizes risk management-related activities within limits prescribed by our Board. The Finance/Risk Management Committee also provides direction for the assessment of future capital



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## Information about our Board of Directors and its Committees

spending and acquisition opportunities and reviews capital expenditure plans, including significant acquisitions and dispositions of businesses and assets and other specific capital projects.

At the request of the Finance/Risk Management Committee, management developed and presented to the Board a robust Enterprise Risk Management Program, concentrating primarily in four principal areas that are significant to our business: (1) safety and risk; (2) strategic planning and operational risk; (3) financial and accounting risk; and (4) governance, regulatory and legislative risk. Risk profiles are updated annually to insure that all risks continue to be identified. Management updates the

Finance/Risk Management Committee as new risks are identified, and the steps taken to mitigate such risks. On an annual basis, management reviews the testing results with the full Board and steps taken to mitigate new risks which have been identified.

All members of the Finance/Risk Management Committee, except for Mr. Hesterberg, our President and Chief Executive Officer and Mr. Pereira, our Regional Vice President, Brazil, are independent as defined under the NYSE's listing standards. The Finance/Risk Management Committee held four meetings during 2014, and all members were in attendance.

### Communications with Directors

Our Board welcomes communications from our stockholders and other interested parties. Stockholders and any other interested parties may send communications to our Board, to any committee of our Board, to the non-executive Chairman of the Board (who presides over the executive sessions of our independent and non-management directors), or to any director in particular, to:

c/o Group 1 Automotive, Inc.  
800 Gessner, Suite 500  
Houston, Texas 77024

Any correspondence addressed to our Board, to any committee of our Board, to the non-executive Chairman of the Board, or to any one of the directors in care of our offices is required to be forwarded to the addressee or addressees without review by any person to whom such correspondence is not addressed.



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## **Proposal 1 Election of Directors**

Our Restated Certificate of Incorporation ("Certificate") and Amended and Restated Bylaws ("Bylaws") currently provide for three classes of directors serving staggered three-year terms, each to hold office until a successor is elected and qualified or until the director's earlier resignation or removal. Our Board is recommending that our stockholders approve an amendment to our Certificate to declassify our Board. See "Proposal 2 Amendment to our Restated Certificate of Incorporation to declassify the Board of Directors." The outcome of that vote will determine whether we declassify the Board and provide for annual elections of directors beginning with the 2016 Annual Meeting, or continue to have a classified Board.

The number of directors on our Board is reviewed annually and fixed by our Board from time to time. In February 2013, the Board approved the number of directors serving on the Board to be eight members. The Board will continue to evaluate the size of the Board and make adjustments as needed to meet the current and future needs of the Company. Based on the recommendation from the Nominating/Governance Committee, our Board has nominated Doyle L. Arnold and Earl J. Hesterberg to serve for one-year terms if stockholders approve the amendment to our Certificate to declassify our Board, or alternatively, for three-year terms expiring in 2018 if stockholders do not approve the amendment to our Certificate to declassify our Board. Each nominee is currently a director. At the February 2015 meeting, we appointed Mr. Arnold as a Class I director on our Board to fill the vacant seat created by the resignation of Ms. Beryl Raff. Mr. Hesterberg was most recently elected to our Board by the stockholders in 2012. The term for our Class II directors currently expires in 2016 and the term for our Class III directors currently expires in 2017.

Stockholders may not cumulate their votes in the election of our directors. Each nominee has consented to being named as a nominee in this proxy statement and has indicated a willingness to serve if elected. If a nominee should become unable or unwilling to serve for any reason (which we do not anticipate), proxies may be voted for

another person nominated as a substitute by our Board, or our Board may reduce its size.

Under Delaware law and our Bylaws, a plurality of the votes cast is required for the election of directors. This means that the director nominee with the most votes for a particular Board position is elected for that position. You may vote "for" or "withheld" with respect to the election of directors. Only votes "for" or "withheld" are counted in determining whether a plurality has been cast in favor of a director. Abstentions are not counted for purposes of the election of directors.

Our majority voting policy requires, in an uncontested election, any nominee for director who receives a greater number of votes "withheld" from his or her election than votes "for" to promptly tender his or her resignation following certification of the election results. The Nominating/Governance Committee will promptly consider the resignation and a range of possible responses based on the circumstances that led stockholders to withhold votes, if known, and make a recommendation to the Board. The Board will act on the committee's recommendation within 90 days following certification of the results of the election.

If the amendment to our Certificate is approved by our stockholders, and Messrs. Arnold and Hesterberg receive a greater number of votes cast in favor of their continued service on the Board, each will serve for one year and his term will expire at the 2016 Annual Meeting. However, if the amendment is not approved by our stockholders, any director serving in Class I who receives a greater number of votes cast in favor of his continued service on the Board will serve the remainder of his term, or until 2018.

If Proposal 2 in this proxy statement is approved by stockholders, our directors will stand for re-election on an annual basis beginning in 2016. For more information regarding the amendment to our Restated Certificate of Incorporation to declassify our Board, please see "Proposal 2 Amendment to our Restated Certificate of Incorporation to declassify the Board of Directors."

**Our Board of Directors Recommends a Vote "FOR"  
the Election of each of the Class I Nominees for Director.**



Table of Contents**Proposal 1 Election of Directors**

The following table sets forth certain information, as of the date of this proxy statement, regarding our director nominees and other directors whose terms extend beyond the Annual Meeting.

**Class I Nominees**

Doyle L. Arnold	Director	2015	66
Earl J. Hesterberg	Director, President and Chief Executive Officer	2005	61

**Class II Directors**

John L. Adams	Director, Chairman of the Board	1999	70
J. Terry Strange	Director	2003	71
Max P. Watson, Jr.	Director	2001	69

**Class III Directors**

Lincoln Pereira	Director, Regional Vice President, Brazil	2013	55
Stephen D. Quinn	Director	2002	59
MaryAnn Wright	Director	2014	53

**Board of Directors**

Our Board believes that each of our directors is highly qualified to serve as a member of our Board. Each of our directors has contributed to the mix of skills, core competencies and qualifications of our Board. Our directors are highly educated and have diverse backgrounds and talents and extensive track records of success in what we believe are highly relevant positions with some of the most reputable organizations in the world. Our Board has also considered the fact that all of our directors have worked for, or served on the boards of directors of, a variety of companies in a wide range of industries. Many of our directors also have served as directors of Group 1 for many years and benefit from an intimate knowledge of our operations and corporate philosophy. Our Board believes that through their varying backgrounds, our directors bring a wealth of experiences and new ideas to our Board.

Described on the following pages are the principal occupations, positions and directorships for at least the past five years of our director nominees and other directors whose terms extend beyond the Annual Meeting, as well as certain information regarding their individual experience, qualifications, attributes and skills that led our Board to conclude that they should serve on our Board. There are no family relationships among any of our directors or executive officers.



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## Proposal 1 Election of Directors

### Skills and Qualifications of our Board of Directors

The following table includes the breadth and variety of business experience that each of our director nominees and other directors with terms extending beyond the Annual Meeting brings to our Board.

John L. Adams			ü	ü	ü	ü	ü	ü	ü	
Doyle L. Arnold			ü	ü	ü	ü	ü			ü
Earl J. Hesterberg	ü	ü	ü	ü	ü		ü	ü		ü
Lincoln Pereira	ü	ü	ü		ü	ü	ü	ü		ü
Stephen D. Quinn			ü	ü	ü	ü	ü			ü
J. Terry Strange			ü	ü	ü	ü	ü	ü		ü
Max P. Watson, Jr.			ü	ü	ü			ü	ü	ü
MaryAnn Wright	ü	ü		ü	ü		ü		ü	ü

### Nominees for Election at the Annual Meeting to Term Expiring 2018 (Class I Directors)

#### Doyle L. Arnold (Class I Director Nominee)

Doyle L. Arnold has served as one of our directors since February 2015. Since 2005 until his resignation in May 2015, Mr. Arnold served as Vice Chairman and Chief Financial Officer at Zions Bancorporation, a large, publicly traded bank holding company. From 2001 to 2005, he served as Executive Vice President, Chief Financial Officer and Corporate Secretary at Zions. Prior to joining Zions Bancorporation, Mr. Arnold was Group Executive Vice President for Corporate Strategy and Development at Bank of America Corporation and Senior Vice President for Corporate Strategy at Wells Fargo & Company, a banking institution. Mr. Arnold also served as Senior Deputy Comptroller of the Currency and executive assistant to the Deputy Secretary of the Treasury during the Reagan administration. He has also served as chief financial and administrative officer of Bankserv, Inc., a leading electronic payments company. Mr. Arnold serves on the Board of Trustees, Finance and Audit Committees of Rice University, on the Board, Finance and Endowment Investment Committees of the Utah Symphony & Opera and on the Lassonde Entrepreneurial Center Advisory Board of the University of Utah. Mr. Arnold received his B.A. in economics and mathematics from Rice University and has an M.B.A. from Stanford University Graduate School of Business. Mr. Arnold brings a wealth of large corporation and financing industry experience to our Board. His lengthy tenure and experience as a Chief Financial Officer for a public company and his extensive background in accounting, finance, risk management and corporate development make him well qualified to serve as a member of the Board.



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## **Proposal 1 Election of Directors**

### **Earl J. Hesterberg (*Class I Director Nominee*)**

Earl J. Hesterberg has served as our President and Chief Executive Officer and as a director since April 2005. Prior to joining us, Mr. Hesterberg had served as Group Vice President, North America Marketing, Sales and Service for Ford Motor Company, a global manufacturer and distributor of cars, trucks and automotive parts, since October 2004. From July 1999 to September 2004, he served as Vice President, Marketing, Sales and Service for Ford of Europe, and from 1999 until 2005, he served on the supervisory board of Ford Werke AG. Mr. Hesterberg has also served as President and Chief Executive Officer of Gulf States Toyota, an independent regional distributor of new Toyota vehicles, parts and accessories. He has also held various senior sales, marketing, general management, and parts and service positions with Nissan Motor Corporation in U.S.A. and Nissan Europe, both of which are wholly-owned by Nissan Motor Co., Ltd., a global provider of automotive products and services. Mr. Hesterberg serves on the Board of Directors of Stage Stores, Inc., a national retail clothing chain with over 800 stores located in 39 states where he is a member of the Corporate Governance and Nominating Committee and Chairman of the Compensation Committee. Mr. Hesterberg also serves on the Board of Trustees of Davidson College. Mr. Hesterberg received his B.A. in Psychology at Davidson College and his M.B.A. from Xavier University in 1978. As our President and Chief Executive Officer, Mr. Hesterberg sets the strategic direction of our Company under the guidance of our Board. He has extensive senior executive management experience in the automotive industry. His successful leadership of our Company, and extensive knowledge of the automotive industry provides our Board with a unique perspective on the opportunities and challenges we face, and makes him well-qualified to serve on the Board.

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## **Proposal 1 Election of Directors**

*Class II Directors with terms expiring in 2016*

### **John L. Adams (Class II Director)**

John L. Adams has served as non-executive Chairman of the Board since April 2005 and as one of our directors since November 1999. Mr. Adams served as Executive Vice President of Trinity Industries, Inc., one of North America's largest manufacturers of transportation, construction and industrial products, from January 1999 through June 2005, and as Vice Chairman from July 2005 through March 2007. Before joining Trinity Industries, Mr. Adams spent 25 years in various positions with Texas Commerce Bank N.A. and its successor, Chase Bank of Texas, National Association. From 1997 to 1998, Mr. Adams was Chairman, President and Chief Executive Officer of Chase Bank of Texas. Mr. Adams serves on the Board of Directors, the Corporate Governance and Directors Nominating Committee and is Chairman of the Finance and Risk Management Committee of Trinity Industries, Inc. and serves on the Board of Directors and Audit Committee of Dr Pepper Snapple Group, Inc., a refreshment beverage business. Mr. Adams also serves on the Board of Directors of the Children's Medical Center of Dallas, the University of Texas Chancellor's Council, and the McCombs School of Business Advisory Board and President's Development Board. Mr. Adams received his B.B.A. and J.D. from the University of Texas. The Board believes Mr. Adam's extensive financial, strategic planning, capital allocation and executive management experience provides him with the necessary skills to be Chairman of our Board. His service on other public company boards has also provided exposure to various approaches to risk management, corporate governance and other key issues. Through his years of service on our Board, he has developed in-depth knowledge of the retail automotive industry generally and our Company in particular. The Board believes his experience and expertise in these matters makes him well qualified to serve as a member of the Board.



## **Proposal 1 Election of Directors**

### **J. Terry Strange (*Class II Director*)**

J. Terry Strange has served as one of our directors since October 2003. In 2002, Mr. Strange retired from KPMG, LLP, an independent accounting firm, where he served from 1996 to 2002 as Vice Chairman, Managing Partner of U.S. Audit Practice and head of KPMG's internal risk management program. He served as Global Managing Partner of Audit Business and a member of KPMG's International Executive Committee from 1998 to 2002. During his 34-year career at KPMG, his work included interaction with the Financial Accounting Standards Board and the SEC, testifying before both bodies on issues impacting the auditing profession and SEC registrants. Mr. Strange serves on the Boards of Directors and the Audit Committees of New Jersey Resources Corporation, a retail and wholesale energy service provider, and on the Board of Directors, Audit Committee and as Chairman of the Nominating and Governance Committee of Newfield Exploration Company, an oil and gas exploration and production company. In addition, Mr. Strange serves on the Board of Directors, Risk Committee and as Chairman of the Audit and Compliance Committee of BBVA Compass, a banking institution. Mr. Strange also serves in a volunteer role on the Finance Committee of the National Cutting Horse Association, an equestrian organization that promotes and stages cutting horse events. Mr. Strange received his B.A. and M.B.A. in Accounting from the University of North Texas. Mr. Strange was selected to serve on our Board due to his extensive background in public accounting, auditing, and risk management. His previous and current board positions on other publicly-traded companies have provided extensive years of audit committee experience, including as chair. His knowledge and experience with accounting practices, policies and rulemaking from his 34-year career at KPMG LLP, is especially important in his role as Chairman of the Audit Committee and as our "audit committee financial expert." The Board believes his experience and expertise in these matters make him well qualified to serve as a member of the Board.

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## **Proposal 1 Election of Directors**

### *Class II Directors with terms expiring in 2016*

#### **Max P. Watson, Jr. (Class II Director)**

Max P. Watson, Jr. has served as one of our directors since May 2001. Mr. Watson served as President and Chief Executive Officer of BMC Software, Inc., a provider of enterprise management solutions, from April 1990 to January 2001. He served as Chairman of the Board of Directors of BMC from January 1992 until his retirement in April 2001. Mr. Watson serves on the Board of Trustees of Texas Children's Hospital and as Chairman of the Quality and Safety Committee. From January 2007 through December 2008, Mr. Watson served as Chairman of the Board of Trustees of Texas Children's Hospital. He also serves on the Board of Directors of Scenic Houston, an organization dedicated to preserving and enhancing the visual character of Houston. Mr. Watson received his degree from Louisiana Tech University. Mr. Watson's extensive business and management expertise from his position with a large global publicly-traded company makes him well qualified to serve as a member of our Board. As a former chairman, president and chief executive officer, Mr. Watson is familiar with many of the business issues we face today, including financial and strategic planning, technology, compensation, management development, international acquisitions, capital allocation, and stockholder relations.

### *Class III Directors with terms expiring in 2017*

#### **Lincoln Pereira (Class III Director)**

Lincoln Pereira has served as one of our directors since February 2013. Mr. Pereira has served as our Regional Vice President, Brazil since March 2013 and has served as chairman of our subsidiary, UAB Motors Participações Ltda. (which we acquired in February 2013), since 2007. From 1999 to 2005, Mr. Pereira served as a legal representative of United Auto do Brasil Ltda, a public auto group operating in São Paulo and controlled by United Auto Group. From 1995 through 2005, Mr. Pereira practiced law with Cunha Pereira Advogados, representing professional athletes and international race car drivers. He was also co-founder and a major shareholder in Cunha Pereira Negócios Imobiliários, a local Brazilian real estate company, and in 1999, he founded Atrium Telecomunicações Ltda, a provider of local exchange telecommunication services. Atrium was sold to Telefonica of Spain in December 2004, and Mr. Pereira founded E-Vertical Tecnologia, a leading provider of high tech facilities management services to commercial properties. From 1978 through 1995, Mr. Pereira held numerous positions with various banks, both in Brazil and abroad. Mr. Pereira serves on the Board of Boa Vista Servicos S.A.-SCPC, the second largest credit bureau in Brazil, is Vice Chairman of the Board of the São Paulo Chamber of Commerce (ACSP), serves as Chairman of the Associação Brasileira dos Concessionários Nissan (ABCN), and serves as a Director of the Associação Brasileira dos Concessionários BMW and Associação Brasileira do Distribuidores Toyota. He is also a Chapter Sponsorship Officer of YPO-WPO São Paulo, a not-for-profit, global network of young chief executives connected around the shared mission of becoming Better Leaders Through Education and Idea Exchange.™ Mr. Pereira received his LL.B. from Faculdade de Direito do Largo de São Francisco. Mr. Pereira has extensive automotive retailing and manufacturer relations experience, as well as legal, finance, business and management expertise. He also has a deep understanding of the Brazilian finance, trade and legal sectors. Mr. Pereira's experience and expertise in the automotive industry make him well qualified to serve as a member of the Board.



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## **Proposal 1 Election of Directors**

*Class III Directors with terms expiring in 2017*

### **Stephen D. Quinn (Class III Director)**

Stephen D. Quinn has served as one of our directors since May 2002. Mr. Quinn joined Goldman, Sachs & Co., a full-service global investment banking and securities firm, in August 1981 where he specialized in corporate finance. From 1990 until his retirement in 2001, Mr. Quinn served as a General Partner and Managing Director of Goldman, Sachs. Mr. Quinn also serves on the Board of Directors, the Audit Committee and the Risk Oversight Committee of Zions Bancorporation, a large publicly-traded bank holding company. Mr. Quinn holds degrees from Brigham Young University and Harvard University Graduate School of Business. Mr. Quinn was selected to serve as a director on our Board due to his valuable financial expertise and extensive experience with capital markets transactions. His judgment in assessing business strategies and the accompanying risks is an invaluable resource for our business model. Mr. Quinn also has significant historical knowledge of our Company as a result of his role at Goldman Sachs, an underwriter for our initial public offering. The Board believes his experience and expertise in these matters make him well qualified to serve as a member of the Board.

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## **Proposal 1 Election of Directors**

### **MaryAnn Wright (*Class III Director*)**

MaryAnn Wright has served as one of our directors since August 2014. Ms. Wright has been employed by Johnson Controls Power Solutions, the global leader in lead-acid automotive and advanced batteries, serving as Group Vice President of Engineering & Product Development since 2013, and Vice President of Technology and Innovation from 2009 to 2013. She served as Vice President and General Manager for Johnson Controls Hybrid Systems business and as CEO of Johnson Controls-Saft from 2007-2009. Prior to joining Johnson Controls, Ms. Wright served as Executive Vice President Engineering, Product Development, Commercial and Program Management for Collins & Aikman Corporation. From 1988-2005, Ms. Wright served as Director, Sustainable Mobility Technologies and Hybrid Vehicle Programs at Ford Motor Company, and was the Chief Engineer of the 2005 Ford Escape Hybrid, the industry's first full hybrid SUV and also led the launch of Ford's first hydrogen-powered fuel cell fleet program. Ms. Wright also serves as a director on the Board of Governors at Argonne National Laboratory, the Technical Advisory Board of Fallbrook Technology Incorporated, the Foundation Board of the University of Wisconsin-Milwaukee, the Board of Trustees of Lawrence Technological University, and the Advisory Board for the University of Chicago's Energy Policy Institute, and as Chairman of Friends for the Dearborn Animal Shelter. Ms. Wright received a B.A. in Economics and International Business and a Master of Science in Engineering from the University of Michigan and an M.B.A. from Wayne State University. Ms. Wright was selected to serve on our Board because of her automotive experience and her knowledge of the automotive industry, having been named one of the "Leading 100 Women in the Automotive Industry" by Automotive News. Ms. Wright is currently working in the area of energy storage solutions and a variety of advanced powertrain technologies. Ms. Wright's unique engineering and technology background and her extensive global automotive experience make her well qualified to serve as a member of the Board.

**If Proposal 2 Amendment to the Restated Certificate of Incorporation to declassify the Board of Directors is approved by our Stockholders, the Board will be declassified and all Directors will stand for election annually, starting with the 2016 Annual Meeting of Stockholders.**

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## **Proposal 2 Amendment to the Restated Certificate of Incorporation to declassify the Board of Directors**

### **Proposed Amendment**

We are asking our stockholders to approve an amendment to our Restated Certificate of Incorporation ("Certificate") to effect the declassification of our Board of Directors. Currently, our Certificate provides that our Board is divided into three classes, with members of each class holding office for staggered three-year terms. One class of directors, representing approximately one-third of our directors, stands for election at each Annual Meeting of Stockholders. After careful consideration, the Board has determined that it is advisable and in the best interests of the Company's stockholders to amend the Company's Certificate to declassify the Board to allow stockholders to vote on the election of the entire Board each year, rather than on a staggered basis. As such, at its meeting on February 25, 2015, the Board approved an amendment to the Certificate to declassify the Board, subject to stockholder approval.

### **Considerations of the Board**

The Board recognizes that a classified structure may offer several advantages, such as promoting board continuity and stability, encouraging directors to take a long-term perspective, and ensuring that a majority of the Board will always have prior experience with the Company. Additionally, classified boards may motivate potential acquirors seeking control of the Company to initiate arms-length discussions with the Board, rather than engaging in unsolicited or coercive takeover tactics. While the Board continues to believe these are important considerations, the Board also recognizes that a classified structure may reduce directors' accountability to stockholders because such a structure does not enable stockholders to evaluate directors' performances annually. Moreover, many stockholders believe that the annual election of directors is important for them to influence corporate governance policies and ensure that directors hold management accountable.

In determining whether to support declassification of the Board, the Board also considered the upcoming retirement of all three Class II directors due to the mandatory age limit on director service and the potential adverse impact to the Company of having to replace three directors in the same class at the same time. As the Board considered the arguments in favor of and against continuation of the classified board structure, it ultimately determined that it would be advisable and in the best interests of the Company and its stockholders to amend the Certificate to declassify the Board. This description of the proposed amendment to our Certificate is qualified in its entirety by reference to, and should be read in conjunction with, the full text of our Certificate, as amended, attached to this proxy statement as Appendix A, which has been marked to show the proposed changes to declassify the Board. In addition, the Board has also approved, subject to stockholders approval of this Proposal 2 and the effectiveness of the amendment contemplated thereby, an amendment to the Company's Amended and Restated Bylaws, set forth in Appendix B, in order to further implement the changes under this Proposal.

### **Effectiveness and Vote Required**

If Proposal 2 is approved by the stockholders, the proposed amendment to the Certificate will be filed with the Delaware Secretary of State, and the directors elected at this year's Annual Meeting will each serve for a one-year term expiring at the 2016 Annual Meeting of Stockholders. Additionally, if approved as set forth in this Proposal, all directors would be elected by stockholder vote at the 2016 Annual Meeting and would be elected for one-year terms to expire at the annual stockholders meeting in 2017. The proposed amendment will thus have the effect of shortening the existing terms of certain directors whose terms extend beyond the 2016 Annual Meeting. In addition, following the effectiveness of the amendment to the Certificate, any directors elected or appointed to fill any vacancies on the Board would be appointed for terms expiring at the Annual Meeting of

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## **Proposal 2 Amendment to the Restated Certificate of Incorporation to declassify the Board of Directors**

Stockholders following such appointment. Vacancies which may occur in between Annual Meetings as a result of the death, resignation, removal or disqualification of any director may be filled by the Board and each director so appointed shall serve for the remainder of the term of his or her predecessor in office. The Board may fill any vacancy resulting from an increase in the total number of directors comprising the Board, and any director so appointed should serve for a term expiring at the next Annual Meeting following such appointment.

If the stockholders do not approve Proposal 2, then the Board will remain classified, with directors from each class serving a term of three years, and the term of the directors standing for election at

this year's Annual Meeting, if elected, will expire at the 2018 Annual Meeting of Stockholders. Notwithstanding the foregoing, in all cases, each director will hold office until his or her successor is duly elected and qualified, or until his or her earlier resignation or removal.

Approval of Proposal 2 requires the affirmative vote of at least 80% of the outstanding shares of common stock of the Company entitled to vote. Abstentions will have the same effect as a vote "against" Proposal 2. If you hold your shares through a broker and you do not instruct the broker on how to vote on Proposal 2, your broker will not have authority to vote your shares on Proposal 2. Broker non-votes will have the same effect as a vote "against" Proposal 2.

**Our Board of Directors Recommends a Vote "FOR" approval of the Amendment to our Restated Certificate of Incorporation.**



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## **Proposal 3 Advisory Vote on Executive Compensation**

Pursuant to Section 14A of the Exchange Act, our stockholders are entitled to cast a vote at the Annual Meeting to approve, on a non-binding advisory basis, the compensation of our Named Executive Officers, as disclosed in this proxy statement. As an advisory vote, Proposal 3 is not binding on our Board or its Compensation Committee, will not overrule any previous decisions made by our Board or its Compensation Committee, or require our Board or its Compensation Committee to take any future or remedial action. Although the vote is non-binding, the Compensation Committee will take into account the outcome of the vote when considering future executive compensation decisions.

Our Board recognizes that executive compensation is an important matter for our stockholders. As described in detail in the "Compensation Discussion and Analysis" ("CD&A") section of this proxy statement, the Compensation Committee is tasked with the implementation of our executive compensation philosophy. The core of that philosophy has been and continues to be to pay our executive officers compensation that is competitive with amounts paid by our peer companies based on individual and Company performance. In particular, the Compensation Committee strives to attract, retain and motivate talented executives, to reward past performance measured against established goals and provide incentives for future performance, and to align executives' long-term interests with the interests of our stockholders. To do so, the Compensation Committee uses a combination of short- and long-term incentive compensation to reward near-term performance and to encourage our executives' commitment to our long-range, strategic business goals. It is always the intention of the Compensation Committee that our executive officers be compensated competitively and in a manner that is consistent with our strategy, sound corporate governance principles, and stockholder interests and concerns. Our Board believes that our compensation policies and practices are effective in achieving our Company's goals of rewarding sustained financial and operating performance, leadership excellence and aligning the executives' long-term interests with those of our stockholders.

We believe that it is appropriate to seek the views of stockholders on the design and effectiveness of our executive compensation program, and we value your opinion. Based on the stockholder vote on the frequency of an advisory vote on executive compensation that took place at our 2011 Annual Meeting of Stockholders, our Board determined to hold the vote on executive compensation annually until the next stockholder vote on the frequency of such advisory vote, which will be no later than the Company's 2017 Annual Meeting of Stockholders. Thus, the stockholder advisory vote to approve executive compensation currently takes place annually, and the next such vote will take place at our 2016 Annual Meeting of Stockholders.

As described in the CD&A, we believe our compensation program is effective, appropriate and strongly aligned with the long-term interests of our stockholders and that the total compensation package provided to our Named Executive Officers (including potential payouts upon a termination or change of control) is consistent with market practice. We also believe our executive compensation is reasonable and not excessive. As you consider this Proposal 3, we urge you to read the CD&A section of this proxy statement for additional details on executive compensation, including the more detailed information about our compensation philosophy and objectives and the past compensation of our Named Executive Officers, and to review the tabular disclosures regarding our Named Executive Officers' compensation together with the accompanying narrative disclosures in the "Executive Compensation" section of this proxy statement.

In light of these reasons, we are recommending that our stockholders vote "**FOR**" the following resolution:

"RESOLVED, that the compensation paid to our Company's Named Executive Officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby Approved."

## **Our Board of Directors Recommends a Vote "FOR" the Approval, on an Advisory Basis, of Our Executive Compensation.**



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## **Proposal 4 Approval of the Group 1 Automotive, Inc. Employee Stock Purchase Plan (as Amended and Restated)**

Our Board and our stockholders originally adopted the Group 1 Automotive, Inc. Employee Stock Purchase Plan (the "Plan") on September 23, 1997.<sup>(1)</sup> The purpose of the Plan is to provide an incentive for our employees to acquire a proprietary interest in our company through their purchase of shares of our common stock. Amendments to the Plan increasing the number of shares issuable under the Plan were approved by the Company and our stockholders in 1998, 2000, 2003, 2006 and 2009. As of December 31, 2014, an aggregate of 3,500,000 shares could be issued under the Plan.

On February 25, 2015, our Board adopted an amendment and restatement of the Plan to (a) increase the number of shares of common stock available for issuance under the Plan from 3,500,000 to 4,500,000 shares; (b) automatically designate each of our present or future parent or subsidiaries that is located within the United States or the United Kingdom as a "Participating Company" unless the administrative committee of the Plan makes a written determination to the contrary; and (c) extend the term of the Plan from March 6, 2016 to May 19, 2025.

The adoption of the amendment and restatement of the Plan, attached as Appendix C (the "Purchase Plan"), is contingent upon receiving the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote on the proposal at the 2015 Annual Meeting. The material terms of the Purchase Plan are summarized below. The amendment and restatement of the Plan is attached to this proxy statement as Appendix C.

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- (1) The Plan was amended and restated effective August 1, 2010. Prior to its August 1, 2010 amendment and restatement, the Plan was named the Group 1 Automotive, Inc. 1998 Employee Stock Purchase Plan.

### **Summary of Purchase Plan**

*Shares Available under the Purchase Plan; Adjustments.* The total number of shares of common stock that may currently be issued under the Purchase Plan may not, in the aggregate, exceed 4,500,000 (currently 3,500,000) shares (including all shares previously sold under the Plan prior to the effective date of this amendment and restatement), which may be unissued or reacquired shares, including shares bought on the market or otherwise for purposes of the Purchase Plan. As of December 31, 2014, 2,983,273 shares had been issued under the Plan.

The number of shares issuable under the Purchase Plan is subject to adjustment in the event of a change in our common stock by reason of a stock dividend or by reason of a subdivision, stock split, reverse stock split, recapitalization, reorganization, combination, reclassification of shares or other similar change. Upon any such event, the maximum number of shares that may be subject to any option, and the number and option price of shares subject to options outstanding under the Purchase Plan will also be adjusted accordingly.

*Eligibility.* Each of our employees or the employees of any "Participating Company" as of a grant date is eligible to participate in the Purchase Plan. Each of our present or future parents or subsidiaries that is located within the United States or the United Kingdom is automatically designated as a Participating Company unless the administrative committee of the Purchase Plan (the "Administrative Committee") makes a written determination to the contrary. However, no option may be granted to an employee if such employee, immediately after the option is granted, owns 5% or more of the total combined voting power or value of all classes of our stock. As of December 31, 2014, approximately 11,034 employees were eligible to participate in the Purchase Plan.



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## **Proposal 4 Approval of the Group 1 Automotive, Inc. Employee Stock Purchase Plan (as Amended and Restated)**

**Participation.** An eligible employee may elect to participate in the Purchase Plan for any calendar quarter during the period from May 19, 2015, to May 19, 2025, on the first day of each successive April, July, October and January (each of which dates is referred to as a "date of grant"). Except as otherwise provided in the Purchase Plan, the term of each option granted under the Purchase Plan will be for three months (each of such three-month periods is referred to as an "option period"), which will begin on a date of grant and end on the last day of each option period (referred to as a "date of exercise"). Subject to certain limitations of the Internal Revenue Code of 1986, as amended, (the "Code"), the number of shares subject to an option for a participant will equal the quotient of (a) the aggregate payroll deductions withheld on behalf of such participant during the option period, divided by (b) the option price of our common stock applicable to the option period, including fractions. However, the maximum number of shares that may be subject to any option may not exceed 3,000 (subject to adjustment).

An eligible employee may participate in the Purchase Plan only by means of payroll deduction. Each eligible employee who elects to participate in the Purchase Plan must deliver to our company, within the time period prescribed by the Administrative Committee, a written payroll deduction authorization form whereby he or she gives notice of his or her election to participate in the Purchase Plan as of the next following date of grant, and whereby he or she designates a whole percentage of his or her eligible compensation to be deducted from his or her compensation for each pay period and paid into the Purchase Plan for his or her account. The designated percentage may not be less than 1% or greater than 10%. However, no employee may be granted an option under the Purchase Plan that permits such employee to purchase more than \$25,000 of our common stock (based on its fair market value at the time such option is granted) in any calendar year.

Subject to the limits described above, each participant in the Purchase Plan automatically and without any act on his or her part will be deemed to have exercised his or her option on each date of exercise to the extent of his or her unused payroll deductions under the Purchase Plan and to

the extent the issuance of our common stock to such participant upon such exercise is lawful. The per share purchase price of the common stock to be paid by each participant on each exercise of his or her option will equal 85% of the fair market value of our common stock on the date of exercise or on the date of grant, whichever amount is less. For all purposes under the Purchase Plan, the fair market value of a share of our common stock on a particular date is equal to the closing price of our common stock on the New York Stock Exchange on that date (or, if no shares of common stock have been traded on that date, on the next regular business date on which shares of the common stock are so traded). As of March 23, 2015, the fair market value of a share of our common stock was \$82.77.

A participant who elects to participate in the Purchase Plan and who takes no action to change or revoke the election prior to any subsequent date of grant will be deemed to have made the same election, including the same attendant payroll deduction authorization, for the next following and/or subsequent date(s) of grant.

**Withdrawal from the Plan and Changes in Payroll Authorization.** A participant may not elect to change the percentage of his or her payroll deductions during an option period. However, any participant may withdraw in whole, or in part, from the Purchase Plan on or before the fifteenth day of the last month of a particular option period by timely delivering a notice of withdrawal. Partial withdrawals are not permitted. Promptly following receipt of the notice of withdrawal, we will refund to the participant the amount of his or her payroll deductions under the Purchase Plan that have not yet been otherwise returned or used upon exercise of options and the participant's payroll deduction authorization and interest in unexercised options under the Purchase Plan will terminate.

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## **Proposal 4 Approval of the Group 1 Automotive, Inc. Employee Stock Purchase Plan (as Amended and Restated)**

***Delivery of Shares; Restrictions on Transfer.*** As soon as practicable after each date of exercise, we will deliver to a custodian selected by the Administrative Committee one or more certificates representing (or will otherwise cause to be credited to the account of such custodian) the total number of whole shares of our common stock respecting options exercised on such date of exercise in the aggregate (for both whole and fractional shares) of all of the participating eligible employees. The custodian will keep accurate records of the beneficial interests of each participating employee in such shares by means of participant accounts under the Purchase Plan, and will provide quarterly or such other periodic statements with respect thereto as may be directed by the Administrative Committee.

Except as otherwise provided in the Purchase Plan, for a period of 180 days (or such other period as the Administrative Committee may specify with respect to a particular grant of options) after the date of exercise of an option, a participant may not sell or otherwise transfer, encumber or dispose of the shares of common stock issued in connection with such exercise. Following this restriction period, the optionee may, in accordance with procedures established by the Administrative Committee and the custodian, direct the sale or distribution of some or all of the whole shares of common stock in his or her account that are not then subject to transfer restrictions and, in the event of a sale, request payment of the net proceeds from such sale. The transfer restrictions will continue to apply upon a participant's termination of employment.

***Termination of Employment; Leaves of Absence.*** Except as described below, if the employment of a participant terminates for any reason, then the participant's participation in the Purchase Plan automatically ceases and we will refund the amount of such participant's payroll deductions under the Purchase Plan that have not yet been otherwise returned or used upon exercise of options.

During a paid leave of absence approved by us and meeting Internal Revenue Service regulations,

a participant's elected payroll deductions will continue. A participant may not contribute to the Purchase Plan during an unpaid leave of absence. If a participant takes an unpaid leave of absence that is approved by us and meets Internal Revenue Service regulations, then such participant's payroll deductions for such option period that were made prior to such leave may remain in the Purchase Plan and be used to purchase common stock on the date of exercise relating to such option period. If a participant takes a leave of absence that is not described in the first or third sentence of this paragraph, then such participant will be considered to have withdrawn from the Purchase Plan. Further, notwithstanding the foregoing, if a participant takes a leave of absence that is described in the first or third sentence of this paragraph and such leave of absence exceeds three months, then such participant will be considered to have withdrawn from the Purchase Plan on the first day after such three-month period (unless such participant has a right to reemployment guaranteed either by statute or contract, in which case such participant will not be considered to have withdrawn from the Purchase Plan unless and until he fails to return to employment on the first day following the period during which his reemployment rights are so guaranteed).

***Restriction upon Assignment of Option.*** An option granted under the Purchase Plan may not be transferred other than by will or the laws of descent and distribution. Subject to certain limited exceptions, each option is exercisable, during the employee's lifetime, only by the employee to whom it was granted.

***Administration and Modification of the Plan.*** The Purchase Plan is administered by the Administrative Committee, the members of which are appointed from time to time by our Board. Our Board, in its discretion, may terminate the Purchase Plan at any time with respect to any common stock for which options have not been

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## **Proposal 4 Approval of the Group 1 Automotive, Inc. Employee Stock Purchase Plan (as Amended and Restated)**

granted. However, no change in any option granted may be made that would impair the rights of an optionee without the consent of such optionee. Our Board or the Administrative Committee has the right to alter or amend the Purchase Plan or any part thereof from time to time; provided that shareholder approval is also required to (1) increase the aggregate number of shares which may be issued pursuant Purchase Plan (other than as a result of the anti-dilution provisions), (2) change the class of corporations whose employees may receive options under the Purchase Plan or the class of eligible employees, (3) extend the term of the Purchase Plan, or (4) otherwise cause options issued under the Purchase Plan to fail to meet the requirements of employee stock purchase options as defined in Section 423 of the Code.

*Merger, Consolidation or Liquidation of Group 1.* If our Company is not the surviving corporation in any merger or consolidation (or survives only as a subsidiary of another entity), or if Group 1 is to be dissolved or liquidated, then, unless a surviving corporation assumes or substitutes new options (within the meaning of Section 424(a) of the Code) for all options then outstanding, (a) the date of exercise for all options then outstanding will be accelerated to a date fixed by the Administrative Committee prior to the effective date of such merger or consolidation or such dissolution or liquidation and (b) upon such effective date any unexercised options will expire and we promptly will refund to each participant the amount of such participant's payroll deductions under the Purchase Plan that have not yet been otherwise returned to him or used upon exercise of options.

*Plan Benefits.* No non-employee directors are eligible to participate in the Purchase Plan. The benefits to be received by our executive officers and employees as a result of the proposed amendment and restatement of the Purchase Plan are not determinable because the amounts of future purchases by participants are based on elective participant contributions.

### **United States Federal Income Tax Consequences**

The following is a brief summary of certain of the United States federal income tax consequences relating to the Purchase Plan based on federal income tax laws currently in effect. This summary applies to the Purchase Plan as normally operated and is not intended to provide or supplement tax advice to eligible employees. The summary contains general statements based on current United States federal income tax statutes, regulations and currently available interpretations thereof. This summary is not intended to be exhaustive and does not describe state, local or foreign tax consequences or the effect, if any, of gift, estate and inheritance taxes. The Purchase Plan is not qualified under Section 401(a) of the Code.

The Purchase Plan is intended to be an "employee stock purchase plan" within the meaning of Code Section 423. Under this type of plan, no taxable income will be reportable by a participant, and no deductions will be allowable to us, due to the grant of the option at the beginning of an offering or at the purchase of shares at the end of an offering. A participant will, however, recognize taxable income in the year in which the shares purchased under the Purchase Plan are sold or otherwise made the subject of disposition.

A sale or other disposition of shares purchased under the Purchase Plan will be a "disqualifying disposition" if such sale or disposition occurs prior to the later of (i) two years after the date the option is granted (i.e., the commencement date of the offering period to which the option pertains) and (ii) one year from the date of the purchase of the applicable shares.

If the participant makes a disqualifying disposition of shares purchased under the Purchase Plan, the excess of the fair market value of the shares on the date of purchase over the purchase price will be treated as ordinary income to the participant at the time of such disposition, and any additional





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## **Proposal 4 Approval of the Group 1 Automotive, Inc. Employee Stock Purchase Plan (as Amended and Restated)**

gain (or loss) on the disposition (after adding the amount treated as ordinary income to the participant's basis in the shares) will be a capital gain (or loss) to the participant. We will be entitled to an income tax deduction for the amount treated as ordinary income to the participant for our taxable year in which the disposition occurs, although the income tax deduction may be limited by the deductibility of compensation paid to certain of our officers under Code Section 162(m). In no other instance will we be allowed a deduction with respect to the participant's disposition of the purchased shares.

If the participant sells or otherwise disposes of shares purchased under the Purchase Plan after satisfying the holding period outlined above (i.e., a qualifying disposition), then the participant will realize ordinary income in the year of disposition equal to the excess of the lesser of (i) the fair market value of the shares on the date of disposition over the purchase price for the shares or (ii) the greater of (a) the fair market value of the shares on the date the option relating to the disposed shares was first granted over the purchase price and (b) the fair market value of the shares on the day immediately prior to the consummation of the transaction over the

purchase price. Any additional gain (or loss) on the disposition (after adding the amount treated as ordinary income to the participant's basis in the shares) will be long-term capital gain (or loss) to the participant. We will not be entitled to an income tax deduction for any amount with respect to the issuance or exercise of the option or the sale of the underlying shares.

### **Text of the Plan**

The preceding summary of the Purchase Plan is qualified in its entirety by reference to the complete text of the Purchase Plan that has been filed with the Securities and Exchange Commission as an appendix to our definitive proxy statement.

### **Vote Required**

The Purchase Plan will be adopted at the meeting, so long as a quorum is present, if the votes cast represent a majority of shares represented and entitled to vote. Abstentions shall be deemed a vote against the proposal. However, broker non-votes will not be counted as shares entitled to vote, and thus will not be considered for purposes of determining whether a majority has been achieved.

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## **Proposal 4 Approval of the Group 1 Automotive, Inc. Employee Stock Purchase Plan (as Amended and Restated)**

*Participation by Certain Individuals.* The following table sets forth participation in the Plan by the individuals and groups listed below for the 12 months ended December 31, 2014.

Earl J. Hesterberg, President and Chief Executive Officer	3,510	356
John C. Rickel, Senior Vice President and Chief Financial Officer	3,510	356
Darryl M. Burman, Vice President and General Counsel		
Peter C. DeLongchamps, Vice President, Manufacturer Relations, Financial Services & Public Affairs	5,300	360
J. Brooks O'Hara, Vice President, Human Resources		
Executive Group	12,320	1,072
Non-Executive Director Group		
Non-Executive Officer Employee Group	1,979,044	102,153

- (1) Equal to the difference between the closing price at the date of exercise relating to each particular option period and the price paid by participants for each share of our common stock purchased during such option period for each of the option periods in which such individuals participated in the Plan.

**Our Board of Directors Unanimously Recommends a Vote "FOR" Approval of the Group 1 Automotive, Inc. Employee Stock Purchase Plan (as Amended and Restated).**



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## Proposal 5 Ratification of the Appointment of Ernst & Young LLP as our Independent Registered Public Accounting Firm

The Audit Committee has appointed Ernst & Young, LLP ("Ernst & Young") as independent registered public accounting firm of Group 1 for the fiscal year ending December 31, 2015. We have been advised by Ernst & Young that the firm has no relationship with Group 1 or its subsidiaries

other than that arising from the firm's engagement as auditors, tax advisors and consultants. Representatives of Ernst & Young will be present at the Annual Meeting and will have the opportunity to make a statement and respond to appropriate questions from stockholders.

### Audit and Other Fees

Set forth below is a summary of certain fees billed by Ernst & Young, which has served as our independent registered public accounting firm since 2002, for services related to the fiscal years ended December 31, 2013 and December 31, 2014. In determining the independence of Ernst & Young, the Audit Committee considered whether the provision of non-audit services is compatible with maintaining Ernst & Young's independence.

Audit Fees(1)	1,909,493	2,439,000
Audit Related Fees(2)	631,880	
Tax Fees(3)	526,780	201,267
All Other Fees(4)	2,200	2,160
<b>Total</b>	<b>3,070,353</b>	<b>2,642,427</b>

- (1) Audit fees consisted of amounts billed for services performed in association with the annual financial statement audit (including required quarterly reviews) for 2013 and 2014, and other procedures required to be performed by the independent registered public accounting firm to be able to form an opinion on our consolidated financial statements, as well as specific procedures performed by Ernst & Young in connection with their review of our internal control structure in accordance with the requirements of Section 404 of the Sarbanes Oxley Act of 2002. Other procedures included consultations relating to the audit or quarterly reviews. Also included in audit fees are amounts billed for assurance and related services that are related to the performance of the audit or review of our financial statements or that are traditionally performed by the independent registered public accounting firm, consisting primarily of statutory audits, services performed in connection with SEC registration statements, periodic reports and other documents filed with the SEC or other documents issued in connection with securities. Audit fees exclude reimbursed expenses of \$41,908 and \$43,658 for 2013 and 2014, respectively, to Ernst & Young in conjunction with their services.
- (2) The 2013 audit related fees consisted of due diligence services related to acquisitions.
- (3) Tax fees consisted of amounts billed in 2013 and 2014 for tax preparation and compliance services. In addition, 2013 tax fees consisted of tax planning and advice related to acquisitions.
- (4)

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Other fees consisted of amounts billed in 2013 and 2014 for subscriptions to Ernst & Young's online accounting and financial reporting research tool.

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## **Proposal 5 Ratification of the Appointment of Ernst & Young LLP as our Independent Registered Public Accounting Firm**

The increase in the Audit Fees, reflected in the table above is related principally to procedures requested related to the issuance of comfort letters and consents in conjunction with the Company's 5.000% Senior Notes offerings and technical consultations related to the Company's convertible debt conversions and redemptions.

The Audit Committee considers whether the provision of these services is compatible with maintaining Ernst & Young's independence, and has determined such services for fiscal 2013 and 2014 were compatible. All of the services described above were pre-approved by the Audit Committee pursuant to paragraph (c)(7)(ii)(C) of Rule 2-01 of Regulation S-X under the Exchange Act, to the extent that rule was applicable during fiscal 2013 and 2014.

The Audit Committee has established a policy requiring pre-approval by the Audit Committee of all services (audit and non-audit) to be provided to us by our independent registered public accounting firm. In accordance with this policy, the Audit Committee has given its annual approval for the provision of audit services by Ernst & Young, and has also given its approval for up to a year in advance for the provision by Ernst & Young of particular categories or types of audit-related, tax and permitted non-audit services, in each case subject to a specific budget.

Any proposed services to be provided by the independent registered public accounting firm not covered by one of these approvals, including proposed services exceeding pre-approved budget levels, requires special pre-approval by the Audit Committee. The Audit Committee does not delegate its responsibilities to pre-approve services performed by the independent registered public accounting firm to management. All of above- listed services were pre-approved pursuant to this policy.

The ratification of our Audit Committee's appointment of Ernst & Young as our independent registered public accounting firm for the fiscal year ending December 31, 2015 requires our receiving the affirmative vote of the holders of a majority of our common stock cast with respect to the proposal. Although ratification is not required, our Board is submitting the selection of Ernst & Young to our stockholders for ratification as a matter of good corporate practice. If the selection is not ratified, the Audit Committee will consider whether it is appropriate to select another independent registered public accounting firm. Even if the selection is ratified, the Audit Committee in its discretion may select a different independent registered public accounting firm at any time during the year if it determines that such a change would be in our best interest and the best interest of our stockholders.

**Our Board of Directors Recommends a Vote "FOR"  
Ratification of the Appointment of Ernst & Young LLP as  
our Independent Registered Public Accounting Firm for  
the Fiscal Year Ending December 31, 2015.**

## Report of the Audit Committee

The Audit Committee is appointed by the Board of Directors to assist the Board of Directors in fulfilling its oversight responsibilities relating to our accounting policies, reporting policies, internal controls, compliance with legal and regulatory requirements, and the integrity of Group 1's financial reports. The Audit Committee manages the relationship with its independent registered public accounting firm which is ultimately accountable to the Audit Committee. The Board of Directors, upon the recommendation of its Nominating/Governance Committee, has determined that each member of the Audit Committee has the requisite independence and other qualifications for audit committee membership under New York Stock Exchange corporate governance listing standards, the Sarbanes-Oxley Act of 2002, the Audit Committee Charter and the Group 1 Automotive, Inc. Corporate Governance Guidelines.

The Audit Committee acts under a written charter adopted and approved by the Board of Directors. The Audit Committee reviews and reassesses the adequacy of the Charter on an annual basis. Based on the recommendation of the Audit Committee, the Board of Directors approved the Audit Committee Charter at a regularly scheduled meeting in February 2015. The Audit Committee Charter is posted on our website, [www.group1auto.com](http://www.group1auto.com), and you may obtain a printed copy of the Audit Committee Charter by sending a written request to Group 1 Automotive, Inc., 800 Gessner, Suite 500, Houston, TX 77024, Attn: Corporate Secretary.

The Audit Committee has reviewed and discussed with management and Ernst & Young LLP, our independent registered public accounting firm, our audited financial statements as of and for the year ended December 31, 2014. The Audit Committee has also discussed with Ernst & Young LLP the matters required to be discussed by Statement on Auditing Standards No. 16 "*Communication with Audit Committees*," as amended, issued by the Public Company Accounting Oversight Board.

Ernst & Young LLP submitted to the Audit Committee the written disclosures and the letter required by Rule 3526 of the Public Company Accounting Oversight Board, *Communication with Audit Committees Concerning Independence*. The Audit Committee discussed with Ernst & Young LLP such firm's independence. The Audit Committee has also considered whether the provision of non-audit services to our Company by Ernst & Young LLP is compatible with maintaining their independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements referred to above be included in our Annual Report on Form 10-K for the year ended December 31, 2014, for filing with the SEC.

Respectfully submitted by the Audit Committee of the Board of Directors of Group 1,

J. Terry Strange (Chairman)  
John L. Adams  
Doyle L. Arnold  
Stephen D. Quinn  
MaryAnn Wright

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## Executive Officers

Except as described under the heading "Executive Compensation Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards" below, our executive officers serve at the discretion of our Board. The following table sets forth certain information as of the date of this proxy statement regarding our executive officers:

Earl J. Hesterberg	61	President and Chief Executive Officer
John C. Rickel	53	Senior Vice President and Chief Financial Officer
Darryl M. Burman	56	Vice President and General Counsel
Peter C. DeLongchamps	54	Vice President, Manufacturer Relations, Financial Services & Public Affairs
J. Brooks O'Hara	59	Vice President, Human Resources

Mr. Hesterberg's biographical information may be found on page 19 of this proxy statement.

### John C. Rickel

Mr. Rickel was appointed Senior Vice President and Chief Financial Officer in December 2005. From 1984 until joining Group 1, Mr. Rickel held a number of executive and managerial positions of increasing responsibility with Ford Motor Company, a global manufacturer and distributor of cars, trucks and automotive parts. He most recently served as Controller, Ford Americas, where he was responsible for the financial management of Ford's western hemisphere automotive operations. Immediately prior to that, he was Chief Financial Officer of Ford Europe, where he oversaw all accounting, financial planning, information services, tax and investor relations activities. From 2002 to 2004, Mr. Rickel was Chairman of the Board of Directors of Ford Russia, and a member of the Board of Directors and the Audit Committee of Ford Otosan, a publicly traded automotive company located in Turkey and owned 41% by Ford. Mr. Rickel received his B.S.B.A. and M.B.A. from The Ohio State University.

### Darryl M. Burman

Mr. Burman has served as Vice President and General Counsel since December 2006. From September 2005 to December 2006, Mr. Burman was a partner and head of the corporate and securities practice in the Houston office of Epstein Becker Green Wickliff & Hall, P.C. From September 1995 until September 2005, Mr. Burman served as the head of the corporate and securities practice of Fant & Burman, L.L.P. in Houston, Texas. Mr. Burman currently serves as a Director of the Texas General Counsel Forum Houston Chapter and serves on the Board of the University of South Florida Foundation. Mr. Burman holds a degree from the University of South Florida and a J.D. from South Texas College of Law.





## **Executive Officers**

### **Peter C. DeLongchamps**

Mr. DeLongchamps has served as Vice President, Financial Services and Manufacturer Relations since January 2012. He previously served as Vice President, Manufacturer Relations and Public Affairs from January 2006 through December 2011, and as Vice President, Manufacturer Relations from July 2004 through December 2005. Mr. DeLongchamps began his automotive retailing career in 1980, having worked for General Motors Corporation and BMW of North America, and holding various management positions in the automotive industry. Immediately prior to joining the Company in 2004, Mr. DeLongchamps was President of Advantage BMW, a Houston-based automotive retailer. Mr. DeLongchamps also serves on the Board of Directors of Junior Achievement of Southeast Texas. Mr. DeLongchamps received his B.B.A. from Baylor University.

### **J. Brooks O'Hara**

Mr. O'Hara has served as Vice President, Human Resources since February 2000. From 1997 until joining Group 1, Mr. O'Hara was Corporate Manager of Organizational Development at Valero Energy Corporation, an integrated refining and marketing company. Prior to joining Valero, Mr. O'Hara served for a number of years as Vice President of Administration and Human Resources at Gulf States Toyota, an independent regional distributor of new Toyota vehicles, parts and accessories. Mr. O'Hara is a certified Senior Professional in Human Resources (SPHR) and serves on the Board of the Houston Chapter of the American Red Cross. Mr. O'Hara received his B.S. in Marketing from Florida State University and his M.B.A. from the University of St. Thomas.

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## 2014 Compensation Discussion and Analysis

This Compensation Discussion and Analysis provides a detailed description of our executive compensation philosophy and programs, the compensation decisions the Compensation Committee has made under those programs and the factors considered in making those decisions. As discussed in greater detail below, our compensation plans are designed to reward our Named Executive Officers for the achievement of these results for our Company and our stockholders. The Compensation Discussion and Analysis focuses on the compensation of our Named Executive Officers for 2014, who were:

Earl J. Hesterberg President and Chief Executive Officer

John C. Rickel Senior Vice President and Chief Financial Officer;

Darryl M. Burman Vice President and General Counsel;

Peter C. DeLongchamps Vice President, Financial Services, Manufacturer Relations and Public Affairs; and

J. Brooks O'Hara Vice President, Human Resources.

### Business and Financial Highlights

In 2014, Group 1 delivered record setting financial results and increased operational effectiveness in a strengthening automotive sales environment. Our results included:

- ü 11.4% increase in total revenue to \$9.9 billion;
- ü Record adjusted net income of \$151.7 million;
- ü Record adjusted diluted EPS of \$5.87;
- ü U.S. revenues of \$8.2 billion reflecting increases in all business lines;
- ü 12.0% increase in total gross profit;
- ü Achieved all-time F&I performance record;
- ü Industry leading same store parts and service growth;
- ü

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Reduction of our ongoing diluted share count by approximately 2.7 million shares;

ü 26.2% annual increase in our stock price; 44.6% over the two year period ended December 31, 2014;

ü Sales of 166,896 new vehicles and 109,873 used vehicles in 2014;

ü Repurchased 537,000 shares at an average price of \$68.51;

ü Successful retirement of our 2.25% Convertible Senior Notes due 2036 and our 3.00% Convertible Senior Notes due 2020;

ü Issuance of \$550.0 million aggregate principal amount of 5.00% Senior Notes due 2022;

ü Continued development of our Brazilian market presence with the acquisition of a Mercedes Benz dealership; and

ü Purchase of three BMW/MINI stores in the U.K. to build additional scale.

**See Exhibit 99.1 to our Current Report on Form 8-K (File No. 001-13461) filed February 5, 2015 for a reconciliation of the non-GAAP measures to the comparable GAAP measures.**

Table of Contents**2014 Compensation Discussion and Analysis****Compensation and Corporate Governance**

The Committee continuously reviews best practices in executive compensation and has made several adjustments to elements of our compensation programs over the past several years to further

align our executive compensation structure with our stockholders' interests and current governance practices, including:

**Compensation and Corporate Governance Highlights**

ii	ii
Non-Executive Chairman of the Board	Clawback Provisions for Certain Restatements
ii	ii
No Excise Tax Gross-Ups	Average Board Attendance of 96% during 2014
ii	ii
Say on Pay Advisory Vote Conducted Annually	No Stockholder Rights Plan (Poison Pill)
ii	ii
Robust Stock Ownership Guidelines for our Officers and Directors	Company Policy Prohibits Pledging and Hedging of Group 1 Common Stock
ii	ii
Director Resignation Policy for Directors who receive a Majority Withheld Vote in an uncontested Director Election	We are requesting Stockholder approval to Amend our Restated Certificate of Incorporation to declassify our Board
ii	ii
Independent Compensation Consultant retained by our Compensation Committee, who does not perform any other work for our Company	Regular Board and Committee Self-Evaluations

**Role of the Compensation Committee, its Consultant and Management**

Our Board has entrusted the Committee with overall responsibility for establishing, implementing and monitoring our executive compensation program. Our Chief Executive Officer and Vice President of Human Resources also play a role in the implementation of the executive compensation process, by overseeing the performance and dynamics of the executive team and generally keeping the Committee informed. All final decisions regarding our Named Executive Officers' compensation remain with the Committee, except in the case of our Chief Executive Officer where the independent members of the Board makes all decisions with the benefit of recommendations from the Committee.

The Committee has historically engaged Pearl Meyer & Partners ("PM&P") to serve as its compensation consultant and to advise on executive compensation matters. In 2014, PM&P

was engaged to conduct a competitive compensation analysis for the Named Executive Officers. During that time, PM&P reviewed compensation data for our peer companies in comparison to our current compensation practices and made recommendations to the Committee.

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The Committee retains PM&P directly, although in carrying out assignments PM&P may interact with our management when necessary and appropriate. PM&P does not provide any services to our Company other than its consulting services to the Committee, and the Committee determined that no conflict of interest exists between PM&P and our Company. Please see "Information About our Board of Directors and Committee Compensation Committee" for additional information on the role of the Committee, its consultant and management in setting executive compensation.

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## 2014 Compensation Discussion and Analysis

### Objectives of Our Executive Compensation Program

#### *Compensation Philosophy*

The Committee believes that the most effective executive compensation program is one designed to recruit, retain and motivate capable leadership and reward those individuals upon the achievement of their personal and departmental objectives as well as upon our Company's achievement of specific annual, long-term and strategic goals. The Committee evaluates both market competitiveness and individual and Company performance to ensure that we maintain our ability to attract, retain and motivate talented employees in key positions and that overall compensation remains competitive relative to compensation paid by our peer companies. By maintaining competitive compensation and rewarding for performance, the Committee strives to support our overall business objectives and provide our stockholders with a superior rate of return over time.

Our strategic business focus during the fiscal year ended December 31, 2014 consisted of the following objectives:

- ü increasing same store sales performance in new and used vehicle sales as well as parts and service;
- ü continuing to consolidate key operating processes and systems to improve our customer responsiveness, efficiencies and reduce expenses;
- ü maintaining a cost level that aligns with the anticipated level of business activity; and
- ü seeking new business opportunities within the automotive retail market so that we can continue to expand our business operations both in the United States ("U.S.") and abroad.

Our Named Executive Officers' individual or departmental goals for the fiscal year ended December 31, 2014 generally consisted of one or more of the following criteria, which provide support for our business objectives:

- ü gain sales momentum as the market continues to rebound;
- ü continue to strengthen our processes and management for improved operating effectiveness and efficiency;
- ü control costs and expenses as sales levels increase to maximize and leverage our scale;
- ü accelerate the redeployment of capital and management resources away from underperforming dealerships into business operations with better return potential; and
- ü drive the capital allocation process, which balances the mix between investments in sustainable growth and investments that maximize return to stockholders.

#### *Stockholder Input on Executive Compensation Matters*

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In accordance with applicable law and as described in more detail in Proposal 3 above, our stockholders have the right to vote, on an advisory non-binding basis, on the approval of the compensation of our Named Executive Officers at specified intervals (the "say-on-pay vote"). Stockholders last voted on this matter at the 2014 Annual Meeting of Stockholders, and in accordance with a vote at the 2011 Annual Meeting of Stockholders on the frequency of say-on-pay votes, stockholders currently will vote on such compensation every year.

At our 2014 Annual Meeting of Stockholders, 93% of the shares voted on the say-on-pay vote were in favor of the compensation paid to our Named Executive Officers. The Compensation Committee believes this vote strongly endorses the compensation philosophy, policies and practices of the Company and, therefore, it did not make any significant changes in the structure of our executive compensation program as a result of this say-on-pay vote. The Compensation Committee will continue to consider on an annual basis the vote results for say-on-pay proposals when making compensation decisions for our Named Executive Officers.

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## 2014 Compensation Discussion and Analysis

In addition to such consideration given to the results of the say-on-pay vote, at various times throughout the year the Compensation Committee considers any input it may receive from stockholders and other stakeholders, and more general developments in executive compensation principles, in the development and implementation of the Company's executive compensation philosophy, policies and programs. For additional information on the say-on-pay vote with respect to the compensation paid to our executive officers in 2014, see Proposal 3 above.

### *Market Analysis*

We again engaged PM&P to conduct an independent market-based analysis of our executive compensation program in 2014. The market analysis process involved the comparison of long-term, short-term and total compensation with a selected group of peer companies ("Peer Companies"). Compensation data was compared at the 25th, 50th and 75th percentiles of the market.

While we do not think it is appropriate to establish compensation based solely on benchmarking, we believe that this practice can be useful for two reasons. First, our compensation practices must be competitive in order to attract and retain executives with the ability and experience necessary to provide leadership and to deliver strong performance to our stockholders. Second, benchmarking allows us to assess the reasonableness of our compensation practices. This process allows us to achieve one of our primary objectives of maintaining competitive compensation to ensure retention and assists in aligning compensation with stockholder interests.

Our Peer Companies remained unchanged for 2014, and include all of the publicly-traded automotive consolidators and specialty retailers associated with automotive sales, and automotive parts and service against whom we most directly compete for executive talent. The list of our Peer

Companies is periodically reviewed and updated by the Committee. Our 2014 Peer Companies were:

Advance Auto Parts, Inc.

LKQ Corp.

Asbury Automotive Group, Inc. O'Reilly Automotive, Inc.

AutoNation, Inc.

Penske Automotive Group, Inc.

AutoZone, Inc.

The Pep Boys Manny, Moe & Jack

CarMax, Inc.

Rush Enterprises, Inc.

Genuine Parts Co.

Sonic Automotive, Inc.

**Lithia Motors, Inc.**

When evaluating the compensation data and making compensation decisions, the Committee has taken into consideration the variance in revenue size among the entities comprising our Peer Companies. Additionally, the Committee has considered other differences between us and our Peer Companies such as corporate structure, tenure of officers, variance in scope of duties for each officer and other factors when calculating a benchmarking value. This value is used as the basis of comparison of compensation provided by us and our Peer Companies. However, any application of benchmarking data is tempered by our basic staffing philosophy, which is to remain as lean as practical. This guiding principle results in certain of our executive officers having a broad range of job responsibilities, which, at certain of our Peer Companies, may be divided among multiple executive officers. The Committee's use of benchmarking for specific compensation components is described in more detail below.

**Tally Sheets**

In 2014, compensation tally sheets for the Named Executive Officers were prepared by our Compensation Manager and reviewed by the Committee. This review consists of a twelve month summary of cash compensation earned, employee benefits provided, stock granted (with value at grant), and value of stock released (with value at release). Total shares and present value of

unvested restricted stock is also presented for review. In addition to the PM&P benchmarking analysis, information from these tally sheets was also considered by the Committee in making compensation decisions for the Named Executive Officers, as well as guiding the design of cash and non-cash compensation and benefit programs. The Committee specifically used tally sheets in the

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## 2014 Compensation Discussion and Analysis

following contexts for each Named Executive Officer:

To determine the historical value of compensation paid;

To determine the value of restricted stock awards forfeited in the event of a voluntary termination when making decisions regarding grants to encourage retention;

To understand total compensation potentially payable to the Named Executive Officers under all possible scenarios, including death/disability, retirement, voluntary termination, termination with and without cause and changes of control; and

To ensure that the structure of pay at different levels is fair and appropriate.

### Compensation Components

Our compensation program for executive officers includes annual cash compensation and long-term equity-based compensation. Annual cash compensation consists of annual base salary and payments under our annual cash incentive plan. From time to time, as circumstances may warrant, the Committee may also elect to make discretionary cash bonus awards to executive officers most often for exemplary performance. Our long-term equity-based compensation consists of equity awards made under our long term incentive plan.

In addition, our Named Executive Officers are eligible to (i) participate in our health and welfare plans, our Employee Stock Purchase Plan and our retirement plans (401(k) Savings Plan and Deferred Compensation Plan), (ii) receive a vehicle allowance and/or demonstrator vehicle(s), depending on the position held, and (iii) receive perquisites and other personal benefits as described under "Other Benefits" below.

### Base Salary

*Design.* We provide our Named Executive Officers with an annual base salary to compensate them for services rendered during the year. Our goal is to set base salaries for our Named Executive Officers at levels that are competitive with comparable companies for the skills, experience and requirements of similar positions, using benchmarking as previously discussed, in order to attract and retain top talent. In order to achieve this goal, we have generally sought to provide base salaries that fall near the 50th percentile of our Peer Companies. We believe that this range supports competitive compensation and ensures retention. In order to ensure that each officer is appropriately compensated, the Committee, when setting base salaries, considers individual performance, tenure and experience and our financial performance in addition to the compensation review of the Peer Companies. Individual base salary levels are generally reviewed each November and are adjusted as appropriate based on an analysis of current market salary levels at the Peer Companies,

individual performance and experience and our financial performance.

*Results.* Effective January 1, 2014, the base salaries for Messrs. Rickel, Burman, DeLongchamps and O'Hara were \$566,500, \$427,500, \$443,000 and \$309,200, respectively, which was approximately a 3.0% increase from the prior year. In determining the base salaries for 2014, the Committee reviewed their salaries using the criteria described above and determined to make the increases to position them closer to the 50<sup>th</sup> percentile of the Named Executive Officers of our Peer Companies. Mr. Hesterberg's base salary of \$1,000,000 remained the same for 2014.

*Compensation Changes for Fiscal 2015.* In November 2014, the Committee elected to increase base salaries for Messrs. Rickel, Burman, DeLongchamps and O'Hara, effective January 1, 2015. In determining the base salaries for 2015, the Committee reviewed their salaries using the criteria described above in an effort to position

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them closer to the 50<sup>th</sup> percentile of the Named Executive Officers of our Peer Companies. Accordingly, the 2015 base salaries of Messrs. Rickel, Burman, DeLongchamps and O'Hara were increased by approximately 3.0%

to \$583,500, \$440,300, \$456,300 and \$318,400 respectively. Mr. Hesterberg's base salary was increased by 10.0% to \$1,100,000. Prior to this increase, Mr. Hesterberg's base salary had not been increased since he joined us in 2005.

### Discretionary Bonus Awards

In recognition of his leadership role in connection with our record setting F&I financial results in 2014, the Committee approved a special, one-time \$100,000 bonus to Mr. DeLongchamps, which was paid in February 2015. The size of this bonus was

not determined by a financial performance metric, but related to superior performance relative to our finance and insurance product sales and profit growth for 2014, and was based on the judgment of the Committee.

### Annual Incentive Compensation Plan

Annual cash incentive awards are intended to align our annual performance and results with the compensation paid to persons who are most responsible for such performance, and to motivate and reward achievement of Company and individual or departmental performance objectives. Meaningful, performance-related goals are established so that attaining or exceeding the performance targets is not assured, requires significant effort by each of our Named Executive Officers, and if accomplished, contributes to the ongoing overall improvement and success of the Company.

For 2014, the annual incentive compensation plan was based upon achievement of financial and individual, or departmental, goals approved at the beginning of the year by the Committee. The financial and mission-based portions of the annual incentive awards could be awarded independently so that achievement of one was not predicated on the achievement of the other. There is, however, a minimum earnings per share goal established by the Committee at the beginning of each year which has to be achieved before any incentive award is paid. See page 45 for more detail.

The following is a description of the 2014 performance metrics under the plan:

**Financial Goal.** For 2014, the financial goal portion of our annual cash incentive plan was based on achievement of diluted earnings per share ("EPS"). Diluted earnings per share is generally defined as our net income available to

diluted common shares divided by the sum of the weighted average number of common shares outstanding during the period plus those that would have been outstanding, assuming issuance for all dilutive potential common shares. Under the 2014 annual incentive compensation plan, the Committee could, in its sole discretion, adjust the Company's EPS when determining achievement of the financial goal metric for extraordinary or unusual items that would be included in our annual operating results, but not typically considered at the time the targets were set, such as stock repurchases, certain asset impairments or extraordinary dilutive events which materially affect EPS. See page 46 for additional information about EPS adjustments made in 2014.

The Committee believed that EPS was the best metric for our financial goal portion of the plan because it incentivizes our executive officers to maximize stockholder return and only rewards executive officers if our stockholders are rewarded. Further, no payments would be made under the financial goal portion of the award unless a threshold level of EPS was achieved. The threshold, target and maximum levels of performance for the EPS metric set by the Committee for 2014 were as follows: Threshold \$5.51; Target \$5.70; and Maximum \$5.80.

**Mission-based Goals.** Mission-based goals typically include four to six specific goals that are normally related to the individual's functional area



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and are established at the beginning of each fiscal year jointly by the executive officer and our Chief Executive Officer and reviewed by the Committee, or in the case of the Chief Executive Officer, by the Chief Executive Officer, the Committee and the Board. These goals are integral toward achieving

key business objectives, such as those listed on page 41 which help improve our financial performance, promote corporate efficiencies and contribute to the growth of our Company. In 2014, the following mission-based goals were assigned to each of our Named Executive Officers:

Earl J. Hesterberg

Right size the Brazilian business

Continue to expand business in the UK

Continue to drive gross profit growth in the U.S.

Implement centralized sales and service support center by year end

Achieve selling, general and administrative cost reduction target

John C. Rickel

Develop operational reporting structure for the Brazilian operations

Reduce Brazilian dealership floor plan cost

Install financial controls in Brazilian operations

Create consistent reporting and procedures and financial support between regions

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Implement solution to convertible bond dilution

Achieve selling, general and administrative cost reduction target

Darryl M. Burman

Reduce labor and employment legal fees

Develop web based support system for use by General Managers

Develop International acquisition procedures

Achieve selling, general and administrative cost reduction target

Peter C. DeLongchamps

Enhance relationships with key manufacturers and members of the investment community

Maintain capital expenditure projects within budget

Maintain minimum vehicle service penetration rate

Achieve F&I growth target

Implement process to address potential disparate impact

Achieve selling, general and administrative cost reduction target

J. Brooks O'Hara

Implement specified recruiting initiatives

Align the Company's efforts to comply with all provisions of the Affordable Care Act



Streamline field payroll structure and processes

Assist in the conversion of the sale and service support center

Achieve selling, general and administrative cost reduction target

For 2014, the Committee decided that at achievement of threshold or target performance for EPS, each of the performance metrics – financial and mission-based – should be weighted 50%, with the award payout based on 100% of base salary for Messrs. Hesterberg and Rickel and 60% of base salary for Messrs. Burman, DeLongchamps and O'Hara. The Committee also determined that: (i) if the threshold EPS goal was attained,

the executive officers would receive one-third of the financial goal portion of their award; and (ii) if the target EPS goal was attained, the executive officers would receive two-thirds of the financial goal portion of their award. In addition, the Committee decided that for 2014 as long as earnings per share was at least \$5.05, the mission-based portion of the award would be payable from 0% to 100%.

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The Committee also decided that at achievement of maximum level of performance for EPS, the total possible cash incentive plan payout for each executive should be increased and such increase would be entirely attributable to the financial performance metric. As such, the executive officers would be eligible to receive the same mission-based award discussed above, however Messrs. Hesterberg, Burman, DeLongchamps and O'Hara would receive 150% of the financial portion of their awards as otherwise described above and Mr. Rickel would receive 130% of the financial portion of his award as otherwise described above. As a result, assuming all mission-based goals were attained, the following table sets forth the threshold, target and maximum annual incentive compensation plan potential payouts for 2014, as a percentage of base salary. The target performance level was set such that, if attained, the total cash compensation paid to our executive officers would approximate the median paid to executive officers at our Peer Companies.

Earl J. Hesterberg	67%	83%	125%
John C. Rickel	67%	83%	115%
Darryl M. Burman	40%	50%	75%
Peter C. DeLongchamps	40%	50%	75%

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