

ENSURING ALIGNMENT OF PERFORMANCE AND REWARD

DEAR SHAREHOLDER

I am pleased to present the Directors' Report on Remuneration for the year ended 31 December 2017. This report should be read in conjunction with the Compliance Report on pages 82 to 86.

The Annual Report on Remuneration (the "Report") and the Remuneration Policy (the "Policy") were both voted on by shareholders at the AGM in May 2017. The Report received a vote in favour of 97.13% and the Policy received a vote in favour of 96.79%. As we undertook a comprehensive engagement process with our shareholders, their views were clearly understood when considering the Policy. I believe that the positive voting result is a testament to the engagement of the Committee, management and investors.

The Committee was further strengthened during 2017 with the addition of Nigel Stein and Jerry Buhlmann as members. Both Jerry and Nigel have extensive executive and operational experience from their respective CEO roles and will be able to add views from a wider workforce perspective to the Committee's deliberations.

2017 PERFORMANCE OUTCOMES AND AWARDS

The Group has delivered sales of £8.9bn, operating profit before exceptional items of £407.5m, EPS of 67.0p (adjusted) and ROCE of 30%. The rewards payable for the Executive Directors as a result of the Group's performance are set out on pages 70 to 73, along with long-term incentive awards granted during the year.

The Committee is satisfied that the total remuneration received by Executive Directors in 2017 appropriately reflects the Company's performance over the year and is consistent with the approach taken for other relevant employees. The Committee is also satisfied that the approach to setting the remuneration underpins the effective and proper management of risk by rewarding fairly for sustainable profit growth and long-term returns for shareholders.

2018 key activities

The Committee is committed to ensuring that the Group's remuneration arrangements continue to reflect the Ignite strategy, reward strong performance and align Executive Directors and senior management's interests with those of shareholders. We are not expecting any changes for the coming year and the Committee will continue to keep up to date with evolving corporate governance throughout 2018, including the new Corporate Governance Code to be issued in the summer, and will carefully consider this and other guidance particularly on the CEO pay ratio, cap on total pay opportunities and employee engagement to ensure that our remuneration arrangements meet stakeholder interests.



Coline McConville
Chair of the Remuneration Committee

COMMITTEE MEMBERS

- | | |
|-------------------|------------------|
| Jerry Buhlmann | Nigel Northridge |
| Ken Hanna | Nigel Stein |
| Coline McConville | Till Vestring |

Committee meeting	Key activities
February	– 2016 Directors' Report on Remuneration, 2016 annual bonus pay-out, achievement of performance targets for long-term incentives, senior management 2017 remuneration proposals, new Remuneration Policy
May	– Shareholder approval for the Remuneration Policy, amendment to LTI plan rules to incorporate malus and clawback.
November	– Review SAYE, review of trends in remuneration, gender pay reporting, review of terms of reference and Committee membership.

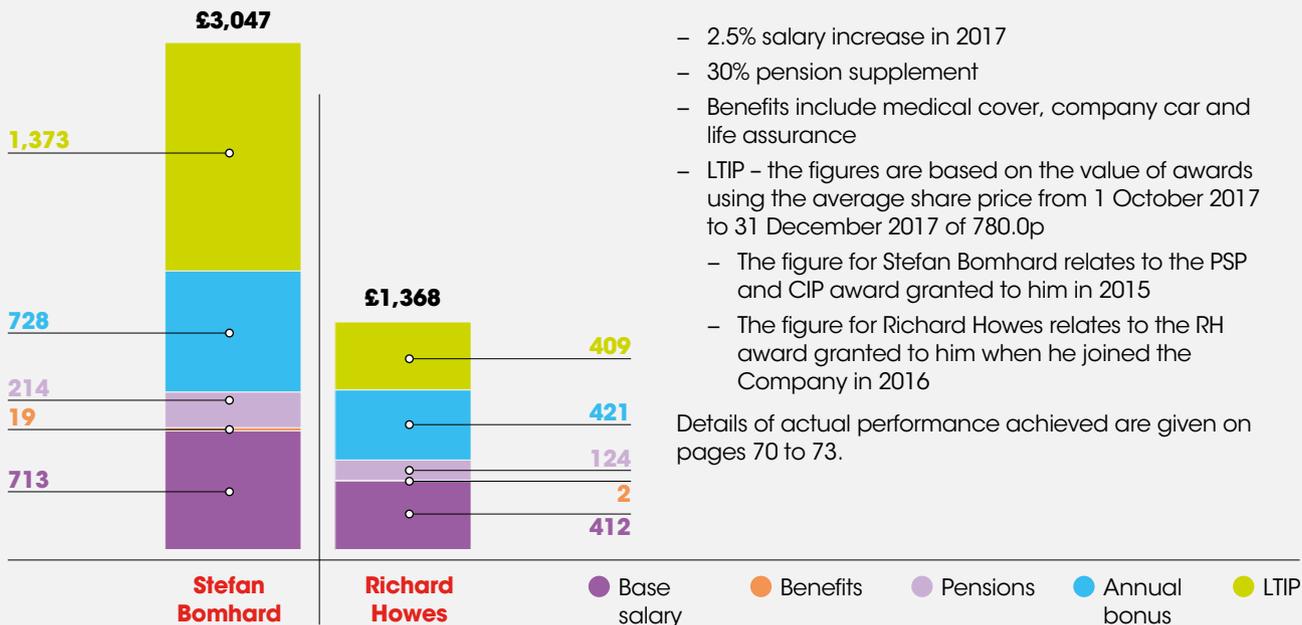
Gender pay gap

In addition to its other activities, the Committee reviewed the gender pay gap disclosure for the UK business which will be published on its website www.inchcape.co.uk, in due course. We have a commitment to become an increasingly gender diverse business and our planned initiatives for revised role definition and reward offering will help improve the results. Further details of the steps taken by the UK business will be given in the disclosure.

Coline McConville
Chair of the Remuneration Committee

REMUNERATION AT A GLANCE

WHAT EXECUTIVE DIRECTORS EARNED DURING 2017 (£'000)



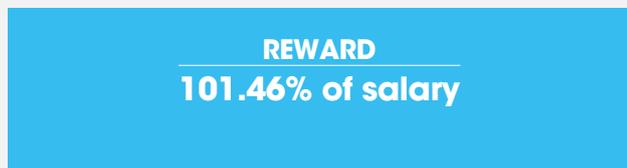
- 2.5% salary increase in 2017
- 30% pension supplement
- Benefits include medical cover, company car and life assurance
- LTIP – the figures are based on the value of awards using the average share price from 1 October 2017 to 31 December 2017 of 780.0p
 - The figure for Stefan Bomhard relates to the PSP and CIP award granted to him in 2015
 - The figure for Richard Howes relates to the RH award granted to him when he joined the Company in 2016

Details of actual performance achieved are given on pages 70 to 73.

ALIGNMENT OF PERFORMANCE AND REMUNERATION FOR 2017

ANNUAL BONUS

To motivate and reward the achievement of the Company's strategic and operational objectives



LONG-TERM INCENTIVES

To motivate and reward performance linked to long-term success



Further information on annual bonus and long-term incentive plans can be found on pages 70 to 73 respectively.

PART 1 — DIRECTORS' REMUNERATION POLICY

This section of the report sets out the remuneration policy approved by shareholders at the AGM on 25 May 2017. The principal changes compared to the previously approved policy are as follows and the full policy is given on pages 61 to 68:

- Strategic measures have been included within the annual bonus. NPS has now been incorporated within the Ignite strategic measures
- Clawback and malus provisions apply to all incentives (PSP, CIP and annual bonus) from 2017 onwards. Previously malus provisions only applied to the PSP
- PSP awards as a percentage of salary rather than as a fixed number of shares
- 'Enhanced' PSP share awards have been removed
- There is no longer a limit of 450% of salary under exceptional circumstances for PSP awards. The maximum PSP award level is 300%
- Investment opportunity under the CIP is capped at 50% of salary (previously in exceptional circumstances, investment opportunity could be increased to 100% of salary)
- A mandatory post-vesting holding period of two years on any PSP and CIP awards from 2017 onwards has been introduced for Executive Directors
- PSP and CIP grants for new recruits will be capped in line with the limits in the main policy
- Reduction in maximum cash supplement in lieu of pension from 40% to 30% of base salary

REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

Element	Objective and link to strategy	Operation and performance metrics	Opportunity
Base salary	To pay a competitive salary which attracts, retains and motivates talent to make decisions which drive the Company's strategy and create value for stakeholders.	Salaries are reviewed annually and any increases typically take effect from 1 April of each year. Adjustments to salary will take account of: <ul style="list-style-type: none"> – Increases awarded across the Group as a whole, and conditions elsewhere in the Group; – Experience and performance of the individual; – Pay levels at organisations of a similar size, complexity and type; and – Changes in responsibilities or scope of the role. 	Increases are not expected to exceed average increase for senior management, unless a change in scope or complexity of role applies.
Annual bonus	To motivate and reward for the achievement of the Company's strategic annual objectives.	Based on at least 70% on annual financial performance. Financial measures may include (but are not limited to) revenue and operating profit. Non-financial measures may include strategic measures directly linked to the Company's priorities. Any annual bonus earned above 100% of salary is paid in shares which are automatically invested in the CIP. Bonus payouts are subject to malus and clawback provisions.	150% of salary maximum payable for achieving stretch performance against all measures. 60% of salary payable for target performance. 12% of salary payable for entry level performance.
Performance Share Plan (PSP)	To provide a meaningful reward to senior executives linked to the long-term success of the business. The use of performance shares enables the delivery of median pay for median performance and upper quartile pay for upper quartile performance.	Vesting of the performance shares is based on performance measures linked to the Group's strategic priorities and may vary year-on-year. Vesting of the PSP awards is based on performance measures linked to the Group's strategic priorities and may vary year-on-year. For awards granted to the Executive Directors from 2017, vested awards will be subject to an additional two year holding period. Any dividends paid would accrue over the vesting period and would be paid only on those shares that vest. PSP awards granted from 2017 are subject to malus and clawback provisions.	PSP opportunities will be 180% of salary. Award levels are subject to an individual limit of 300% of salary. Threshold level performance will result in 25% vesting of the PSP award.

REMUNERATION POLICY FOR EXECUTIVE DIRECTORS CONTINUED

Element	Objective and link to strategy	Operation and performance metrics	Opportunity
Co-Investment Plan (CIP)	<p>To encourage executive share ownership and reinforce long-term success.</p> <p>Any bonus over 100% of salary will be paid in shares which will be automatically invested in the plan. Further voluntary investments may be made up to the investment limit.</p>	<p>A voluntary investment opportunity in return for a performance based match.</p> <p>Any bonus over 100% of salary will be paid in shares which will be automatically invested in the plan. Further voluntary investments may be made up to the investment limit.</p> <p>Invested shares can be withdrawn at any time but the entitlement to a match would be lost if the invested shares are withdrawn before the end of the relevant three year vesting period.</p> <p>Vesting of the CIP awards is based on performance measures linked to the Group's strategic priorities and may vary year-on-year.</p> <p>For awards granted to the Executive Directors from 2017, vested awards will be subject to an additional two year holding period.</p> <p>Any dividends paid would accrue over the vesting period and would be paid only on those shares that vest.</p> <p>CIP awards granted from 2017 are subject to malus and clawback provisions.</p>	<p>Executive Directors may invest up to an overall maximum of 50% of salary. Maximum match of 2:1, threshold of 0.5:1.</p> <p>Maximum matching award is therefore 100% of salary in any year, and threshold matching award is 25% of salary.</p>
Save As You Earn (SAYE)	<p>To encourage share ownership.</p>	<p>UK employees are able to make monthly savings, over a three year period. At the end of the savings period, the funds are used to purchase shares under option. As this is an all-employee scheme and Executive Directors participate on the same terms as other employees, the acquisition of shares is not subject to the satisfaction of a performance target.</p>	<p>Participation limits are those set by the UK tax authorities from time to time.</p>
Pension	<p>To provide market competitive pension benefits where it is cost-effective and tax-efficient to do so.</p>	<p>The Group's pension scheme, Cash+, is a cash balance retirement scheme which accrues 16% of earnings (capped at £250,000 p.a.) paid as a lump sum at the age of 65.</p> <p>Members are required to contribute 7% of pensionable salary.</p> <p>Executive Directors may also receive a salary supplement in lieu of pension contributions.</p>	<p>Eligibility to join the Cash+ scheme at a minimum level to meet regulatory requirements.</p> <p>Cash supplement up to 30% of base salary for Executive Directors.</p>
Other benefits	<p>To provide market competitive benefits where it is cost-effective and tax-efficient to do so.</p>	<p>Benefits currently include (but are not limited to):</p> <ul style="list-style-type: none"> - Company cars; - Medical care; and - Life assurance premiums. 	<p>It is not anticipated that the costs of benefits provided will materially exceed 5% of salary for existing Executive Directors.</p> <p>The Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation).</p>

To encourage share ownership and ensure alignment of executive interests with those of shareholders, Executive Directors are required to hold a number of shares equivalent to 200% of base salary. Executive Directors have five years from the date of appointment to reach this shareholding.

NOTES TO THE POLICY

Payments from existing awards

Executive Directors are eligible to receive payment from any award made prior to the approval and implementation of the remuneration policy detailed in this report. Such awards include vested but unexercised options.

Selection of performance measures and target setting

The Committee regularly reviews the appropriateness of performance measures used by the Group.

- The annual bonus measures have been selected to incentivise sustainable growth in profits. The matrix structure provides a balanced focus between commercial and cash initiatives. A basket of strategic measures will be selected each year to reinforce the Group's strategic objectives.
- The Committee believes that EPS continues to be the best measure of long-term performance for the Group and is currently therefore the primary long-term incentive measure. It provides strong line of sight for executives who are familiar with the existing basis of EPS performance measurement, and is consistent with the Group's long-term strategy focusing on sustainable growth.
- ROCE supports the Group's cash initiatives of controlling working capital and capital expenditure and, when combined with EPS, provides a balance between growth and returns.
- Performance targets are set to be stretching and achievable, taking into account the Company's strategic priorities and the economic environment in which the Company operates.
- The Committee has considered the use of other performance measures to reinforce the Company's long-term objectives, including relative TSR and cash flow. However, given the diversity of the Group's operations, it would be difficult to set a relevant and robust comparator group for assessing relative TSR performance and there would be some difficulty in cascading many of the other measures appropriately down the organisation.
- Targets are set taking into account a range of reference points including the Ignite strategy and broker forecasts for the Group. The Committee believes that the performance targets set are appropriately stretching, and that the maximum will only be achievable for truly outstanding performance. Please see page 74 for further details on the target ranges.

- The Committee retains discretion to adjust the annual bonus outcome up or down to ensure that it is a fair reflection of the Group's underlying performance.
- The Committee also has the discretion to adjust the performance conditions for long-term incentive plans in exceptional circumstances, provided the new conditions are no tougher or easier than the original conditions.
- Any discretion exercised by the Committee in the adjustment of performance conditions will be fully explained to shareholders in the relevant Annual Report on Remuneration. If the discretion is material and upwards, the Committee will consult with major shareholders in advance. No such discretion was exercised during 2017.

Malus and clawback

These provisions allow the Committee in certain circumstances (such as gross misconduct or a material misstatement of the Group financial statements) the discretion to:

- reduce bonus, PSP and/or CIP;
- cancel entitlement of bonus;
- prevent vesting of the PSP and/or CIP; or
- allow the Company within two years of payment/vesting of award to claim back up to 100% of the award.

Composition of remuneration arrangements

A significant proportion of Executive Directors' pay is variable, long term and remains 'at risk' (i.e. subject to malus and clawback provisions).

Charts are based on maximum payout scenarios for Executive Directors.

Fixed vs. variable (%)



Short-term vs. long-term (%)



REMUNERATION POLICY FOR OTHER EMPLOYEES

Our approach to salary reviews is consistent across the Group with consideration given to the level of responsibility, experience, individual performance, salary levels in comparable companies (using remuneration surveys, where appropriate) and the Company's ability to pay.

Senior managers (c. 400 individuals) participate in an annual bonus scheme which has similar performance targets to those of the Executive Directors. Below this level, local incentive schemes are in place for management and non-management employees. Opportunities and performance conditions vary by country and organisational level, with business unit-specific metrics incorporated where appropriate. Commission-based arrangements are also operated for certain roles.

Senior managers also receive PSP awards while participation in the CIP is limited to Executive Directors, Group Executive Committee members and the next level of executives (c. 20 individuals). Performance conditions are consistent for all participants while award sizes vary by organisational level. Share ownership guidelines apply to Executive Directors and Group Executive Committee members.

All UK employees are eligible to participate in the SAYE scheme on the same terms.

Pension and benefits arrangements are tailored to local market conditions, and so various arrangements are in place for different populations within the Group.

REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

Objective and link to strategy	Operation and performance metrics	Opportunity
To provide fair remuneration, reflecting the time commitment and responsibilities of the role.	<p>Non-Executive Directors receive a fixed fee and do not participate in any incentive schemes or receive any other benefits, except the Chairman who receives medical cover.</p> <p>Fee levels are reviewed regularly, with any adjustments effective immediately after the review is approved.</p> <p>Additional fees are payable for acting as Senior Independent Director and as Chairman of any of the Board's Committees (excluding the Nomination Committee).</p> <p>The Chairman's fee is determined by the Remuneration Committee and the fees for other Non-Executive Directors are determined by the Executive Directors.</p> <p>Non-Executive Directors may elect to receive up to 20% of their net fees p.a. as Company shares.</p>	<p>Appropriate adjustments may be made to fee levels, taking account of:</p> <ul style="list-style-type: none"> - increases awarded across the Group as a whole and conditions elsewhere in the Group; - fee levels within organisations of a similar size, complexity and type; and - changes in complexity, responsibility or time commitment required for the role.

Fees paid to Non-Executive Directors are within the limits set by shareholders from time to time. This limit, currently at an aggregate of £1,000,000, was last approved by shareholders at the 2015 AGM.

CONSIDERATION OF CONDITIONS ELSEWHERE IN THE GROUP

Prior to the annual salary review, the Committee receives an update from the Chief Human Resources Officer on the average salary increases across the Group. This is considered by the Committee when determining salary increases for the Executive Directors and the Group Executive Committee.

The Company has a diverse international spread of businesses as well as a wide variety of roles from petrol pump attendants and valeters through to Chief Executives of our individual businesses and therefore pay levels and structures vary to reflect local market conditions. Although the Company has not carried out a formal employee consultation regarding executive remuneration, it does comply with local regulations and practices regarding employee consultation more broadly.

CONSIDERATION OF SHAREHOLDER VIEWS

When determining remuneration, the Committee takes into account the guidelines of representative investor bodies and shareholder views.

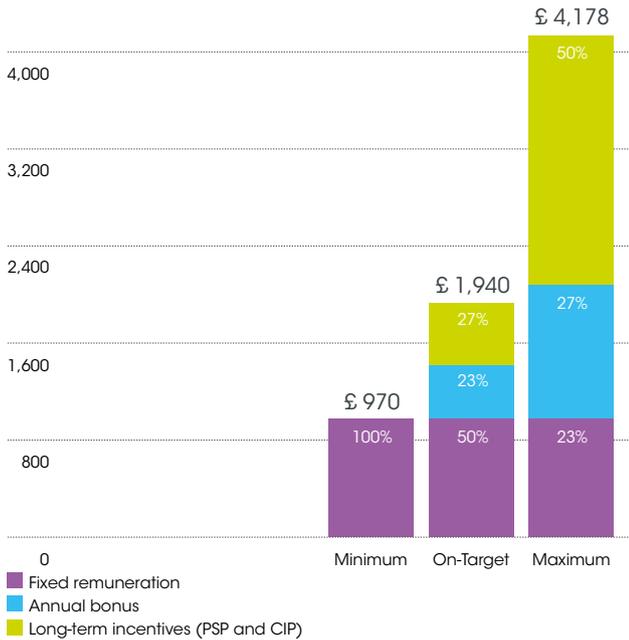
The Committee is always open to feedback from shareholders on remuneration policy and arrangements. We are committed to undertaking shareholder consultation in advance of any changes to remuneration policy, as evidenced by our recent consultation with shareholders representing two-thirds of the Company's issued share capital on proposed changes. The Committee will continue to monitor trends and developments in corporate governance and market practice to ensure the structure of the executive remuneration remains appropriate.

The votes received at the 2017 AGM on the 2016 Directors' Report on Remuneration and the Remuneration Policy are provided on page 77.

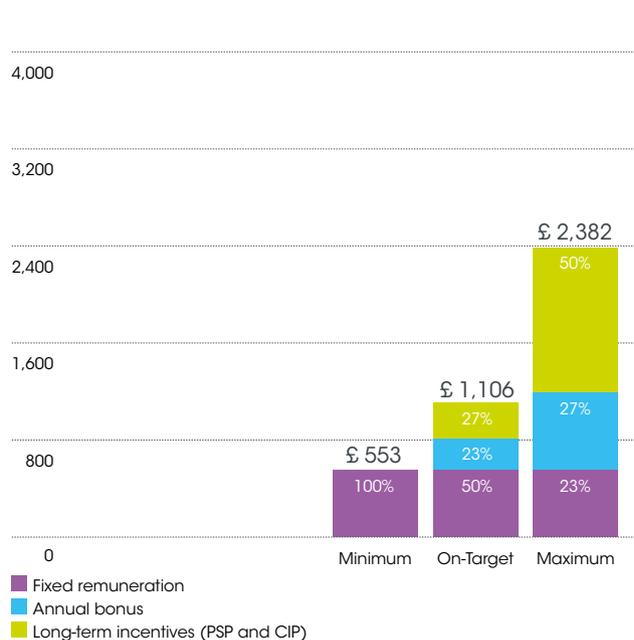
PERFORMANCE SCENARIOS

The charts below show the remuneration that Executive Directors could expect to obtain based on varying performance scenarios. Illustrations are intended to provide further information to shareholders regarding the pay for performance relationship. However, actual pay delivered will be influenced by changes in share price and the vesting periods of awards. The charts have been updated for 2018 salaries and the 2018 long-term incentive grants.

Stefan Bomhard - Group Chief Executive
Total remuneration (£'000s)



Richard Howes - Chief Financial Officer
Total remuneration (£'000s)



Notes on the performance scenarios:

The projected values exclude the impact of share price movements and dividend accrual.

Element	Assumptions			
Fixed remuneration	Total remuneration comprises base salary, benefits and pensions Base salary – effective from 1 April 2018 Benefits – as provided in the single figure table on page 69 Pension – cash in lieu of pension			
Variable pay		Minimum	On-target	Maximum
Annual bonus	No payout	Target payout (40% of maximum)	Maximum payout	
CIP	No vesting	Assumes full voluntary investment		
		Threshold match of 0.5:1	Maximum vesting	
PSP	No vesting	Threshold vesting (25% of maximum)	Maximum vesting	

APPROACH TO RECRUITMENT REMUNERATION

External appointments

When appointing a new Executive Director, the Committee may make use of any of the existing components of remuneration, as follows:

Component	Approach	Maximum annual grant value	
Base salary	The base salaries of new appointees will be determined by reference to the scope of the role, experience of the individual, pay levels at organisations of a similar size, complexity and type, pay and conditions elsewhere in the Group, implications for total remuneration, internal relativities and the candidate's current base salary.	n/a	
Pension	New appointees will be eligible to participate in the Group's pension plan (or receive a cash supplement in lieu) on similar terms to existing Executive Directors.	n/a	
Benefits	New appointees will be eligible to receive normal benefits available to senior management, including (but not limited to) company cars, medical care and life assurance.	n/a	
Annual bonus	The annual bonus described in the policy table will apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of employment over the year.	150% of salary	
PSP	New appointees will be granted awards on the same terms as other Executive Directors as described in the policy table.	300% of salary	The combined maximum is not intended to exceed 400% of salary
CIP	New appointees will be granted awards on the same terms as other Executive Directors as described in the policy table.	100% of salary	
Other	The Committee will consider on a case-by-case basis if all or some of the incentives forfeited on leaving a previous employer will be 'bought-out'. If the Committee decides to buy-out forfeited awards, the award will be structured on a comparable basis, taking into account any performance conditions attached, time to vesting and share price at the time of buy-out. The Committee retains the discretion to make use of the relevant Listing Rule to facilitate such a buy-out.	n/a	

Notes to recruitment remuneration policy

In determining the appropriate remuneration for a new Executive Director, the Committee will take into consideration all relevant factors to ensure that arrangements are in the best interests of the Group and its shareholders.

Internal appointments

In cases of internal promotions to the Board, the Committee will determine remuneration in line with the policy for external appointees as detailed above. Where an individual has contractual commitments made prior to their promotion to Executive Director level, the Company will continue to honour these arrangements. Incentive opportunities for employees below Board level are typically no higher than for Executive Directors.

Non-Executive Directors

In recruiting a new Non-Executive Director, the Committee will use the policy as set out in the table on page 65. A base fee in line with the prevailing fee schedule would be payable for Board membership, with additional fees payable for acting as Senior Independent Director or as the Chairman of Audit, Remuneration and CR Committees as appropriate.

EXIT PAYMENT POLICY, SERVICE CONTRACTS AND CHANGE OF CONTROL

The Company's policy is to limit severance payments on termination to pre-established contractual arrangements.

In addition, the Company retains discretion to settle any other amount reasonably due to the Executive Director, for example, to meet legal fees incurred by the Executive Director in connection with the termination of employment, where the Company wishes to enter into a settlement agreement and the individual must seek independent legal advice.

In the event that the employment of an Executive Director is terminated, any compensation payable will be determined in accordance with the terms of the service contract between the Company and the employee as well as the rules of any incentive plans. When considering exit payments, the Committee reviews all potential incentive outcomes to ensure they are fair to both shareholders and participants.

The table below summarises how the awards under the annual bonus, PSP and CIP are typically treated in specific circumstances, with the final treatment remaining subject to the Committee's discretion:

Component	Circumstance	Treatment	Payment/vesting date (if relevant)
Annual bonus	Resignation.	Bonus will lapse unless the date of leaving is after the year end. The bonus will only be paid to the extent the targets set at the beginning of the year have been achieved.	Either the end of the performance period or at the Committee's discretion.
	Death, ill-health, redundancy, retirement or any other reason which the Committee may, in its absolute discretion, permit.	The bonus will only be paid to the extent the targets set at the beginning of the year have been achieved. Any bonus payment will be pro-rated for time served during the year.	Either the end of the performance period or at the Committee's discretion.
	Change of control.	The bonus will only be paid to the extent the targets set at the beginning of the year have been achieved. Any bonus payment will be pro-rated for time served during the year.	Either the end of the performance period or at the Committee's discretion.
PSP and CIP	Resignation.	Unvested awards will lapse on date of leaving. Any vested awards can be exercised.	Either the end of the performance period or at the Committee's discretion.
	Death, ill-health, redundancy, retirement (CIP only) or any other reason which the Committee may, in its absolute discretion, permit.	Any unvested awards will be pro-rated for time and performance.	Either the end of the performance period or at the Committee's discretion.
	Change of control.	Any unvested awards will be pro-rated for time and performance.	Either the end of the performance period or at the Committee's discretion.

SERVICE CONTRACTS

The Company's policy is for Executive Directors' service contract notice periods to be no longer than 12 months, except in exceptional circumstances. All current contracts contain notice periods of 12 months.

Name	Date of contract	Notice period	Unexpired term
Stefan Bomhard	1 April 2015	12 months	To retirement age
Richard Howes	11 April 2016	12 months	To retirement age

The Company may terminate an Executive Director's contract by paying a sum equal to base salary and, in certain circumstances, benefits including pension and life assurance, company car and entitlement to holiday pay for the 12 month period. Executive Directors' service contracts are available to view at the Company's registered office.

PART 2 — ANNUAL REPORT ON REMUNERATION

The names of the Committee members are given on page 59 and their biographies can be found on pages 44 to 45. The work of the Committee during the year is summarised in the letter to shareholders on page 59 and given in full detail in the following report.

The following section provides details of how the Company's remuneration policy was implemented during the financial year to 31 December 2017 and how it will be implemented in the financial year to 31 December 2018.

SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED)

The table below sets out the total remuneration received by the Directors for the year ended 31 December 2017:

Name	Base salary/fees £'000		Taxable benefits (a) £'000		Single-year variable (b) £'000		Multiple-year variable (c) £'000		Pension (d) £'000		Other (e) £'000		Total £'000	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Current Executive Directors														
Stefan Bomhard	713	688	19	84	728	424	1,373	-	214	207	0	0	3,047	1,403
Richard Howes	412	294	2	1	421	184	-	-	124	88	409	356	1,368	923
Current Non-Executive Directors (f)														
Ken Hanna	320	320	3	2	-	-	-	-	-	-	-	-	323	322
Jerry Buhlmann*	50	-	-	-	-	-	-	-	-	-	-	-	50	-
Rachel Empey	60	36	-	-	-	-	-	-	-	-	-	-	60	36
John Langston	75	75	-	-	-	-	-	-	-	-	-	-	75	75
Coline McConville	75	75	-	-	-	-	-	-	-	-	-	-	75	75
Nigel Northridge	81	81	-	-	-	-	-	-	-	-	-	-	81	81
Nigel Stein	60	60	-	-	-	-	-	-	-	-	-	-	60	60
Till Vestring	70	70	-	-	-	-	-	-	-	-	-	-	70	70
Previous Non-Executive Directors														
Alison Cooper*	10	60	-	-	-	-	-	-	-	-	-	-	10	60
Total	1,926	1,759	24	87	1,149	608	1,373	-	338	295	409	356	5,219	3,105

* Jerry Buhlmann joined the Group during the year. Alison Cooper left during the year.

a Taxable benefits comprise car allowance, medical cover and mileage allowance.

b Payment for performance during the year under the annual bonus, including amounts paid in shares.

c The 2017 figure for Stefan Bomhard is based on awards vesting during the year, valued on the average share price from 1 October 2017 to 31 December 2017 of 780.0p. Richard Howes joined the Group in 2016 and therefore did not receive an award in 2015. Actual performance against targets is given on page 72.

d During the year the Executive Directors received a cash supplement of 30% of base salary in lieu of pension contributions.

e The 2017 figure for Richard Howes is the value of the RH award which was granted to him as a buyout on joining the Company, which becomes exercisable on 11 April 2018, based on the average share price from 1 October 2017 to 31 December 2017 of 780.0p. See page 73 for actual performance against targets. The 2016 figure for Richard Howes includes the value of the award granted in lieu of forfeited incentives from his previous employer and the embedded value of the 2016 SAYE at date of grant.

f The fees of the Chairman, Non-Executive Directors and the Senior Independent Director are given on page 70.

BASE SALARY

Salaries are reviewed annually and typically take effect from 1 April each year. The quantum of total executive remuneration was reviewed against four comparator groups: retailers, distributors, companies of a similar market cap, and companies with similar revenues.

Salaries for 2018 were determined taking into account this benchmarking data, as well as the other factors detailed in the policy table.

The salaries for 2016, 2017 and 2018 are set out below, together with the average increases across the Group.

Name	1 April 2016	1 April 2017	1 April 2018
Stefan Bomhard	£700,000	£717,500	£746,200 – 4.0% increase
Richard Howes	£405,000	£415,125	£425,503 – 2.5% increase
Average increase across Group	3.4%	2.18%	2.5%

The Committee carefully considered Stefan Bomhard's salary in relation to market positioning and his strong leadership. The Committee agreed a 4% increase in salary as appropriate which, although above the average increase across the Group, is within the range of increases offered to other employees. Richard Howes' salary was increased by 2.5% which is in line with the average increase across the Group.

CHAIRMAN'S AND NON-EXECUTIVE DIRECTORS' FEES

The Chairman receives a fee of £320,000 p.a. The Senior Independent Director receives a fee of £81,000 p.a. The Non-Executive Directors' receive a fee of £60,000 p.a with an additional £15,000 p.a for the chair of the Audit and Remuneration Committees and an additional £10,000 p.a for the chair of the CR Committee.

The Chairman and Non-Executive Directors fees were last reviewed in 2015. There are no changes proposed for 2018.

ANNUAL BONUS

The annual bonus is based on annual financial performance measures and non-financial measures. The non-financial measures may include personal objectives linked to the delivery of the Ignite strategy. The measures are selected to incentivise sustainable growth and the financial matrix is designed to provide a balanced focus between commercial and cash initiatives. The non-financial measures are selected each year to reinforce the Group's strategic objectives.

The maximum opportunity is 150% of salary which is payable for achieving stretch performance against all measures. Any bonus earned above 100% of salary is automatically invested into the CIP. Bonus payouts in 2017 are subject to malus and clawback provisions.

In line with the Committee's commitment to disclose bonus targets, the table on page 71 illustrates targets, performance and resulting bonus outcomes for the Executive Directors for the 2017 bonuses.

2017 BONUS

In recent years our annual bonus has been based purely on financial performance and customer service levels against targets. For 2017, the Committee agreed that 80% of the bonus should be based on financial performance of revenue and operating profit and 20% of the bonus should be based on strategic objectives, therefore linking an individual's bonus outcome to their contribution to the Ignite strategy.

The principles for setting the new framework are such that it:

- Drives the desired behaviours underpinned by our Performance Drivers
- May be easily cascaded through the organisation to reinforce alignment of our collective goals
- Has clear measures and targets

The strategic element of bonus performance is aligned with Ignite



Lead in customer experience

Customer service innovation, including progress on the digital customer journey



Become the OEM partner of choice

Improving strategic business partnerships with our OEM brand partners



Deliver full potential on all our revenue streams

Developing business opportunities and improving focus on all our revenue streams



Leverage our global scale

Improvement in business processes

ACTUAL PERFORMANCE AGAINST TARGETS:

		Financial measures			Strategic measures	Total payment	
Stefan Bomhard	Revenue	Threshold £7,962.1m	Target £8,381.2m	Stretch £8,800.3m	Max 30%	% of salary	£000
	Actual performance	£8,550.9m			28.5%	101.46%	£727,976
	Operating profit	Threshold £341.6m	Target £379.5m	Stretch £417.5m			
Actual performance	£389.3m						
Richard Howes	Revenue	Threshold £7,962.1m	Target £8,381.2m	Stretch £8,800.3m	Max 30%	% of salary	£000
	Actual performance	£8,550.9m			28.5%	101.46%	£421,186
	Operating profit	Threshold £341.6m	Target £379.5m	Stretch £417.5m			
Actual performance	£389.3m						

Actual performance for determining bonus outcomes has been calculated using the same currency rates as used to set the bonus target. This ensures that bonus outcomes are linked to, and reward for, underlying financial performance.

Lead in customer experience

We set ourselves some very stretching internal targets for customer experience, one which was narrowly missed by 1.9% and the other which was met at threshold. We also successfully initiated a number of process changes over the year to improve our ability to turn NPS feedback into actions and further strengthen our customer experience.

Become the OEM partner of choice

In order to improve our strategic business partnerships with our OEM brand partners we set ourselves a number of stretching targets based on our OEMs expectations for unit volume, market share and customer satisfaction. Over the year we improved our delivery against our OEMs expectations, exceeding the agreed targets.

Deliver full potential on all revenue streams

As a means of recognising the need to have diversification of value drivers and to deliver strong returns in all market conditions, we have focused on improving productivity, deepening our expertise and investing in technicians to maximise the potential of our current assets. Further, we set – and met – stretch targets on improvements on Finance and Insurance with additional focus on the development of new products and services which will lead to improvement in profit from an additional revenue stream in many markets.

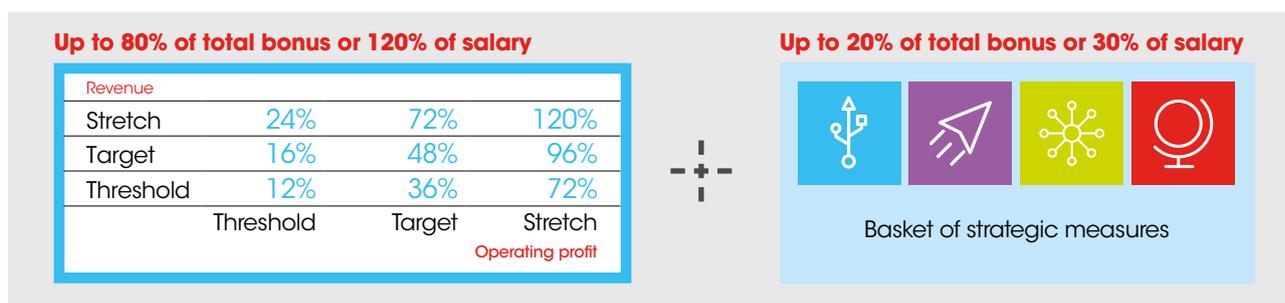
Leverage our global scale

Our dedicated focus on procurement has achieved £20m of annualised cost savings.

ANNUAL BONUS FOR 2018

The maximum annual bonus opportunity in 2018 will remain unchanged from previous years and will be 150% of salary.

For the Executive Directors, 80% of the bonus will be based on the same financial performance matrix as 2017, which is linked to revenue and operating profit, and 20% of the bonus will be based on a basket of specific, measurable objectives that relate to the Ignite strategy.



Given the close link between performance targets and the longer-term strategy and the advantage this may give competitors, the 2018 targets are not disclosed in this report because of their commercial sensitivity. The Committee intends to publish the financial targets and provide more detail on the basket of strategic measures in next year's Directors' Report on Remuneration.

AWARDS VESTING DURING THE YEAR

In 2015, Inchcape granted awards under the PSP and CIP schemes which vested dependent on certain performance targets over three years to 31 December 2017. Richard Howes joined the Group in 2016 and therefore did not receive an award.

2015 Normal PSP/CIP

Three year EPS growth p.a. (75% weighting)	Vesting %	Three year average ROCE (25% weighting)	Vesting %	
Less than 5%	0%	Less than 21%	0%	
5%	25%	21%	25%	
13%	100%	25%	100%	
Between 5% and 13%	Straight line basis		Between 21% and 25%	Straight line basis

2015 Enhanced PSP

Three year EPS growth p.a.	Vesting %	
Less than 13%	0%	
18%	100%	
Between 13% and 18%	Straight line basis	

2015 vesting of PSP/CIP

Award	Performance measure	Wtg.	Vesting outcome (% of element)
Normal PSP	EPS	75%	72.8%
	ROCE	25%	100%
Enhanced PSP	EPS	100%	0%
Total (overall vesting outcome of normal PSP)			79.6%

	Performance measure	Wtg.	Vesting outcome (% of element)
CIP	EPS	75%	1.46:1 match
	ROCE	25%	2:1 match
Total (overall vesting outcome of CIP)			1.59:1 match

Stefan Bomhard was granted a 2015 PSP and 2015 CIP award and is therefore entitled to the following shares on vesting:

	Interest held	Vesting %	Interest vesting	Vesting date	Assumed market price (p) ¹	Estimated value
Stefan Bomhard						
Normal PSP	143,734	79.6%	114,412	17 April 2018	780.0p	£892,416
Enhanced PSP	15,971	0.0%	0	17 April 2018	780.0p	£0
CIP	77,408	79.6%	61,616	17 April 2018	780.0p	£480,605

¹ As the market price on the date of vesting is unknown at the time of reporting, the value is estimated using the average market value of the last three months of 2017.

SB award

Stefan Bomhard received an award of 205,125 nil-cost options when he joined the Group on 1 April 2015. These options were in lieu of forfeited incentives from his previous employer and have an exercise price of 10.0p. Vesting is dependent on continued employment.

On 1 April 2017, the second tranche (68,375 options) vested at a share price of 841.5p. The remaining options will vest on 1 April 2018, dependent on continued employment. During the year he exercised the first and second tranches of the SB award. Further details are given on page 74.

RH award

As disclosed in last year's report and detailed in the single figure table for 2016, Richard Howes received an award in lieu of forfeited incentives from his previous employer when he joined the Group on 11 April 2016. This award consists of 124,909 nil-cost options with an exercise price of 10.0p and has the following conditions:

- 51,759 nil-cost options; half of this award vests on each of the first and second anniversaries of the grant date (i.e. 11 April 2017 and 2018) dependent on continued employment. This award is in lieu of forfeited incentives from his previous employer which did not have any performance conditions attached to the awards. On 11 April 2017, the first tranche of this award (25,879 options) vested at a share price of 842.0p.
- 73,150 nil-cost options; award will vest on 11 April 2018 dependent on 2015 PSP performance conditions being met. The option is structured as the PSP with 90% as 'normal' awards and 10% as 'enhanced' awards. This award is in lieu of forfeited incentives from his previous employer which had performance conditions attached to the award. As disclosed on page 72, 79.6% of the 'normal' element will vest and the 10% 'enhanced' element will lapse. Therefore 52,404 options will vest on 11 April 2018.

AWARDS MADE DURING THE YEAR

Awards were made to the Executive Directors and other senior executives under the PSP and CIP. The PSP awards were granted as a percentage of salary and both Stefan Bomhard and Richard Howes were granted PSP awards at 180% of salary.

Under the CIP, Stefan Bomhard and Richard Howes invested 50% of salary and received an award of 100% of salary. Performance conditions for awards made in 2017 are as follows:

2017 PSP/CIP

Three year EPS growth p.a. (60% weighting)	Vesting %	Three year average ROCE (40% weighting)	Vesting %
Less than 4%	0%	Less than 22%	0%
4%	25%	22%	25%
12%	100%	26%	100%
Between 4% and 12%	Straight line basis	Between 22% and 26%	Straight line basis

Threshold level performance will result in 25% of the 2017 PSP and CIP awards vesting.

Awards made during the year are:

	Date of grant	Share price (p) ¹	Number of shares/options awarded	Face value at grant ²	Performance period	Exercise period
Stefan Bomhard						
PSP	26 May 2017	836.5p	150,982	£1,262,964	Jan 2017 – Dec 2019	May 2020 – May 2021
CIP	27 June 2017	769.0p	92,247	£709,379	Jan 2017 – Dec 2019	June 2020 – Dec 2021

Richard Howes

PSP	26 May 2017	836.5p	87,354	£730,716	Jan 2017 – Dec 2019	May 2020 – May 2021
CIP	27 June 2017	769.0p	53,371	£410,423	Jan 2017 – Dec 2019	June 2020 – Dec 2021

1 Mid-market share price on date of grant.

2 Face value has been calculated using the share price at date of grant.

LONG-TERM INCENTIVES FOR 2018

The PSP and CIP awards for 2018 will be granted with the following weightings and targets. Stefan Bomhard and Richard Howes will both be granted a PSP award to the value of 180% of base salary in 2018 and will be invited to participate in the CIP in line with policy.

2018 PSP/CIP

Three year EPS growth p.a. (60% weighting)	Vesting %	Three year average ROCE (40% weighting)	Vesting %
Less than 4%	0%	Less than 22%	0%
4%	25%	22%	25%
12%	100%	26%	100%
Between 4% and 12%	Straight line basis	Between 22% and 26%	Straight line basis

PENSION

During the year, the Executive Directors received a cash supplement of 30% of base salary in lieu of pension contributions, and were eligible to join the Cash+ pension scheme. Neither Stefan Bomhard nor Richard Howes participated in the pension scheme.

For 2018, this arrangement remains unchanged.

EXECUTIVE SHARE OWNERSHIP AND DIRECTORS' INTERESTS (AUDITED)

The table below shows the total number of shares, options and awards held by each Director at 31 December 2017.

	Shares held at 31 December 2017	Share award held		Options held		Vested but not yet exercised	Guideline met
		Subject to performance conditions	Subject to deferral	Not subject to performance targets	Subject to deferral		
Stefan Bomhard	160,624	740,650	0	68,375	1,557	0	No
Jerry Buhlmann	15,000	n/a	n/a	n/a	n/a	n/a	n/a
Rachel Empey	6,760	n/a	n/a	n/a	n/a	n/a	n/a
Ken Hanna	70,000	n/a	n/a	n/a	n/a	n/a	n/a
Richard Howes	30,566	390,658	0	51,759	1,598	0	No
John Langston	4,299	n/a	n/a	n/a	n/a	n/a	n/a
Coline McConville	2,977	n/a	n/a	n/a	n/a	n/a	n/a
Nigel Northridge	28,391	n/a	n/a	n/a	n/a	n/a	n/a
Nigel Stein	10,102	n/a	n/a	n/a	n/a	n/a	n/a
Till Vestring	40,777	n/a	n/a	n/a	n/a	n/a	n/a

There have been no changes to the number of shares held by the Directors between 31 December 2017 and 26 February 2018.

Share ownership policy

The Executive Directors are required to hold a fixed number of shares equivalent to 200% of base salary. They have five years from the date of appointment to reach this shareholding. Stefan Bomhard and Richard Howes held 175% and 58% of salary respectively as at 31 December 2017.

Awards exercised during the year

Stefan Bomhard exercised the first and second tranches of the SB award during 2017.

The first tranche (70,131 shares including dividend shares accrued) was exercised on 27 March 2017. The share price on exercise was 842.5p. He sold 33,472 shares upon exercise to cover tax and costs and kept the remaining 36,659 shares. The second tranche (72,374 shares including dividend shares accrued) was exercised on 21 June 2017. The share price on exercise was 776.5p. He sold 34,579 shares upon exercise to cover tax and costs and kept the remaining 37,795 shares.

John McConnell, who left the Group in February 2016, exercised his 2013 PSP award (91,037 shares) on 5 April 2017. He sold 42,241 shares to cover tax and costs and kept the remaining 48,296 shares. The share price on the date of exercise was 828.0p

There were no further exercises in 2017.

PERCENTAGE CHANGE IN GROUP CHIEF EXECUTIVE REMUNERATION

The table shows the percentage change in Group Chief Executive remuneration from 2016 compared with the average percentage change in remuneration for senior management. For the purposes of this disclosure, remuneration comprises salary, benefits (excluding pension) and annual bonus only.

	Change in remuneration from 2016 to 2017	
	Group Chief Executive	Senior management
Salary	3.7%	2.84%
Taxable benefits ¹	(77.4)%	0%
Taxable benefits ²	18.8%	-
Single-year variable	171.7%	45.2%
Total	(0.18)%	13.1%

- 1 Percentage change in benefits for the CEO including relocation allowance which was paid until March 2016.
- 2 Percentage change in benefits for the CEO excluding relocation allowance.

Employees representing the most senior executives (c.90) have been selected as this group is large enough to provide a robust comparison, whilst also providing data that is readily available on a matched sample basis. These employees also participate in bonus schemes of a similar nature to Executive Directors and therefore remuneration will be similarly influenced by Company performance.

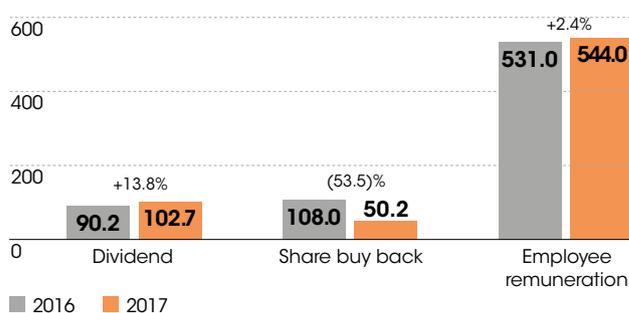
RELATIVE IMPORTANCE OF SPEND ON PAY

The chart shows the percentage change in total employee pay expenditure and shareholder distributions (i.e. dividends and share buybacks) from 2016 to 2017.

As at 31 December 2017, £50.2m had been returned to shareholders under the share buyback programmes.

The Directors are proposing a final dividend for 2017 of 18.9p per share (2016: 16.8p).

Relative importance of spend on pay (£M)



DILUTION LIMITS

During the year, options and awards granted under the Group's incentive plans were satisfied on exercise by market purchase shares. Dilution limits are monitored throughout the year by the Committee and the Company complies with the limits set by the Investment Association.

Issued share capital as at 31 December 2017	415m
All schemes - 10% over 10 year rolling period	41m
Remaining headroom for all schemes	22m
Executive schemes - 5% over a 10 year rolling period	21m
Remaining headroom for executive schemes	7m

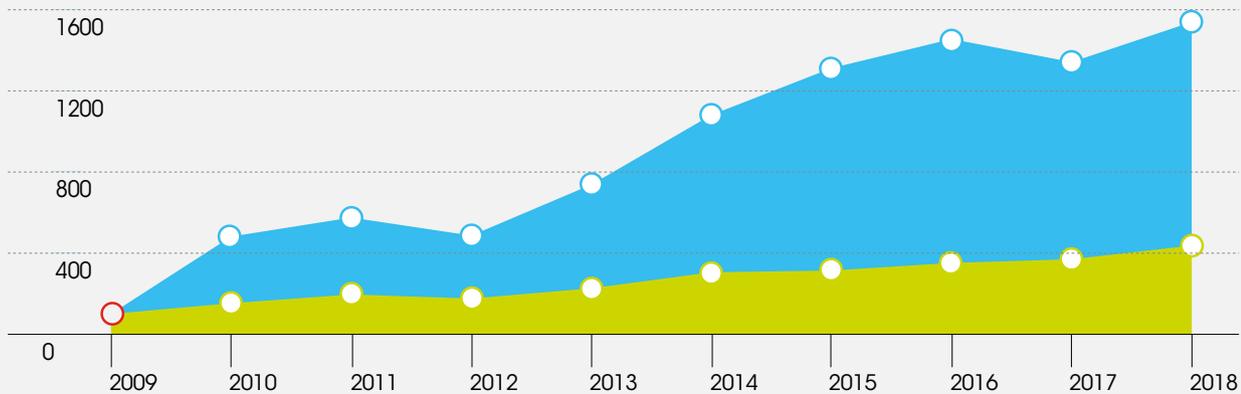
PAY FOR PERFORMANCE

The graph below shows the Total Shareholder Return (TSR) of the Company over the nine year period to 31 December 2017. The FTSE mid 250 excluding investment trusts has been chosen as the most suitable comparator group as it is the general market index in which the Company appears. The table below details the Group Chief Executive's single figure remuneration and actual variable pay outcomes over the same period.

HISTORICAL TSR PERFORMANCE

Growth in the value of a hypothetical £100 holding over the nine years to 31 December 2017
Value of £100 invested at 1 January 2009

Value of £100 invested at 1 January 2009



● Inchcape ● FTSE mid 250 excluding investment trusts

	Group Chief Executive	2009	2010	2011	2012	2013	2014	2015	2016	2017
CEO single figure of remuneration (£'000)	André Lacroix	1,984	1,984	2,993	2,165	4,400	5,265	294 ¹	n/a	n/a
	Stefan Bomhard	n/a	n/a	n/a	n/a	n/a	n/a	2,906 ²	1,403	3,047
Annual bonus outcome (% of maximum)		100%	100%	52%	68%	48%	100%	56.8%	40.3%	67.6%
LTI vesting ³ outcome (% of maximum)		0%	0%	100%	100%	66%	68%	n/a ⁴	n/a ⁵	79.6%

1 The amount for André Lacroix reflects remuneration received until he left the Group in March 2015.

2 The amount for Stefan Bomhard is pro-rated for time in role and includes relocation allowance and the share award made in lieu of his forfeited awards.

3 LTI includes CIP, 'normal' PSP, 'enhanced' PSP and options prior to 2013.

4 Neither André Lacroix nor Stefan Bomhard received a vested award under the 2013 PSP or CIP. However, for those participants who did receive an award, 65.5% of the 2013 normal PSP vested and there was a 1.31 match for each share invested into the 2013 CIP.

5 Stefan Bomhard did not receive an award under the 2014 PSP or CIP. However, for those participants who did receive an award, 86.5% of the normal PSP vested and there was a 1.73:1 match for each share invested into the CIP.

SHAREHOLDER CONTEXT

The table below shows the advisory vote on the Remuneration Report at the 2017 AGM.

	Total number of votes	% of votes cast
For (including discretionary)	334,960,188	97.13%
Against	9,887,728	2.87%
Total votes cast (excluding votes withheld)	344,847,916	100%
Votes withheld ¹	4,070,387	
Total votes cast (including votes withheld)	348,918,303	

The table below shows the binding vote on the Remuneration Policy at the 2017 AGM

	Total number of votes	% of votes cast
For (including discretionary)	337,335,918	96.79%
Against	11,173,431	3.21%
Total votes cast (excluding votes withheld)	348,509,349	100%
Votes withheld ¹	408,954	
Total votes cast (including votes withheld)	348,918,303	

¹ Withheld votes are not included in the final proxy figures as they are not recognised as a vote in law.

EXIT PAYMENTS DURING THE YEAR

None.

PAYMENTS TO PAST DIRECTORS

No payments were made to past Directors in 2017.

OTHER DIRECTORSHIPS

The Executive Directors are generally permitted to take one non-executive directorship as long as it does not lead to conflicts of interest or undue time commitment.

Stefan Bomhard is a Non-Executive Director of Compass Group plc, for which he received a fee of £84,000 during 2017.

ADVISORS TO THE COMMITTEE

Kepler, a brand of Mercer (and part of the MMC group), acted as the independent remuneration advisor to the Committee during the year. Kepler attends Committee meetings and provides advice on remuneration for executives, analysis of the remuneration policy and regular market and best practice updates. Kepler reports directly to the Committee Chair and is a signatory and adheres to the Code of Conduct for Remuneration Consultants (which can be found at www.remunerationconsultantsgroup.com). Kepler was appointed by the Committee in 2010 after a comprehensive tendering process carried out by the Committee.

Mercer also supplies unrelated services to the Group in relation to IAS 19. The Committee is satisfied that the advice it receives from Kepler is objective and independent and that Kepler does not have any connection with the Company that may impair its independence. Kepler's fees are charged at an hourly rate in accordance with the terms and conditions set out in the Engagement Letter. Kepler were paid fees of £80,664.09 for its services during the year, excluding expenses and VAT.

The Directors' Report on Remuneration was approved by the Board and has been signed by Coline McConville on its behalf.



Coline McConville

Chairman of the Remuneration Committee